Important Information Regarding the Upcoming Capacity Charge Increase and its Impact on Future Ohio Electricity Prices

Key Takeaways:

The dramatic increase in capacity prices from the June PJM capacity auction will mean ***significantly higher electricity costs for all Ohio consumers*** *as well as electricity consumers throughout PJM's entire 13-state footprint –* ***both residential and commercial – starting in June 2025****.*

The anticipated overall increase in electricity costs for the ***average Ohio household is estimated to be around 10-15%, or just over 2 cents/kWh, for the June 2025-May 2026 delivery year****.*

This increase is ***projected to continue for the next 3-5 years*** *until incremental electricity generation capacity plans are implemented.*

What does this mean for Ohio electric customers?

What is the "capacity portion" of your electric bill?

The capacity portion is one component of the generation-related charges on your electric bill. This is the charge from electric generators to keep their generating plants available to supply electricity during peak electric consumption periods.

Is this capacity price increase in NOPEC's control?

NOPEC has no control over the PJM capacity auctions which set capacity prices for Ohio consumers.

Who is PJM?

PJM is the operator of the electric grid that serves 13 states, including Ohio, and holds auctions to set the capacity charge portion of your electric bill.

What do the recent PJM 2024 capacity auction results indicate?

The recent PJM capacity auction for the upcoming June 2025 – May 2026 delivery year cleared at $269.92/MW-day for most of the PJM footprint, compared to $28.92/MW-day for the current delivery year: an over 800% increase in capacity prices. In translation to your household's electric bill, that will be an increase for the capacity component from about 0.3 cents/kWh to over 2 cents/kWh starting in June 2025.

What are the primary drivers for these higher prices?

The primary drivers for these higher prices include increased electricity demand, reduced supply, and recent reforms in PJM's capacity market.

What factors are contributing to the increased demand in PJM?

- Economic Growth: Increased industrial and commercial activities, including new data centers, leading to higher electricity consumption.
- Population Growth: More people moving into the PJM region requiring electricity.
- Electrification Trends: The shift toward electric vehicles and electric heating systems is driving up electricity demands.
- Weather Patterns: Extreme weather conditions leading to spikes in electricity usage for heating and cooling.

What plans does PJM have to address capacity shortages and ensure grid reliability?

- The PJM Board of Managers has approved a set of projects to expand the regional transmission system.
- PJM is working on reforms to expedite the deployment of battery energy storage systems.
- The Federal Energy Regulatory Commission (FERC), which regulates PJM, has approved PJM's capacity reforms designed to better measure resource adequacy and improve reliability.
- PJM has launched a fast-track stakeholder process to bolster its capacity market, addressing issues highlighted by recent power outages and narrow reserve margins.

How does renewable energy play a role in addressing capacity shortages?

- Diversification of Energy Sources: By adding wind, solar, and other renewable sources to the energy market, the grid becomes less reliant on any single source of power, enhancing overall reliability.
- Peak Demand Management: Solar energy in particular can help meet peak demand during sunny days, reducing the strain on the grid during high-demand periods.
- Energy Storage Integration: Coupling renewable energy with battery storage systems allows excess energy to be stored and used when demand is high or when renewable generation is low, such as nighttime or cloudy days.
- Grid Resilience: Distributed renewable energy systems, like rooftop solar panels, can enhance grid resilience by providing localized power generation, reducing the impact of outages and transmission bottlenecks.
- Environmental Benefits: Renewable energy contributes to a cleaner environment, which can lead to long-term health and economic benefits, indirectly supporting a more stable and sustainable energy system.

What steps can households take to prepare for higher electricity costs?

- Invest in energy-efficient appliances and lighting. Look for ENERGY STAR-rated products that consume less energy.
- Install smart thermostats to optimize heating and cooling, reducing energy consumption when you're not at home.
- Improve home insulation and seal any drafts to maintain indoor temperatures more efficiently.
- Consider installing solar panels or other renewable energy sources to offset electricity costs.
- Conduct an energy audit to identify areas where you could reduce your energy usage.
- Simple changes like turning off lights when not in use, unplugging devices, and using energy-intensive appliances during off-peak hours can make a difference.
- Visit https://www.nopec.org/savingscenter for more energy saving tips and resources.

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