

PJM CAPACITY INCREASE



June 2025

Effective June 2025, 9-10x increase in capacity prices will be realized impacting rates in 13 states across the mid-Atlantic and DC. Efforts to manage energy usage and increase your energy efficiency could yield a lower price per kWh.

WHAT?

In July 2024, PJM completed their 2025-2026 capacity auction. Capacity is a key demand-based component making up to about 20% of overall electricity supply price per kWh. The results of the auction set the capacity rates for all states in the PJM region for June 2025 – May 2026. The results yielded a significant increase in rates. Current capacity base rates at \$28.92 per MW-day. The auction set new record-breaking base capacity rates to \$269.92 per MW-day.

WHO?

PJM consists of 13 states and the District of Columbia. This increase will affect all consumers, regardless of rate class and electricity supplier.

WHY?

Projected electricity demand for this time period outweighs electricity supply. The amount of new electricity demand coming onto the grid in this region is exceeding the amount of electric generation available for June 2025 – May 2026. This significant imbalance has caused this significant increase. Many attribute the increase in demand to AI and data center needs, but the reality is that in addition to that sector, much of the region is imposing GHG reduction sanctions, promoting electrification. On the other side of the equation, there are scheduled retirements of coal and oil-fired electric generation which is decreasing the amount of generation available.

WHAT CAN YOU DO?

Capacity is a demand-based component, part of the overall supply price per kWh. Capacity costs are calculated solely by the amount of electricity used in the five peak hours of electricity demand each year. PJM announces the 5 peak **hours** of electricity demand at the end of each year. Individual electric account capacity values (tags) are readjusted each June as a result of usage during the five peak hours the previous year. The account will pay for that capacity for an entire 12 months until it's adjusted again the following June.

The price of capacity is set by auction. An account's overall capacity cost is a result of the price and the capacity quantity (tag -KW). Being mindful of usage during potential peak times can mitigate some of the increase in capacity cost by lowering the capacity tag. Use of generators, making energy efficiency measures, and implementing a peak day alert protocol can effectively manage down energy use overall and potentially during the five peak hours that will set the capacity tag for the next year.



Contact Christine Ciavardini, Client Relationship Manager to explore how MDEA can help you mitigate the impact of rising energy costs.

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