Maryland's Higher Capacity Pricing for 2025–2026 Indicates Demand Outpacing Supply and Transmission Constraints

Overview

PJM just completed its capacity auction for the 2025/2026 Delivery Year (mid-2025 to mid-2026). The market is meant to procure enough supply to meet demand for that period. PJM was able to procure enough supply to meet demand to maintain reliability across its footprint, but certain zones within the footprint were constrained, resulting in higher pricing. Much of Maryland is one of those zones. That zone (Baltimore Gas and Electric or BGE) did not have enough supply to meet its demand and is transmission constrained (limiting what it can import); thus, capacity pricing within that zone will be higher for this 2025–2026 period.

PJM is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of ***13 states and the District of Columbia***.

This high capacity price conveys Maryland's electric power needs, signaling to generation developers to build generation in the state using private dollars. Capacity is a single component of the generation line item on a consumer's bill, so the percentage increase from 2024–2025 to 2025–2026 does not result in a corresponding percentage increase to a consumer's total bill.

KEY POINTS

- Capacity market prices in much of Maryland are increasing.
- Maryland has the second-lowest number of generation projects in the generation interconnection queue for 2024 and 2025 of all of the PJM states. It has the fifth-highest number of projects that have cleared the queue but have not yet been constructed.
- Pricing is increasing because there is not enough supply to meet demand and due to a lack of transmission infrastructure.
- Major transmission build is expected in Maryland that, if constructed, can help to alleviate transmission constraints and lower pricing; Maryland is devoid of major high-voltage transmission infrastructure compared to its peer states.

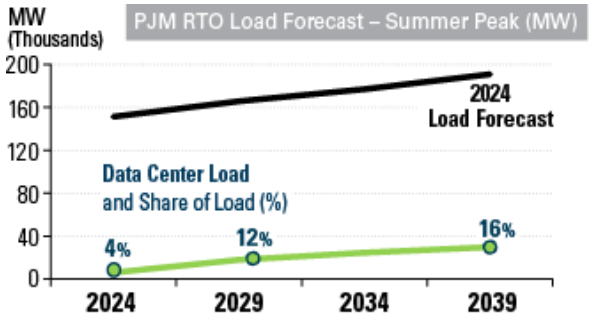
What Is Influencing Maryland's Rising Capacity Prices?

Multiple Factors Driving the Increase

Increasing Electricity Demand

Maryland's future electric demand is growing due to the increase of electrification and attracting new businesses (e.g., data centers).

Takeaway: Electric load is likely to rise due to the electrification of residential and commercial heating and commercial fleets; the resurgence of manufacturing; and the increase of other large electric loads, including data centers.



Generators Retiring Without Replacement Resources

Generators are retiring in Maryland due to a mixture of economic and policy justifications and without replacement generation in place.

Takeaway: Maryland, already an importer of power, has seen the retirement of 6,000 MW of resources since 2018 and the addition of 1,600 MW of resources during that time frame.

Generation Retirements & Additions Since 2018

-6,000 MW

+1,600 MW

Visit the PJM Learning Center.

Over-Reliance on Power Importation

Historically, Maryland has imported about 40% of its annual electric needs from other states. For example, in 2023 hourly imports were between 1,000 MW and 6,000 MW.

Takeaway: The lack of economic, in-state supply of locally available power makes Maryland more vulnerable to higher capacity prices.

High-Voltage Electric Transmission Infrastructure Enhancements Are Presently Limited

The western part of the state enjoys access to a robust electric transmission system, but the central and eastern parts of the state have limited access. This increases the reliance on extensive power transfer imports to the zones where capacity shortfalls may exist.

Takeaway: This results in local congestion pricing increases in Maryland's central/eastern zonal energy market.

Projects With Executed Interconnection Agreements *As of July 25, 2024*

By State	# of Projects	Total Nameplate Capacity (in MW)	By State	# of Projects	Total Nameplate Capacity (in MW)	By State	# of Projects	Total Nameplate Capacity (in MW)
DE	11	419	MD	35	1,338	OH	82	9,164
IL	24	3,741	MI	2	250	PA	109	3,952
IN	21	3,493	NC	17	1,731	VA	95	7,426
KY	13	881	NJ	37	3,579	WV	11	2,397

Total: **457 Projects | 38,371 MW**

Projects To Clear PJM Interconnection Process in 2024 and 2025 *(Updated for Transition Cycle 1)*

By State	# of Projects	Total Nameplate Capacity (in MW)	By State	# of Projects	Total Nameplate Capacity (in MW)	By State	# of Projects	Total Nameplate Capacity (in MW)
DE	1	120	MD	6	1,245	OH	62	7,829
IL	62	10,862	MI	8	887	PA	91	3,696
IN	63	11,569	NC	21	1,543	VA	107	11,968
KY	33	3,569	NJ	20	1,205	WV	14	1,154

Total: **488 Projects | 55,646 MW**

Areas for Action

The recent capacity auction pricing should be viewed as an indicator of Maryland's electricity infrastructure needs.

The market is signaling private developers to build generation in the state and further signaling that transmission is needed to reduce constraints. Actions that can be taken to reduce pricing include:

- Work with generation developers on any state/local challenges they are experiencing in constructing projects that are already through the PJM queue.
- Avoid efforts meant to push generation off the system until an adequate quantity of replacement generation is online and operating.
- Allow for the construction of transmission infrastructure that can relieve constraints.