

PJM Electricity Auction Hits Price Ceiling

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PJM announced last week that its 2026/2027 electricity capacity auction resulted in a record-breaking price of \$329.17 per megawatt-day, hitting the maximum price ceiling established by federal regulators. The auction secured 134,311 MW of electric generation capacity to serve the 13-state Mid-Atlantic and Midwest region.

Sharp Price Increases Drive Customer Concerns

The capacity price represents a significant 21.9% increase from the already record high 2025/2026 price of \$269.92 per megawatt-day. To put this surge in perspective, PJM's 2024/2025 auction price was just \$28.92 per megawatt-day, highlighting the dramatic escalation in electricity costs over recent years.

Total capacity costs for PJM consumers jumped to \$16.1 billion in the 2025 auction, up from \$14.7 billion in 2024. PJM estimates that customers across Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia will see electricity bill increases of 1.5 to 5 percent when the new rates take effect from June 2026 to May 2027.

Fossil Fuels Dominate Energy Mix

Despite growing clean energy commitments across the region, the cleared resource mix remains heavily dependent on fossil fuels. Natural gas accounts for 45% of capacity, followed by coal at 22% and nuclear at 21%. Renewable energy sources represent only a small fraction: 4% hydro, 3% wind, and just 1% solar.

Data Centers and Supply Bottlenecks Drive Crisis

Energy experts attribute the soaring capacity prices to two primary factors straining the regional grid. The explosive growth of power-hungry data centers across PJM's coverage area has dramatically increased electricity demand, while the supply side faces significant constraints.

A major bottleneck exists in PJM's interconnection queue, which has been closed since 2022, preventing new energy projects from joining the line to supply power to the grid. Currently, approximately 2,025 projects sit in the queue, with 1,213 solar projects and 132 wind projects awaiting approval to connect to the system.

The mismatch between surging demand and constrained supply has forced PJM to forge agreements with aging fossil-fired power plants, extending their operations for several additional years to maintain grid reliability.

Regulatory Intervention Caps Prices

The price ceiling resulted from regulatory action following a complaint filed by Governor Josh Shapiro in late 2024. Shapiro raised concerns with the Federal Energy Regulatory Commission about PJM's slow pace in connecting new projects to the grid, warning that delays could cost customers more than \$20 billion over the next two years.

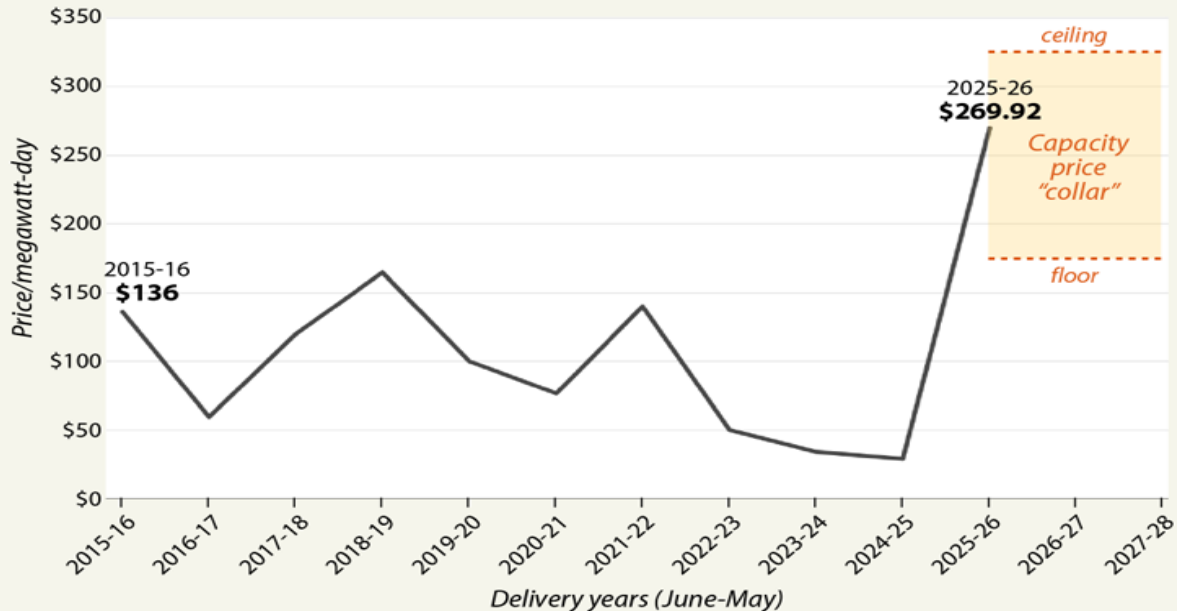
This led to PJM agreeing to implement a "price collar" system, establishing both a price floor and ceiling for the next two service years through May 2028. The original band was set at \$175 to \$325 per megawatt-day, though final calculations adjusted the ceiling to \$329.17.

PJM's Capacity Price to Stay High Next Two Years

Capacity price—the cost that consumers pay for power being available when needed—is limited to a high price floor and ceiling. PJM's capacity price “collar” for the next two years will be between \$175-\$325.

PJM POWER CAPACITY PRICE

Dollars per megawatt-day, delivery years 2015-16 forecasted to 2027-28



SOURCE: PJM Interconnection

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Path Forward Requires Swift Action

Abraham Silverman, an energy researcher with the Ralph O'Connor Sustainable Energy Institute at Johns Hopkins University, emphasizes that states must prioritize projects already in the interconnection queue that are ready for development.

"First is they need to focus on projects that are through the interconnection queue and are shovel ready," Silverman said. "What can we do to get those projects deployed as fast as we possibly can? What are the local siting and permitting requirements? How can the states work with the developer to make sure that project comes online?"

The capacity price represents what ratepayers pay to ensure electricity remains available during high-demand periods, such as heatwaves when the grid faces maximum stress. While PJM notes that wholesale capacity costs account for a relatively small portion of retail electricity bills, the sustained price increases signal deeper structural challenges facing the Mid-Atlantic energy market.

As the region grapples with balancing growing energy demands against supply constraints and clean energy transition goals, the coming years will prove critical for determining whether the grid can adapt quickly enough to avoid even more dramatic price increases.

PJM also has scheduled another auction in December of this year for the 2027/2028 delivery year.

Sources: PA Environmental Digest, PA Capital-Star, Inside Climate News.