



Overview

While states set their own clean energy goals and utility policy, wholesale markets and electricity transmission between states are regulated by the **Federal Energy Regulatory Commission (FERC)**. In many cases, this is organized through **Regional Transmission Organizations (RTOs)**. RTOs are responsible for managing the capacity market, which ensures that electricity procurement meets future demand with adequate reserves.

The **PJM Interconnection** is the RTO for all or parts of Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia. Every three years, PJM holds an auction to determine the prices of energy resources for the capacity market.

Recent Action

Early in 2020, FERC directed updates to PJM's **Minimum Offer Price Rule (MOPR)**. The MOPR distorts the capacity market, which was designed to be competitive, by discriminating against energy resources that receive direct or indirect state support. This determination undermines state Renewable Portfolio Standards or Clean Energy Standards. With the implementation of the MOPR, clean energy resources such as wind and solar will be artificially priced out of participation in the PJM capacity market. Electric costs to consumers are expected to increase significantly. The real impacts of the MOPR are likely to be seen in three years.

State Responses

In response to the MOPR, states like [Illinois](#), Maryland, and New Jersey are considering leaving the capacity market through a Fixed Resource Requirement (FRR). This would require states to manage their own capacity market for five years. Because the MOPR was set without any state consultation, [over 70 state legislators](#) have called on PJM leadership to work with states to reform the capacity market to support clean energy goals. [Pennsylvania](#) and [Maryland](#) legislators have also been speaking out about the need for reform at PJM.

Contact

Please contact [Clara Summers](#), NCEL's Climate & Energy Manager, if you would like to participate in state conversations with PJM.

KEY TERMS

- **FERC:** Federal Energy Regulatory Commission
- **RTO:** Regional Transmission Organization, which manages the electric grid.
- **PJM:** the Regional Transmission Organization for parts of the Mid-Atlantic, Appalachian, and Midwestern regions.
- **Capacity Market:** a mechanism designed to ensure that electricity generation will meet future demand. In PJM, participants bid for contracts in auctions which are held three years ahead of when the power will be needed.
- **MOPR:** Minimum Offer Price Rule, which sets a price floor for energy resources entering the capacity market.
- **FRR:** Fixed Resource Requirement. The alternative to participating in the PJM capacity market, which some states are exploring.

Resources

- [PJM Interconnection website](#)
- Natural Resources Defense Council [fact sheet](#) on PJM and how states can engage
- Utility Dive [story](#) on the MOPR and state responses
- PJM developed a [fact sheet](#) on the FRR

PJM Territory

