

PJM REFORM

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WHY IT MATTERS

PJM Interconnection (PJM) is the country's largest **regional transmission organization (RTO)**, serving Virginia and all or parts of 12 other states and Washington, D.C. While utilities and energy companies own the region's electrical facilities – like power lines and power plants – PJM makes sure the region's electric system operates reliably. PJM also runs **wholesale markets**, plans the high-voltage transmission network, and manages the queue for new generation projects. These roles give PJM power over what energy projects are built, how reliable electricity is, and how much electricity costs. PJM is a private organization, and its operational rules are set by its board and stakeholder members – mostly for-profit companies that operate in its footprint.¹

In Virginia, the State Corporation Commission (SCC) officially approves new energy generation projects. Yet PJM heavily influences what facilities can actually be built. Proposed projects must secure an **interconnection agreement** from PJM and pay for any upgrades needed to connect them to the regional transmission grid. Further, PJM controls the mechanisms that send economic market signals to generation developers. PJM's rules have hamstrung clean energy deployment, with hundreds of gigawatts (GWs) of clean generation attempting, and failing, to receive an interconnection agreement.² Comparatively, PJM has fast-tracked new gas generation—including in Virginia.³ Engagement with PJM is critical to advancing a clean generation future and stopping the prioritization of additional fossil-fuel generation.

CURRENT LANDSCAPE

PJM is seeing rapidly surging load growth.⁴ The vast majority of this projected growth comes from large load additions – i.e., data centers – and threatens the clean energy transition, ratepayer affordability, and reliability (see *Addressing Data Center Energy Demand*, page 99).

These effects are already being felt. PJM conducts regular **capacity auctions**, where it secures promises from power suppliers to provide enough energy resources for the future. Rising demand has made it more difficult for PJM to meet its needs, resulting in record-high auction prices.⁵ These prices translate to higher electric bills for utility customers. For the first time ever, PJM missed its **reliability target** in December 2025 and July 2026⁶ – meaning there is an increased risk that PJM won't be able to secure enough energy to meet the region's needs.

PJM faces pressure from the federal administration,

states, and the data center industry to plug this reliability gap. It is working on several initiatives to incentivize bringing new generation online, which could lower market prices by easing energy supply constraints. Unfortunately, PJM's design of these initiatives prioritizes fossil fuels over cleaner alternatives, including storage (see *Getting Storage on the Grid*, page 117). Last year, PJM rolled out a program to let certain new generation and uprate projects connect to the electric system sooner – yet 67% of the capacity was awarded to gas generation, with 17 projects located in Virginia.⁷ A similar program would fast-track up to 10 projects annually while heavily favoring gas generation.⁸ Meanwhile, PJM has failed to review and develop interconnection agreements for roughly 285 GW of clean generation since 2020.⁹ These actions have neglected cleaner, cost-effective, and faster-to-construct alternatives while prioritizing fossil fuels.

This dynamic threatens Virginia's climate goals. Under the 2020 Virginia Clean Economy Act (VCEA), Dominion and Appalachian Power can build new fossil fuel-fired generation only if they demonstrate it is necessary to maintain reliability.¹⁰ Dominion has plans for at least eight GW of new gas and argues that PJM's reliability challenges help justify these plants. Such reliability arguments contributed to the SCC's recent approval of the Chesterfield gas plant,¹¹ even though a mix of demand response, clean generation, and storage could have met these challenges.¹²

OPPORTUNITIES

Although PJM is responsible for incorporating state policy into its planning processes, it has historically deprioritized states' affordability and clean energy goals. Recently, PJM has been more responsive to state-led initiatives to cap capacity auction costs and evaluate affordability and reliability interventions.

PJM recently announced a plan to consider sweeping changes to its processes over the next year, and has actively solicited states' input.¹³ Virginia could seize on this moment to take a more active role in PJM. Several avenues exist to expand Virginia's involvement:

- **Consumer Advocates of the PJM States (CAPS)**, a consumer advocate workgroup representing PJM's member states, is a primary voice for state representation and affordability. With more resources, Virginia's Attorney General's Office Consumer Counsel Division could play an active role in CAPS and in advancing consumer interests at PJM.
- **The Public Interest Environmental Organization**

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User Group (PIEOUG), a voting stakeholder group of consumer advocates, environmental organizations, and public interest groups, currently lacks significant participation from Virginia stakeholders.¹⁴

- Virginia leaders can also increase their engagement through other routes, including letters and other communication with PJM leadership. PJM state legislators have begun uniting to advocate for policy priorities at PJM.¹⁵

Virginia has a seat at the table. In addition to engaging directly with PJM, decision-makers can also advance legislation to curb gas infrastructure build-out to serve data centers and to ensure PJM-related costs are fairly allocated to the responsible customers.

ENDNOTES

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TOP TAKEAWAYS

PJM plays an outsized role in what generation gets built and how much electricity costs. PJM's rules have undercut clean energy development and favored new gas generation.

PJM predicts that in the next 10 years, demand will increase by almost 65 GW – the equivalent of more than two Virginias.

Virginia leaders can make their voices heard to ensure PJM addresses the state's policy priorities of advancing clean energy over fossil gas and ensuring energy affordability.