SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE RESOLUTION No. 133

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 12, 2025

The Senate Economic Growth Committee reports favorably and with committee amendments Senate Resolution No. 133.

As amended and reported, this resolution respectfully urges the Federal Energy Regulatory Commission (FERC) to reject the results of the 2025/2026 Reliability Pricing Model Base Residual Auction and to rebid the auction.

PJM Interconnection, L.L.C. (PJM), which is regulated by FERC, is responsible for operating the electric transmission system, also known as the grid, and coordinating electricity distribution across part or all of 13 states, including New Jersey, and the District of Columbia. PJM is also charged with developing market and reliability rules aimed at ensuring reliable and cost-effective energy to power homes and businesses across the states serviced by PJM, including New Jersey.

PJM's Reliability Pricing Model, commonly referred to as PJM's capacity market, was designed to secure adequate energy resources for the grid and to meet energy reliability goals. PJM is responsible for administering its Reliability Pricing Model Base Residual Auction (BRA), also known as PJM's capacity auction, to procure sufficient capacity to handle peak loads and to provide affordable, reliable electricity.

In July 2024, PJM held its BRA for the 2025/2026 Delivery Year (July 2024 BRA), which resulted in a clearing price nearly 10 times higher than that of the prior capacity auction. This unprecedented price spike will translate to rising electric costs for customers.

Following the July 2024 BRA, the Organization of PJM States, Inc. (OPSI), of which the New Jersey Board of Public Utilities is a member, and the Independent Market Monitor (IMM) for PJM found that certain flaws in the PJM capacity market construct left the July 2024 BRA susceptible to manipulation and resulted in capacity clearing prices that fail to accurately reflect supply and demand fundamentals. The OPSI has expressed concern that the July 2024 BRA's clearing prices may have been driven, in part, by artificial scarcity of supply created by flaws in PJM's capacity market construct.

The results of the July 2024 BRA directly affect New Jerseyans, as most New Jersey ratepayers are served through the Basic Generation

Service (BGS) auction, by which New Jersey's four major electric public utilities procure a supply of electricity to serve the majority of residential, small commercial, and industrial ratepayers across the State. The capacity price set by the PJM BRA is passed through the BGS auction to New Jersey ratepayers, and has been projected to increase the average monthly electric bill in New Jersey by approximately 17 to 20 percent beginning in June 2025.

The July 2024 BRA resulted in exorbitant electricity price increases for New Jersey customers and has prompted serious concerns about flaws in the PJM capacity market construct and potential market manipulation. Thus, it is fitting and proper for this House to respectfully urge the FERC to reject the results of the 2025/2026 Reliability Pricing Model Base Residual Auction and to rebid the auction.

COMMITTEE AMENDMENTS:

The committee amended the bill to make technical changes.