

## White House and Governors Call for PJM Emergency Procurement Auction

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By: Stephen J. Hug, Christopher A. Treanor, Ben N. Reiter, Emily P. Mallen, Corban A. Coffman, Sharmila P. Das

On January 16, 2026, the National Energy Dominance Council (NDEC) and governors from each of the 13 states in PJM issued a Statement of Principles urging PJM Interconnection, L.L.C. (PJM) to hold an emergency backstop auction and take other measures to support the entry of new capacity to preserve the reliability of the PJM region. The Statement of Principles calls on PJM to expeditiously file with the Federal Energy Regulatory Commission (FERC or the Commission) tariff revisions that would overhaul aspects of PJM's market rules to address rising electricity prices and growing reliability risks in the PJM region. The Statement of Principles comes at a time of growing concern that PJM will not have sufficient capacity in the coming years to meet demand due to the retirement of existing generation resources, the glacial pace of new entry and projected increased demand associated with data center development.

The Statement of Principles calls for PJM to hold a Reliability Backstop Auction for new capacity that would provide new baseload generation with 15-year commitments. The Statement of Principles calls for the costs of capacity procured through the auction to be allocated to load-serving entities (LSE) with new data centers that have not procured their own capacity or agreed to be curtailable, with any remaining costs allocated to LSEs based on their "remaining net short position." It further contemplates that state regulators will use all available authorities to design rate structures that assign backstop capacity costs to new data center loads.

In addition to calling for the implementation of an emergency procurement, the Statement of Principles calls on PJM to immediately commence a process to reform the capacity market

to ensure long-term viability and reduce costs, with the objective of implementing these reforms for the Base Residual Auctions (BRA) currently scheduled in May 2027.

The Statement of Principles also urges PJM to extend the existing “price collar” to the next two BRAs. The existing price collar was established as part of a settlement agreement between PJM and Governor Josh Shapiro of Pennsylvania, which established a price cap of \$325/megawatts (MW)-day and a price floor of \$175/MW-day for all auctions run for the 2026/2027 and 2027/2028 delivery years.<sup>1</sup> The Statement of Principles recommends an extension of the price collar through the 2028/2029 and 2029/2030 delivery years.

The Statement of Principles also recommends that PJM improve its load forecasting methodologies to ensure that PJM only includes large loads in its forecasts that demonstrate that they have made meaningful and verifiable financial commitments towards the development of their facilities, such as providing executed contracts or posting collateral.

Finally, the Statement of Principles urges PJM to accelerate the evaluation of Transition Cycle 2, including generation included in the cycle as part of the Reliability Resource Initiative and any resources that clear a Reliability Backstop Auction. It also urges PJM to commit to making additional interconnection improvements in 2026, with the objective of reducing the time for completing cluster studies to 150 days or less as envisioned by FERC in Order No. 2023.

The Statement of Principles was announced at a White House event featuring the Secretary of Energy, the Secretary of Interior, FERC Chairman Swett, and governors from states within the PJM footprint, including Governor Shapiro, Governor Wes Moore of Maryland, and the outgoing governor of Virginia, Glenn Youngkin. Governor Shapiro sharply criticized PJM’s pace of reform to date, saying that the grid operator had been “too damn slow” to allow new generation onto the system even as demand has surged.<sup>2</sup> He highlighted his prior legal actions against PJM, including securing a price cap that he said saved Pennsylvania consumers tens of billions of dollars, and praised the White House for embracing reforms he has long advocated, including extending that cap.<sup>3</sup> Governor Moore welcomed the bipartisan recognition of the problem but emphasized the need for an “all-of-the-above” energy strategy that includes solar, wind, and nuclear, drawing a contrast with the administration’s emphasis on fossil-fuel generation.

Notably, PJM was not invited to the White House event and purportedly did not participate in developing the proposal. Following the announcement of the Statement of Principles, PJM

posted a statement on social media that it was reviewing the statement and noting that the PJM Board has been deliberating for months on how to integrate large new loads, such as data centers, into its markets.<sup>4</sup>

Although the Statement of Principles is unprecedented, many of the recommendations set out in the statement are broadly consistent with recommendations that were made by the PJM board in a decisional letter issued on the same day.<sup>5</sup> For instance, the Board Letter directs PJM staff to immediately develop a proposal to move forward with a backstop procurement to secure incremental capacity needed to meet growing demand. The Board Letter also directs PJM staff to pursue improvements to load forecasting and requests additional stakeholder input on whether the existing price collar should be extended through the auctions for the 2028/2029 and 2029/2030 delivery years. While the specific details of the proposals that have been floated in the PJM stakeholder process and referenced in the Board Letter differ from the substance of the proposals outlined in the Statement of Principles, the statement reflects a broader push by states within the region to push for reforms that increase the pace of new entry and reduce capacity costs.

Because the Statement of Principles is not a binding document, any effort to implement the proposals outlined in the statement are likely to come in the form of a filing by PJM seeking to amend its tariff to implement market reforms. Alternatively, if parties within the region believe that PJM is not moving swiftly enough to amend its tariff, it is possible that we could see stakeholders or even FERC itself commence a process under Section 206 of the Federal Power Act seeking to compel PJM to move forward with implementation of the measures outlined in the Statement of Principles.

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<sup>1</sup> See *Commonwealth of Penn. v. PJM Interconnection, L.L.C.*, 191 FERC ¶ 61,066 (2025) (approving a settlement including a price cap of \$325/MW-day and a price floor of \$175/MW-day for all Reliability Pricing Model auctions for the limited timeframe of the 2026/2027 and 2027/2028 delivery years).

<sup>2</sup> Zack Coleman, *Trump Launches Bid to Tame Electricity Prices in the Northeast*, Politico (Jan. 16, 2025), <https://www.politico.com/news/2026/01/16/trump-tame-electricity-prices-00733422>.

<sup>3</sup> Press Release, Commonwealth of Pennsylvania, Governor Shapiro Secures Federal Support to Extend PJM Price Cap, Saving Consumers Tens of Billions of Dollars and Preventing Price Hikes Across 13 States (Jan. 16, 2025),

<https://www.pa.gov/governor/newsroom/2026-press-releases/gov-shapiro-secures-federal-support-to-extend-pjm-price-cap>.

<sup>4</sup> @pjminterconnect, Twitter (Jan. 16, 2025, 12:52 PM),

<https://x.com/pjminterconnect/status/2012221538842329178>.

<sup>5</sup> PJM Interconnection, L.L.C., Board Decisional Letter on Critical Issue Fast Path – Large Load Additions (Jan. 16, 2025), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf> (Board Letter).

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