



## I. COMMENTS

### A. Maximum Price on the VRR Curve

The Market Monitor supports PJM’s proposed extension of the specific maximum price on the VRR curve because it helps offset part of market distorting effects of the forecast data center load. The Base Residual Auction for 2026/2027 included 11,993 MW of data center load, both forecast and embedded. The forecast data center load was 7,892 MW. The Base Residual Auction for 2027/2028 included 17,071 MW of data center load, both forecast and embedded. The forecast data center load was 13,018 MW.

Table 1 shows the impact of forecast data center load on the last two RPM auctions in which PJM used a maximum price comparable to the proposed extension, plus a price floor, plus a modified VRR curve shape. The maximum price was and is the result of an agreement between the Governor of Pennsylvania and PJM.<sup>3</sup>

If the Agreement had not been in place for the last two auctions, PJM capacity market prices paid by customers would have been \$45,619,136,945 (column A), or \$13,083,187,831 (column C) more than the \$32,535,949,114 that will actually be paid (column B), as a direct result of the Agreement.

**Table 1 Impact of Data Center Load**

	RPM Market Revenues (\$ per Delivery Year)					
	PJM VRR Curve	Agreement VRR Curve	Impact of the Agreement	Without All Data Center Load	Impact of Data Center Load	Impact of Data Center Load Relative to PJM VRR Curve
	A	B	C = A - B	D	E = B - D	F = A - D
2026/2027 RPM BRA	\$19,294,286,100	\$16,124,370,889	\$3,169,915,210	\$8,853,172,918	\$7,271,197,971	\$10,441,113,181
2027/2028 RPM BRA	\$26,324,850,846	\$16,411,578,225	\$9,913,272,621	\$9,913,924,713	\$6,497,653,512	\$16,410,926,133
Total	\$45,619,136,945	\$32,535,949,114	\$13,083,187,831	\$18,767,097,631	\$13,768,851,483	\$26,852,039,314

<sup>3</sup> On December 30, 2024, in Docket No. EL25-46-000, Governor Josh Shapiro and the Commonwealth of Pennsylvania filed a complaint against PJM asserting that the maximum price for PJM’s capacity auctions is unjust and unreasonable. The Governor and PJM reached an Agreement. On February 20, 2025, in Docket No. ER25-1357-000, pursuant to FPA section 205, PJM submitted proposed revisions to its Tariff to establish a specific maximum price and minimum price for all RPM auctions for the 2026/2027 and 2027/2028 Delivery Years, consistent with the Agreement. The resultant VRR curve is termed the Agreement VRR curve.

The impact of data center load on the last two capacity auctions was \$13,768,851,483 (column E). The last two auctions included the maximum price based on the Agreement. In other words, the inclusion of data center load in the last two auctions increased customers' bills by \$13,768,851,483, even with the maximum price from the Agreement in place. If PJM's VRR curve had been in place, the impact of data center load on the last two capacity auctions would have been \$26,852,039,314 (column F).

The market distorting effect of data center load would have been \$26,852,039,314 (column F) but for the Agreement. The result of the Agreement was to reduce that impact by \$13,083,187,831 (column C). Extension of the Agreement will continue to limit the distortionary effect of data center load while the regulatory process proceeds to a decision on a more permanent approach to data center loads.

As a result, the Market Monitor supports the extension of the defined maximum price because it is more consistent with a competitive outcome than would occur without the extension.

There is nothing market based about the PJM VRR curve that would be in place but for the proposed maximum price. Any assertions that the PJM VRR curve represents a true market solution are unsupported and fail to recognize the distortionary effects of including forecast data center load. The PJM VRR curve is based on a faulty calculation of Gross CONE and Net CONE.<sup>4</sup> The PJM VRR curve, effective for the 2028/2029 Base Residual Auction, includes a maximum price equal to the greater of 1.15 times Gross CONE minus 0.75 times Net EAS or 0.2 times Gross CONE, or  $(1.15 * \text{Gross CONE} - 0.75 * \text{EAS})$ . There is no reason to inflate the maximum price and PJM has provided no logical rationale for this overstatement.

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<sup>4</sup> See the Comments of the Independent Market Monitor for PJM, Docket No. ER26-455, (January 20, 2026).

PJM's maximum capacity market price discounts the net revenue offset by using only 75 percent of the net revenue to offset to Gross CONE. The result is to increase point A compared to the original VRR curve definition. As an extreme example, the correct, original VRR curve point A is zero when Net CONE is zero. PJM's definition of point A and the discounting of the EAS offset means that the price is not zero even when Net CONE is zero.

### **B. Minimum Price on the VRR Curve**

The VRR curve has always included a maximum price that both defines shortage price levels and prevents the exercise of market power. The minimum price on the VRR curve has always, appropriately, been zero. The minimum price in the Agreement was a unique feature, never previously included in a BRA, and was at a very high level compared to historical BRA clearing prices. No economic or logical rationale was presented for the minimum price.

The addition of the price floor would prevent the capacity market price from falling to a level that reflects actual Net CONE or 1.5 times Net CONE. The Agreement set the maximum price at a level consistent with 1.5 times Net CONE.<sup>5</sup>

The initial VRR curve, introduced in 2007, had a maximum price equal to 1.5 times the Net Cost of New Entry (Net CONE). The use of Net CONE was based on the logic of the capacity market, to ensure that between the energy and capacity markets the cost of entry was covered. Net CONE was the missing money from the energy and ancillary services markets that needed to be recoverable in the capacity market. The inclusion of the net energy and ancillary services markets revenue in the calculation of Net CONE was the equilibrating factor between the capacity market and energy market. The use of Gross CONE in PJM's VRR curve is inconsistent with that basic capacity market logic as is the use

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<sup>5</sup> See the Analysis of the 2026/2027 RPM Base Residual Auction - Part A (October 1, 2025) <[https://www.monitoringanalytics.com/reports/Reports/2025/IMM\\_Analysis\\_of\\_the\\_20262027\\_RPM\\_Base\\_Residual\\_Auction\\_Part\\_A\\_20251001.pdf](https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_A_20251001.pdf)> at p 3.

of 1.75 times Net CONE which is frequently greater than Gross CONE. Gross CONE was introduced as the maximum price based on PJM's unsupported assertions that Net CONE would somehow be too low. The maximum point on the VRR curve for the 2025/2026 BRA was the higher of Gross CONE or 1.5 times Net CONE, and Gross CONE was actually used. However, if the logic of the markets implies a low Net CONE, that is the right answer. There is nothing inherently wrong with a low Net CONE that requires abandoning the basic capacity market logic.

## II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this pleading as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: March 20, 2026

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,  
this 20<sup>th</sup> day of March, 2026.



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