

PJM Capacity Rate Adjustment

(5/5/25)

Background

Tighter supply-demand fundamentals have resulted in record-high clearing prices that increase capacity costs to all PJM customers by 700% or more. On July 30, 2024, PJM released results for the Delivery Year (DY) 25/26 (Jun25-May26) Base Residual Auction (BRA), which sets capacity costs for a one-year period.

Who is impacted by this charge?

All electricity customers within the PJM footprint are impacted by this increase, starting on June 1, 2025, through May 31, 2026.

ENGIE's Response

Effective June 1, ENGIE Resources will begin billing to recover these capacity costs. For the majority of our fixed price customers, we are not calling "change-in-law" but are executing the BRA section of our contracts, balancing capacity costs to reflect the current market by year.

What changes will I see on my bill?

Most customers will see a new billing line item, "Capacity Planning Year Rate Adj." for the incremental capacity charge. The increase is the difference in auction clearing prices between the BRA for PY 25/26 and last known BRA at time of contract, multiplied by a customer's capacity obligation at time of contract, multiplied by the number of days in billing cycle.

Isn't a PJM capacity charge already included in my contract price?

Contracts signed on or before July 30, 2024, that include capacity charges in the contract price are subject to pass-through of incremental costs.

Will capacity prices change every year?

Yes. The Base Residual Auction is conducted annually to set capacity costs for a one-year period. PJM submitted and FERC has approved a proposal by Pennsylvania Governor Shapiro to set a time-limited "collar" for its next two capacity auctions. The proposal sets approximately a \$325/MW-day cap and a \$175/MW-day floor for the (June- May) 26/27 and 27/28 delivery years. Without the collar, the cap for the upcoming July auction could have reached \$500/MW-day with a \$0 floor.

Generator Accreditation Process

The cap and floor values were approved knowing that they would be updated annually as part of PJM's accreditation process for how many MWs generators can sell into the capacity auction. This process is called Effective Load Carrying Capability. PJM's update for the July scheduled auction for DY 26/27 is \$329/MW-day and \$177/MW-day. Later this year, before the December scheduled auction, PJM will update the cap and floor for DY 27/28.

Long Range Planning

Market expectations suggest that PJM capacity impact will persist in coming years. Assessing the financial implications for your organization and budget is critical. Please reach out to your ENGIE Account Manager for personalized strategies that will empower you to make informed and cost-effective decisions.

