

# Table of Contents

Preface	i
<b>SECTION 1 Introduction</b>	<b>1</b>
2025 in Review	1
PJM Market Summary Statistics	5
PJM Market Background	5
Conclusions	7
Energy Market Conclusion	7
Capacity Market Conclusion	9
Synchronized Reserve Market Conclusion	10
Nonsynchronized Reserve Market Conclusion	11
Secondary Reserve Market Conclusion	11
Regulation Market Conclusion	12
FTR Auction Market Conclusion	12
Role of MMU	13
Reporting	13
Monitoring	13
Market Design	15
New Recommendations	15
New Recommendations from Section 5, Capacity Market	15
New Recommendations from Section 6, Demand Response	15
New Recommendations from Section 10, Ancillary Services	16
New Recommendation from Section 13, Financial Transmission Rights and Auction Revenue Rights	16
Total Cost of Wholesale Power	16
Section Overviews	21
Overview: Section 3, Energy Market	21
Overview: Section 4, Energy Uplift	32
Overview: Section 5, Capacity Market	36
Overview: Section 6, Demand Response	46
Overview: Section 7, Net Revenue	53
Overview: Section 8, Environmental and Renewables	54
Overview: Section 9, Interchange Transactions	60
Overview: Section 10, Ancillary Services	62
Overview: Section 11, Congestion and Marginal Losses	74
Overview: Section 12, Generation and Transmission Planning	76
Overview: Section 13, FTRs and ARRs	91
<b>SECTION 2 Recommendations</b>	<b>99</b>
Recommendation Priority	99
Recommendation Status	99
New Recommendations	100
New Recommendation from Section 5, Capacity Market	100
New Recommendations from Section 6, Demand Response	100
New Recommendations from Section 10, Ancillary Services	100

New Recommendation from Section 13, Financial Transmission Rights and Auction Revenue Rights	101
<b>Complete List of Current MMU Recommendations</b>	<b>101</b>
Section 3, Energy Market	101
Section 4, Energy Uplift	106
Section 5, Capacity Market	107
Section 6, Demand Response	112
Section 7, Net Revenue	114
Section 8, Environmental and Renewables	114
Section 9, Interchange Transactions	115
Section 10, Ancillary Services	116
Section 11, Congestion and Marginal Losses	119
Section 12, Planning	119
Section 13, FTRs and ARRs	121
<b>Adopted Recommendations</b>	<b>123</b>
Adopted 2025	123
Adopted 2024	124
Adopted 2023	124
Adopted 2022	125
Adopted 2021	126
Adopted 2020	126
Adopted 2019	127
Adopted 2018	127
Adopted 2017	128
Adopted 2016	128
Adopted 2015	128
Adopted 2014	129
Adopted 2013	130
Adopted 2012	130
Adopted 2011	131
Adopted 2010	131
Adopted 2009	131
Adopted 2008	132
Adopted 2006	132
<b>SECTION 3 Energy Market</b>	<b>133</b>
<b>Overview</b>	<b>135</b>
Supply and Demand	135
Competitive Assessment	136
Recommendations	138
Conclusion	143
<b>Supply and Demand</b>	<b>146</b>
Market Structure	146
<b>Market Behavior</b>	<b>161</b>
Generator Offers	161
Hourly Offers and Intraday Offer Updates	162
ICAP Must Offer Requirement	163
Emergency Maximum MW	164

Parameter Limited Schedules	165
Virtual Offers and Bids	170
<b>Market Performance</b>	<b>178</b>
LMP	178
Zonal LMP and Dispatch	200
Fuel Prices, LMP, and Dispatch	207
Components of LMP	214
<b>Shortage</b>	<b>221</b>
Emergency Procedures	221
Power Balance Constraint Violation	226
Shortage and Shortage Pricing	227
<b>Competitive Assessment</b>	<b>239</b>
Market Structure	239
Market Behavior	246
Market Performance	271
Market Structure, Participant Behavior, and Market Performance	280
<b>SECTION 4 Energy Uplift (Operating Reserves)</b>	<b>283</b>
<b>Overview</b>	<b>284</b>
Energy Uplift Credits	284
Energy Uplift Charges	285
Recommendations	285
Conclusion	286
<b>Energy Uplift Credits</b>	<b>288</b>
<b>Categories of Credits and Charges</b>	<b>289</b>
Types of Units	290
Day-Ahead Unit Commitment for Reliability	292
Balancing Uplift (Operating Reserve) Credits/Balancing Generator Credits	292
Lost Opportunity Cost Credits	293
<b>Energy Uplift Charges</b>	<b>294</b>
Energy Uplift Charges	294
<b>Uplift Eligibility</b>	<b>296</b>
<b>Energy Uplift Issues</b>	<b>296</b>
Uplift Resettlement	296
Uplift Forfeiture Rule	297
Regulation Market Offsets	297
Concentration of Energy Uplift Credits	297
Uplift Credits and Market Power Mitigation	300
Polar Vortex 2025 (January 19 – 23, 2025)	301
Summer Heat Waves in 2025	303
<b>SECTION 5 Capacity Market</b>	<b>305</b>
<b>Overview</b>	<b>307</b>
RPM Capacity Market	307
Part V Reliability Service (RMR)	309
Generator Performance	309

Recommendations	309
Conclusion	313
Market Design	319
Installed Capacity	322
Fuel Diversity	324
RPM Capacity Market	325
Market Structure	325
Market Conduct	341
Market Performance	348
FRR	353
CRF Issue	353
Timing of Unit Retirements	355
Part V Reliability Service (RMR)	357
Department of Energy (DOE) 202(c) Orders	361
Eddystone	361
Wagner	361
Generator Performance	361
Capacity Factor	361
Generator Performance Factors	362
Generator Outage Rates	364
Generator Testing Issues	368
<b>SECTION 6 Demand Response</b>	<b>371</b>
Overview	371
Recommendations	372
Conclusion	375
PJM Demand Response Programs	378
Non-PJM Demand Response Programs	379
PJM Demand Response Programs	379
Emergency and Pre-Emergency Demand Response Programs	381
Economic Demand Response	403
Energy Efficiency	411
History	411
EE Details	412
Peak Shaving Adjustment	418
Distributed Energy Resources	418
Nodal Aggregation and Size	419
EDC Role	419
Net Metering Resources	420
<b>SECTION 7 Net Revenue</b>	<b>421</b>
Overview	421
Net Revenue	421
Recommendations	422
Conclusion	422
Net Revenue	422

Spark, Dark, and Quark Spreads	423
Theoretical Energy Market Net Revenue	425
Capacity Market Net Revenue	426
<b>Net Revenue Adequacy</b>	<b>427</b>
Levelized Total Costs	427
Levelized Cost of Energy	428
New Entrant Combustion Turbine	428
New Entrant Combined Cycle	430
New Entrant Coal Plant	432
New Entrant Nuclear Plant	433
New Entrant Diesel	435
New Entrant Onshore Wind Installation	436
New Entrant Offshore Wind Installation	437
New Entrant Solar Installation	438
Historical New Entrant CC Revenue Adequacy	439
Factors in Net Revenue Adequacy	440
<b>Actual Net Revenue</b>	<b>442</b>
Competitiveness of Wind and Solar	445
Cost to Build vs Cost to Acquire	446
Nuclear Net Revenue Analysis	448
<b>SECTION 8 Environmental and Renewable Energy Regulations</b>	<b>459</b>
<b>Overview</b>	<b>459</b>
Federal Environmental Regulation	459
State Environmental Regulation	461
State Renewable Portfolio Standards	461
Emissions Controls in PJM Markets	461
Renewable Generation	462
Recommendations	462
Conclusion	462
<b>Federal Environmental Regulation</b>	<b>464</b>
CAA: NESHAP/MATS	464
CAA: NAAQS/CSAPR	465
CAA: NSR	467
CAA: RICE	467
CAA: Greenhouse Gas Emissions	468
CWA: WOTUS Definition	469
CWA: Effluents	470
RCRA: Coal Ash	471
<b>State Environmental Regulation</b>	<b>472</b>
State Coal Ash Regulations	472
State Emissions Regulations	473
State Renewables Regulation	482
<b>Natural Gas Pipeline Infrastructure</b>	<b>502</b>
FERC Rules	502
Transco Regional Energy Access Expansion Project	502
Mountain Valley Pipeline	502

Transco Southeast Supply Enhancement	502
Transco Commonwealth Energy Connector Project	503
Columbia Gas Transmission Virginia Reliability Project	503
Texas Eastern Transmission Appalachia to Market II Project	503
Eastern Gas Transmission and Storage Inc. Capital Area Project	503
<b>Emission Controlled Capacity and Emissions</b>	<b>504</b>
Emission Controlled Capacity	504
Emissions	505
<b>Renewable Energy Output</b>	<b>507</b>
Wind and Solar Peak Hour Output	507
Wind Units	508
Solar Units	510
<b>SECTION 9 Interchange Transactions</b>	<b>513</b>
<b>Overview</b>	<b>513</b>
Interchange Transaction Activity	513
Interactions with Bordering Areas	513
Recommendations	514
Conclusion	515
<b>Interchange Transaction Activity</b>	<b>516</b>
Charges and Credits Applied to Interchange Transactions	516
Aggregate Imports and Exports	516
Real-Time Interface Imports and Exports	518
Real-Time Interface Pricing Point Imports and Exports	520
Day-Ahead Interface Imports and Exports	523
Day-Ahead Interface Pricing Point Imports and Exports	525
Loop Flows	528
PJM and MISO Interface Prices	534
PJM and NYISO Interface Prices	536
Summary of Interface Prices between PJM and Organized Markets	538
Neptune Underwater Transmission Line to Long Island, New York	538
Linden Variable Frequency Transformer (VFT) facility	540
Hudson Direct Current (DC) Merchant Transmission Line	541
Interchange Activity During High Load Hours	542
<b>Operating Agreements with Bordering Areas</b>	<b>543</b>
PJM and MISO Joint Operating Agreement	543
PJM and New York Independent System Operator Joint Operating Agreement (JOA)	545
PJM and TVA/LG&E and KU Joint Reliability Coordination Agreement (JRCA)	547
PJM and Duke Energy Progress, Inc. Joint Operating Agreement	547
PJM and VACAR South Reliability Coordination Agreement	547
Balancing Authority Operations Coordination Agreement between Wisconsin Electric Power Company (WEC) and PJM Interconnection, LLC	547
Northeastern ISO-Regional Transmission Organization Planning Coordination Protocol	547
<b>Interchange Transaction Issues</b>	<b>548</b>
PJM Transmission Loading Relief Procedures (TLRs)	548
Up To Congestion Transactions	549
Sham Scheduling	550

Elimination of Ontario Interface Pricing Point	551
PJM and NYISO Coordinated Interchange Transactions	552
Reserving Ramp on the PJM/NYISO Interface	556
PJM and MISO Coordinated Interchange Transaction Proposal	557
Willing to Pay Congestion and Not Willing to Pay Congestion	560
Transmission Service Requests	561
Spot Imports	561
Interchange Optimization	562
Interchange Cap During Emergency Conditions	562
45 Minute Schedule Duration Rule	563
MISO Multi-Value Project Usage Rate (MUR)	564
<b>SECTION 10 Ancillary Service Markets</b>	<b>565</b>
Overview	567
Primary Reserve	567
Synchronized Reserve Market	567
Nonsynchronized Reserve	569
30-Minute Reserve Market	569
Secondary Reserve	570
Regulation Market	570
Black Start Service	572
Reactive	573
Primary Frequency Response	573
Market Procurement of Real-Time Ancillary Services	574
Recommendations	574
Conclusion	577
PJM Reserve Markets	578
Implementation of PJM Reserve Markets	582
Reserve Subzones	585
Primary Reserve	586
Market Structure	586
Market Performance	588
Synchronized Reserve	589
Market Structure	589
Market Behavior	591
Market Performance	592
Synchronized Reserve Performance	597
Nonsynchronized Reserve	607
Market Structure	607
Market Behavior	608
Market Performance	608
30-Minute Reserve	613
Market Structure	613
Market Performance	614
Secondary Reserve	614
Market Structure	614
Market Behavior	615

Market Performance	615
<b>Regulation Market</b>	<b>618</b>
Market Design	618
Market Structure	636
Market Conduct	641
Market Performance	642
<b>Black Start Service</b>	<b>651</b>
Fuel Assurance	652
Definition of Black Start Costs	652
Black Start Backstop Acquisition Process	653
RFPs for Black Start Service	653
Black Start Charges	654
CRF Issues	656
<b>Reactive Service and Capability</b>	<b>658</b>
Reactive Costs	658
<b>Frequency Control</b>	<b>661</b>
Primary Frequency Response	661
<b>SECTION 11 Congestion and Marginal Losses</b>	<b>663</b>
<b>Overview</b>	<b>665</b>
Congestion Cost	665
Marginal Loss Cost	666
System Energy Cost	666
Conclusion	666
<b>Issues</b>	<b>667</b>
Artificial Constraints, Closed Loop Interfaces and CT Pricing Logic	667
<b>Locational Marginal Price (LMP)</b>	<b>668</b>
Components	668
Hub Components	671
<b>Congestion</b>	<b>672</b>
Congestion Accounting	672
Total Congestion	675
<b>Charges and Credits versus Congestion: Virtual Transactions, Load and Generation</b>	<b>676</b>
UTCs and Negative Balancing Explicit CLMP Charges	678
Zonal and Load Aggregate Congestion	681
Fast Start Pricing Effect on Zonal Congestion	685
Monthly Congestion	686
<b>Congested Facilities</b>	<b>687</b>
Congestion Event Hours	688
Congestion by Facility Type and Voltage	689
Constraint Frequency	690
Top Constraints	692
Congestion Event Summary: Impact of Changes in UTC Volumes	696
<b>Marginal Losses</b>	<b>697</b>
Marginal Loss Accounting	697
Total Marginal Loss Cost	699
<b>System Energy Costs</b>	<b>705</b>

Energy Accounting	705
Total System Energy Costs	705
<b>SECTION 12 Generation and Transmission Planning</b>	<b>711</b>
Overview	711
Generation Interconnection Planning	711
Generation Queue	711
Regional Transmission Expansion Plan (RTEP)	715
Transmission Facility Outages	716
Recommendations	717
Conclusion	719
Generation Interconnection Planning	726
Existing Generation Mix	726
Generation Retirements	730
Generation Queue	734
Regional Transmission Expansion Plan (RTEP)	776
RTEP Process	776
Market Efficiency Process	777
PJM MISO Interregional Market Efficiency Process (IMEP)	780
PJM MISO Targeted Market Efficiency Process (TMEP)	781
PJM MISO Interregional Transfer Capability Study (ITCS)	782
Multi Driver Process	783
State Agreement Approach (SAA)	783
Long Term Regional Transmission Planning	785
Supplemental Transmission Projects	786
Competitive Planning Process Exclusions	790
Storage As A Transmission Asset (SATA)	791
Board Authorized Transmission Upgrades	792
Qualifying Transmission Upgrades (QTU)	792
Cost Allocation	793
Transmission Line Ratings	794
Dynamic Line Ratings (DLR) and Grid Enhancing Technology (GETs)	797
Transmission Facility Outages	797
Scheduling Transmission Facility Outage Requests	797
Rescheduling Transmission Facility Outage Requests	801
Long Duration Transmission Facility Outage Requests	802
Transmission Facility Outage Analysis for the FTR Market	803
Transmission Facility Outage Analysis in the Day-Ahead Energy Market	809
<b>SECTION 13 Financial Transmission and Auction Revenue Rights</b>	<b>811</b>
Overview	815
Auction Revenue Rights	815
Financial Transmission Rights	816
Recommendations	818
Conclusion	819
Auction Revenue Rights	822

Market Design	823
Market Structure	824
Market Performance	824
IARRs	832
Financial Transmission Rights	832
Market Performance	839
Surplus Congestion Revenue	860
“Revenue Adequacy”	863
Target Allocations and Congestion by Constraint Do Not Match	866
ARRs as an Offset to Congestion for Load	868
Zonal ARR Congestion Offset	870
Offset If All ARRs Are Held As ARRs	872
Offset If All ARRs Are Self Scheduled	873
ARR Allocation and Congestion In and Out of Zone	874
Credit	875
Treatment of Defaulted Portfolios	875
FTR Forfeitures	876