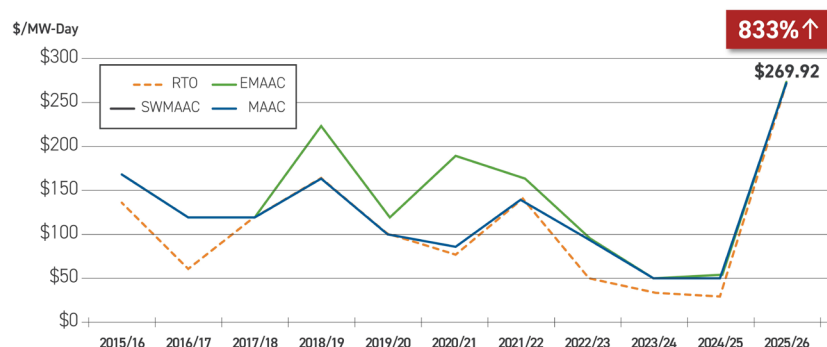


What you need to know about PJM's capacity price increase

PJM's capacity market auction for the 2025/2026 delivery year cleared at a record high price of \$269.92/MW-day, up from \$28.92/MW-day in the previous auction. Here's what you need to know and what your business can do to mitigate risk.

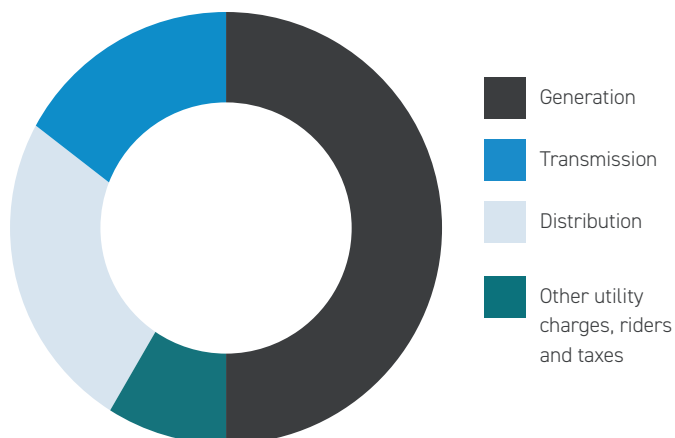


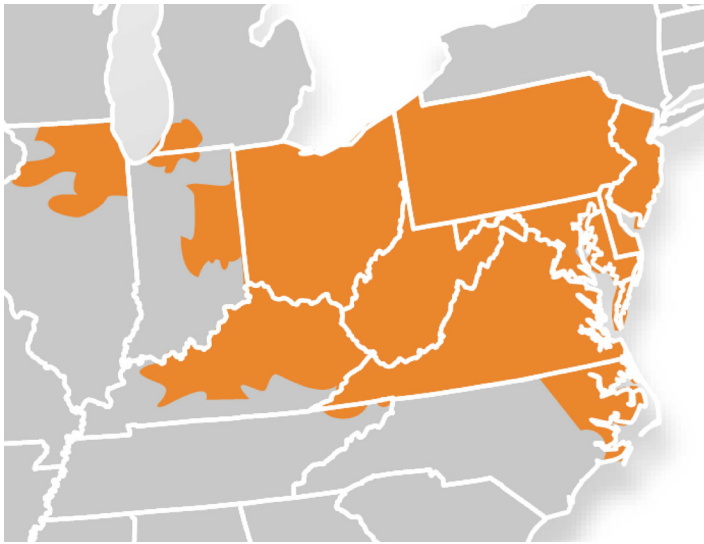
Record Increases

PJM's capacity charges are determined through an annual auction process to secure capacity three years in advance. The capacity auction for the 2025/2026 delivery period resulted in a record high price of \$269.62/MW-day, up from \$28.92/MW-day in the previous auction.

How are capacity rates determined?

Rates are set annually by RTOs like PJM, based on your organization's Peak Load Contribution (PLC), which reflects your energy usage during peak hours. In many PJM utilities, the PLC is calculated from your average demand during the system's five highest demand hours. Capacity prices, which can vary yearly, may account for up to one third of your total electricity costs.





What is PJM?

PJM is a regional transmission organization (RTO) that maintains reliability and manages the electricity grid and wholesale electricity market for parts of 13 states and Washington, D.C., serving over 65 million people.

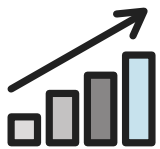
What is driving higher prices?

PJM's capacity auctions are designed to assure grid stability and future availability of energy resources by encouraging investment in generation infrastructure. For 2025/26 auction, three factors drove the prices higher:



Decreased Supply

The auction saw a reduction in supply offers, primarily due to power plant and generation retirements. Approximately 6,600 MW of generation have retired or signaled intent to retire compared to the previous auction.



Increased Demand

The peak load forecast for the 2025/2026 Delivery Year increased to 153,883 MW, up from 150,640 MW for the 2024/2025 auction.



Market Reforms

FERC-approved market reforms have improved reliability risk modeling for extreme weather and can more accurately value each resource's contribution to reliability, further tightening the supply/demand balance.

What can you do to protect your business?

While you can't avoid the higher rates for capacity, you can lower the amount of capacity you need by reducing your peak usage hours, or by shifting your peak usage hours to a different time of day. AEP Energy offers several solutions to help you mitigate the impact of rising capacity rates to your business.

PROTECT YOUR BUSINESS | Contact us or call **866-258-3782** to get started today.

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