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Senate of Pennsylvania

May 20, 2026

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David E. Mills
President and CEO
PJM Interconnection, L.L.C.
2252 Monroe Blvd., Suite 160
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**Re: Comments on PJM White Paper – “Powering Reliability Through Market Design”
(May 6, 2026) – Urging Geographic Accountability, Constraint Surcharges, and State-
Level Differentiation to Reward Responsible States and Protect Pennsylvania Ratepayers**

Dear Mr. Mills:

I commend PJM for the candid and timely Report released on May 6, 2026. Your diagnosis of structural scarcity, driven by explosive data-center load growth, accelerated retirements of dispatchable generation, and doubled construction timelines with sharply higher capital costs is both honest and overdue. The paper correctly identifies the “reliability externality,” the erosion of the “shared reliability compact,” and the “credibility trap.” As chairman of the Senate Environmental Resources and Energy Committee, I stand ready to engage constructively in the stakeholder process you have initiated.

I note with great interest FERC Chairman Laura Swett’s remarks at PJM’s Annual Meeting on May 12, 2026. Chairman Swett observed that PJM’s enormous and diverse footprint across 13 states and the District of Columbia may mean it has “grown too big to function.” She also criticized the current stakeholder process as slow, opaque, and vulnerable to vetoes, creating what she described as a “legitimacy crisis” and announced a Commission-led technical conference on July 23, 2026 to develop concrete proposals for governance and stakeholder reforms. These observations underscore the urgency of market design reforms and highlight how one-size-fits-all policies across ideologically divergent states contribute to the very gridlock and accountability challenges FERC leadership has now placed front and center.

As a state that has responsibly maintained its dispatchable generation fleet and natural gas infrastructure, in spite of efforts to the contrary, Pennsylvania finds itself in an untenable position. Virtue-signaling states with aggressive climate policies, most notably Virginia and Maryland, have pursued high renewable portfolio standards and RGGI carbon taxes that punish and prematurely retire dispatchable generation while actively courting billions in capital

expenditure for hyperscale data centers and economy-wide electrification. These states are neither pulling their own weight nor paying their fair share within PJM.

This imbalance is especially acute under Governor Shapiro's push for a flat, PJM-wide price collar extension. Although FERC approved PJM's proposed extension of the price collar on April 28, 2026 (through the 2029/2030 delivery year), I continue to believe, as stated in my March 3, 2026 letter to FERC, that a flat, region-wide approach is counterproductive. As even Commissioner Rosner noted in his concurrence, extending the collar without accompanying near-term and long-term changes to PJM's market rules will only make the situation more challenging. I therefore renew my call for a hybrid approach: a base price collar for non-constrained areas combined with locational constraint surcharges in policy-driven shortage zones. Governor Shapiro's uniform caps eliminated those very surcharges (which would have required BGE and Dominion customers to bear a far larger share of the costs of their states' policy choices and explosive load growth), thus socializing the costs of irresponsible policies across the entire RTO. The result is that Pennsylvania ratepayers are forced to subsidize the policy choices made by Virginia and Maryland.

The problem has only worsened with Virginia's recent re-entry into RGGI. In recent days, carbon allowance prices have skyrocketed into the mid- to high-\$50s per ton. In the current environment of rapidly increasing load and flat or decreasing in-state generation, fossil-fuel plants in RGGI states are far more likely to clear PJM's capacity and energy auctions more frequently than they would have in a surplus era. Because PJM operates under a single, uniform clearing price, these higher-cost (RGGI-taxed) units set the marginal price paid by the entire region. The Pennsylvania Senate Republicans wisely led the successful effort to reject RGGI, but under the current system our ratepayers are directly subsidizing the carbon taxes imposed by neighboring states, even as our own dispatchable resources help keep the lights on for the whole grid.

PJM now has a historic opportunity to correct this. Chairman Swett's identification of governance shortcomings rooted in PJM's scale and policy diversity, together with her call for decisive action and new generation "NOW," creates a critical window for self-correction. I urge you to develop and file with FERC market design reforms grounded in the three paths outlined in your White Paper, particularly **Path B: Differential Reliability**. Geographic or zonal differentiation of reliability standards, enhanced cost-causation principles, locational capacity adders, and restored constraint surcharges would hold virtue-signaling states accountable while rewarding responsible states like Pennsylvania, Ohio, and West Virginia that continue to prioritize reliable, affordable baseload power. Such reforms would also directly address the stakeholder process and legitimacy challenges Chairman Swett identified by reducing the friction inherent in imposing uniform rules across states with fundamentally different resource portfolios, regulatory structures, and policy priorities - thereby helping PJM demonstrate that it can function effectively and deliver fair outcomes for all members.

A copy of this letter is being sent to Pennsylvania Attorney General Dave Sunday. A copy is also being provided to FERC Chairman Laura Swett. By copy of this letter, I urge the Attorney General to explore whether the Office of Attorney General (OAG) directly or the independent Office of Consumer Advocate may legally engage more aggressively with PJM and FERC

proceedings with respect to holding PJM states accountable for policies that impact the broader grid. The OAG and/or OCA could play a critical role in ensuring Pennsylvania is both protected and properly rewarded for its contributions, and we stand by to expand their statutory jurisdiction in the event General Sunday determines necessary.

Pennsylvania's families, manufacturers, and energy producers deserve a capacity market that reflects economic reality rather than subsidizing the policy preferences of neighboring states. I respectfully request that PJM leadership prioritize these accountability measures in the upcoming stakeholder deliberations and in preparation for the July technical conference and commit to a comprehensive FERC filing as soon as possible.

My office stands ready to support PJM in this effort. I look forward to your response.

Sincerely,



GENE YAW
SENATOR

cc: PJM Board of Managers
Federal Energy Regulatory Commission
Members of Pennsylvania Congressional Delegation
Attorney General Dave Sunday
Pennsylvania Public Utility Commission
Pennsylvania Consumer Advocate