OPSI's Statement of Principles and Guardrails
Regarding the Future of Markets in PJM

OPSI herein responds to PJM's "Powering Reliability Through Market Design" ("PRTMD") white paper.[1] OPSI appreciates the diverse set of perspectives offered by PJM, OPSI Members, and stakeholders both orally in PJM's PRTMD workshops and in white papers submitted to PJM. The principles and guardrails below reflect consideration of those perspectives.

At the highest level, OPSI's objective is a regional market framework capable of reliably and affordably serving all load. However, the PJM region is currently facing an unprecedented resource adequacy challenge, primarily driven by new large loads. Targeted involuntary curtailment of certain large loads may be necessary while supply is insufficient to ensure system reliability. Regardless, the overarching goal should be to reduce reliance on exceptional measures and develop a regional market capable of meeting the region's needs. This objective should guide PJM's approach both during the current period of scarcity and as the region returns to more stable conditions. It is imperative that PJM's wholesale programs work effectively with retail mechanisms to ensure that other customers do not bear the reliability impacts or costs associated with this influx of demand.

Accordingly, OPSI offers the following principles to guide PJM's future market reform conversations. OPSI does not believe that market redesign alone can solve the region's resource adequacy challenges but recognizes that appropriate reforms could promote the efficient entry of generation and improve investment and performance signals over time.

Principles

- **Preserve PJM's Capacity Construct.** Current scarcity conditions do not, in and of themselves, establish that PJM's capacity construct should be discarded or replaced. Instead, PJM should focus on identifying reforms to improve how its market constructs price generators' contributions to improving reliability and resource adequacy.
- **Preserve the Shared Reliability Compact and Enable Voluntary Flexibility.** PJM's regional scale creates efficiencies that benefit customers. PJM should maintain the regional reliability standard and framework, including large loads to the greatest extent possible. Where feasible, PJM should facilitate all loads having the option to pay for a lower level of transmission service or, as consistent with states' regulatory authority over retail rates, receive compensation for voluntary load reductions after procuring full transmission service.
- **Address Incremental Risks from Large Loads During Scarcity.** New large loads present distinct regional reliability and resource adequacy challenges because of the scale, timing, and uncertainty of their entry. PJM should evaluate mechanisms to appropriately differentiate treatment of these loads when they materially contribute to scarcity conditions. Where operational considerations warrant differentiated curtailment priorities, states should establish curtailment priorities in coordination with their electric distribution companies.

[1] The OPSI Board unanimously approved this Statement on October 15, 2026.

There are also specific reforms that may offer meaningful reliability and resource adequacy improvements over the status quo that OPSI provides in the appendix to these principles.

Path A – Stabilized Markets ("Come Hedged" Model)
PJM's Path A contemplates mandatory long-term forward commitments through Load-Serving Entity (LSE) hedging requirements or through a long-term centralized PJM procurement. Centralized procurement of hedged capacity presents a trade-off between greater cost and revenue certainty and the risk of higher long-term costs to customers if procurement locks in excess capacity or above-market prices that persist should structural scarcity ease or anticipated demand growth fail to materialize. Given these trade-offs, OPSI supports PJM considering an expansion of optional long-term hedging products in a way that allows states and LSEs to take advantage of hedging opportunities. This would strengthen the durability of investment signals through greater forward commitments while preserving state authority, accommodating different retail market structures, and maintaining a meaningful role for centralized procurement by PJM.

Principles

- **Encourage forward hedging while preserving flexibility.** OPSI encourages PJM to explore voluntary forward hedging options for states to reduce consumers' exposure to spot price volatility and provide revenue certainty for investment. The scope and duration of commitments must necessarily accommodate differences in state authority, LSE needs, and retail market structures.
- **Consider spreading forward commitments over time.** OPSI is open to conversations on how PJM's centralized capacity procurement could be extended across contract start dates and durations to reduce consumer exposure to price and forecast volatility while providing increased certainty to developers.
- **Provide pathways for state-directed long-term capacity procurements and hedging to protect customers.** Certain legal decisions have prevented or increased the legal risks of state-directed long-term capacity procurements to support capacity investment and hedge capacity risks for retail customers. PJM should consider options within the PJM tariff, such as increased self-supply or "partial FRR" options that give states the flexibility, should they so choose, to conduct their own long-term capacity procurements.

Guardrail

- **Avoid a uniform regional hedging mandate.** Forward hedging should remain available, and PJM should continue exploring ways to promote its use. However, not all states have the authority to impose long-term hedging requirements on LSEs or would find it appropriate to impose long-term hedging requirements on retail markets.

Path B – Differential Reliability ("Rationing Capacity in Scarce Conditions" Model)
PJM has long maintained a shared reliability compact under which a common regional standard governs resource adequacy and LSEs meet associated obligations, and OPSI continues to support this framework. OPSI believes many of the regional efficiencies PJM provides would be reduced should PJM offer or require different levels of reliability in various states or zones. In times of scarcity, new large loads that materially impact resource adequacy in the region should bring or fund corresponding new capacity or accept curtailment as a condition of service. PJM should

also consider voluntary firm and non-firm service arrangements that reflect customer preferences.

Principle

- **Preserve the shared reliability compact.** PJM should continue to apply a common regional reliability requirement within its capacity construct. When PJM cannot procure sufficient capacity to meet that requirement, OPSI supports establishing a durable framework for involuntary curtailment of certain large loads designed to protect other customers. OPSI also encourages PJM to evaluate products and mechanisms that incentivize voluntary load reductions.

Path C – Energy Market Transition ("Shift the Revenue Recovery" Model)

OPSI recognizes that, in some circumstances, it may be more economically efficient and accurate to compensate generator performance closer to the time energy is delivered and to allow prices to more clearly reflect periods of actual system scarcity. Accordingly, OPSI is open to PJM carefully exploring whether more efficient scarcity pricing in the energy and ancillary services (E&AS) markets could better value resource performance and operational capability.

This should not be viewed as an immediate solution to PJM's current resource adequacy challenges. Rather, it should be part of a longer-term discussion about whether consumers and regional resource adequacy would benefit from shifting more compensation to performance delivered in or near real time, and what such a shift would mean for both new and existing generation resources.

Principles

- **Preserve Optional Forward Energy Contracting.** If PJM pursues reforms to increase scarcity revenues in the E&AS markets, it should pursue elective mechanisms that enable states and LSEs to expand forward energy contracting and hedging. These options can support investment and manage consumer exposure to spot-market volatility.
- **Reflect Increased Scarcity Revenues in Capacity Offsets.** Reforms that increase expected E&AS revenues should produce corresponding E&AS offsets on the Net Cost of New Entry, and the forward revenue offsets used in the capacity market, reducing the "missing money" to be recovered through capacity payments.

Guardrail

- **Do not expand scarcity pricing without an effective circuit breaker.** Sustained periods of extreme scarcity pricing in the E&AS markets, particularly during severe weather, physical disruptions, or cyber events, create substantial financial risks for wholesale market participants and customers. Before materially increasing reliance on scarcity pricing, PJM should establish a comprehensive "circuit breaker" mechanism. The goals of a circuit breaker include limiting financial exposure during system emergencies and preventing prices from remaining high or escalating during periods when all generation is deployed and additional price increases will not increase generation availability. Any event triggering a "circuit breaker" should also require an examination of the root causes, recommendations for reform, and potential self-correcting mechanisms.

Appendix A – High-Impact Near-Term Actions

Deliberation on Paths A, B, and C should proceed alongside targeted reforms within the existing market framework. OPSI believes the following additional actions independent of this broader market redesign conversation warrant prioritization:

1. Move Quickly Toward a Seasonal Capacity Construct
PJM should move quickly toward a seasonal capacity construct that better reflects differences in resource capability, transmission capability, and reliability risk across the year. As an initial step, PJM should consider establishing separate summer and winter capacity requirements, accreditation, obligations, prices, Capacity Emergency Transfer Limits, and Capacity Emergency Transfer Objectives, while ensuring that seasonal generator and transmission ratings accurately reflect system capabilities.

2. Reconsider Performance Penalties
Consistent with the principles above, particularly those discussed in Path C, PJM should continue to demonstrate how penalties for non-performance are preferable to compensation for actual performance. PJM should evaluate whether resource performance could be more effectively incentivized through accurate accreditation, clear operating obligations, testing, non-payment for unavailability, or compensation for services actually delivered. Over-reliance on penalties creates operational risks and costs which may hinder market entry and inhibit generation performance more than it incents performance.

3. Improve and Stabilize ELCC Accreditation
PJM should continue to defend the value of accrediting resources based on their effective load-carrying capability, while also examining whether the current methodology and underlying assumptions introduce excessive volatility that, taken as a whole, reduces investment in the PJM region. Accreditation should remain responsive to changes in expected resource performance while avoiding unnecessary volatility in the revenues on which investment depends.

4. Expedite Interconnection
PJM should continue processing its interconnection queue under the reforms adopted pursuant to FERC Order No. 2023 while working with generators and other stakeholders to identify incremental improvements that increase study efficiency without sacrificing confidence in PJM's studies. PJM should continue to strive to reduce processing times wherever feasible, including beyond the minimum requirements of Order No. 2023.

5. Evaluate Transmission and Generation Solutions Together
PJM should evaluate transmission and generation solutions together when assessing reliability and resource adequacy needs, comparing their costs, timing, and benefits. This evaluation should compare opportunities for new generation alongside transmission upgrades that improve access to existing resources. PJM should avoid defaulting to transmission solutions without considering whether new generation, or a combination of both, could meet the identified system need more efficiently or cost-effectively.