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People's Counsel Urges Federal Agency to Remedy Unjust Potential Massive Rate Increase for Maryland's Customers on the Delmarva Peninsula

BALTIMORE- The Federal Energy Regulatory Commission (“FERC”) must take action to avoid major power cost increases—roughly \$24 each month—for customers across the Delmarva Peninsula, the Maryland Office of People’s Counsel said in a FERC filing today. FERC should fix the procedures for the generation auction held by the regional market administrator, PJM, because of unusual circumstances that caused the auction to deviate sharply from the competitive market fundamentals that FERC relies on to ensure customers pay only what is just and reasonable.

“FERC action is necessary to protect customers from auction results that are not based on competitive pricing,” said People’s Counsel David S. Lapp. “Without FERC action, the auction would be based on a fiction—not what customers actually need to keep their lights on. FERC must act to protect Maryland’s eastern shore electric customers.”

OPC’s filing relates to PJM’s annual generation plant auctions that secure generation three years in advance. The problem with the recent auction was that a large number of generating facilities declined to participate in the auction. The result of their nonparticipation created the possibility of pricing anomalies for the Delmarva peninsula area. Customer costs are based on the auction’s clearing prices that depend, in part, on calculations using the number of generating resources that participate in the auction. But with generation resources not participating, the calculations could produce auction clearing prices that are four times or more higher than what they should have been.

As a result of the failed auction, PJM made its own filings with FERC, proposing adjustments to the auction procedures to mitigate the excessively high auction clearing prices. OPC's filing urged FERC to approve PJM's proposed remedy. If PJM's proposal is not approved, OPC estimates that customers in the Maryland eastern shore will see bill increases of roughly \$24 per month, on average, from June 1, 2024, through May 31, 2025.

“The auction results do not reflect a competitive market result based on actual supply and demand,” Lapp said. “The harm to customers is substantial and immediate. FERC must adopt PJM's proposed remedy to meet its statutory obligation of ensuring just and reasonable customer rates.”