



## State of New Jersey

OFFICE OF THE GOVERNOR

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PHILIP D. MURPHY  
Governor

April 16, 2025

The Honorable Mark C. Christie  
The Honorable Willie L. Phillips  
The Honorable David Rosner  
The Honorable Lindsay S. See  
The Honorable Judy W. Chang  
The Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Dear Chairman Christie and Commissioners Phillips, Rosner, See, and Chang,

I am writing to express my deep concerns about the PJM cost crisis that will increase electricity costs on New Jersey's residents and businesses by billions of dollars — directly harming the welfare of New Jerseyans and our state's economy.

I believe the exorbitant price increases in PJM Interconnection LLC's (PJM) most recent capacity auction may have been subject to market manipulation. Therefore, I respectfully request that the Federal Energy Regulatory Commission (FERC) direct its enforcement unit to launch an investigation of the July 2024 Base Residual Auction (BRA) for the 2025/2026 Delivery Year. I specifically urge FERC to investigate potential market manipulation and determine the extent to which any such manipulation may have resulted in higher capacity auction prices that are being passed on to retail electricity customers in the PJM market, particularly in New Jersey. I believe that billions of dollars in excessive costs for consumers are the direct result of fundamental flaws in PJM's capacity market and were foreseeable and preventable.

The increase in the capacity auction price for the 2025/2026 Delivery Year is staggering. The capacity auction price in the PJM region increased from \$28/megawatt-day to \$270/megawatt-day, resulting in \$14.7 billion in costs being passed on to consumers<sup>1</sup> and sparking widespread concern about the swift and steep increase in prices.<sup>2</sup> The New Jersey Board of Public Utilities (NJBP) estimates that PJM's July 2024 auction alone will cost New Jersey ratepayers at least \$1.7 billion<sup>3</sup>— and could well exceed that.<sup>4</sup> This is an unacceptable outcome for New Jersey and for all states served by PJM.

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<sup>1</sup> PJM, 2025/2026 Base Residual Auction Report p.3 (July 30, 2024) ("BRA Report"), available at: <https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2025-2026/2025-2026-base-residual-auction-report.ashx>

<sup>2</sup> Comments of Governors Pritzker (IL), Murphy (NJ), Moore (MD), and Hall-Long (DE) urging the Commission to safeguard ratepayers across states from unwarranted prices by modifying PJM's auction price cap as requested in Pennsylvania's complaint, EL25-46-000 (Jan. 17, 2025)

<sup>3</sup> Letter from Christine Guhl-Sadovy, President, New Jersey Board of Public Utilities, to the PJM Board of Managers (Mar. 26, 2025), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2025/20250326-njbpu-president-guhl-sadovy-letter-re-capacity-market-adjustments.pdf>.

<sup>4</sup> BRA Report p. 3.

Recent steps taken by PJM, with FERC approval, demonstrate implicit recognition of fundamental design failures in the capacity market that left the market susceptible to manipulation. For example, in response to advocacy from New Jersey and other PJM states, as well as consumer advocates and public interest organizations, PJM acknowledged the flaws of its capacity market when it proposed two sets of market reforms in December 2024. On February 14, 2025, FERC approved the first set of these reforms, which 1) recognized the capacity contributions of reliability-must-run generators, 2) approved PJM's proposal to revert to using a dual-fuel combustion turbine as the reference resource in the capacity auction, and 3) clarified that the categorical exemption to the must-offer requirement does not permit the withholding of capacity from the market as a means to manipulate auction clearing prices.<sup>5</sup>

Both the Organization of PJM States, Inc. (OPSI) and the NJBPU supported these reforms.<sup>6</sup> The NJBPU also argued that the categorical exemption to the must-offer requirement should be revised to ensure "that the use of must-offer exceptions does not automatically shield resources from scrutiny under market manipulation claims."<sup>7</sup> On February 20, 2025, FERC approved PJM's separate proposal to completely eliminate the categorical exemption from the

Notably, Walter Graf, PJM's own Chief Economist, testified that during last year's capacity auction over 5,000 megawatts of accredited capacity was "held in portfolios of Capacity Market Sellers that have the incentive and ability to exercise unilateral market power and profitably withhold capacity."<sup>8</sup> As OPSI noted, the withholding of just 1,600 megawatts of that exempt capacity cost consumers \$4.1 billion in the last auction alone, thus demonstrating that the categorical exemption to the must-offer requirement created an unacceptable risk of widespread market manipulation.<sup>9</sup>

The steps taken by PJM, with FERC approval, demonstrate that PJM clearly recognizes and acknowledges design failures that rendered the capacity market susceptible to market manipulation. That fact underscores the need for drastic and emergent steps to mitigate the resulting impacts, not only from the previous auction, but for the outcomes of future auctions.

Perhaps most importantly, in the 2024 *State of the Market Report* published on March 13, 2025, PJM's Independent Market Monitor (IMM) concluded that the results of last year's capacity auction were "significantly affected by," among other things, "the exercise of market power through the withholding of categorically exempt resources."<sup>10</sup> Due to this, as well as several other flaws, the IMM concluded that the auction clearing price did "not reflect supply and demand fundamentals" and "resulted in actual capacity market payments that were approximately twice as high as needed."<sup>11</sup>

The string of concerns raised by states regarding potential market manipulation, coupled with PJM's own admission that the last auction was susceptible to market manipulation and the IMM's finding that the exercise of market power significantly affected that same auction, call for closer scrutiny of the capacity auction results.

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<sup>5</sup> *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,088, at PP 47, 66, 90 (2025).

<sup>6</sup> Comments of the Organization of PJM States Inc., ER25-682-000 (Jan. 6, 2025); Motion for Leave to Answer and Answer of the New Jersey Board of Public Utilities, ER25-682-000 (Jan. 22, 2025) ("NJBPU Answer").

<sup>7</sup> NJBPU Answer at 11.

<sup>8</sup> Attach. C, Aff. of Dr. Walter Graf on Behalf of PJM Interconnection, L.L.C., ER25-785-000, at P 16 (Dec. 20, 2024).

<sup>9</sup> OPSI Answer at 5-6.

<sup>10</sup> Monitoring Analytics, LLC, Independent Market Monitor for PJM, 2024 *State of the Market Report* 45 (Mar. 13, 2025), [https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2024/2024-som-pjm-vol1.pdf](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2024/2024-som-pjm-vol1.pdf).

<sup>11</sup> *Id.* at 1, 45.

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In light of the foregoing, it is imperative that FERC take decisive action to restore public confidence in the integrity of wholesale energy markets. Ratepayers across the 13 states and the District of Columbia — served by the world's largest regional transmission organization — must be assured that there is effective oversight and accountability in place. To that end, FERC must order its enforcement unit to investigate the July 2024 BRA and closely monitor the conduct of upcoming auctions and continue such oversight until these markets are functioning in the manner that serves the public interest.

Should you have any questions, please contact Christine Guhl-Sadovy, President, NJBPU, at [Christine.Guhl-Sadovy@bpu.nj.gov](mailto:Christine.Guhl-Sadovy@bpu.nj.gov).

Sincerely,



Philip D. Murphy  
Governor