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January 23, 2026

Ms. Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission
of the District of Columbia
1325 G Street NW, Suite 800
Washington, DC 20005

**Re: Formal Case No. 1183 –
Part II Report of The PJM Capacity Auction Task Force**

Dear Ms. Westbrook-Sedgwick:

Enclosed please find Potomac Electric Power Company's Part II Report of the PJM Capacity Auction Task Force.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

/s/ Kunle Adeyemo

Kunle Adeyemo

Enclosure

cc: All Parties of Record

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA**

**Formal Case No. 1183, In the
Matter of The Investigation into
the Impact of the PJM Capacity
Auction and the Establishment of
the PJM Capacity Auction Task
Force** * **Formal Case No. 1183**
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**PART II REPORT OF
THE PJM CAPACITY AUCTION TASK FORCE**

I. Introduction

The PJM Capacity Auction Task Force (“Task Force”) submits the Part II Task Force Report (“Part 2” or “Phase 2”), pursuant to the directives of the Public Service Commission of the District of Columbia (“Commission”). In response to a petition submitted by the Office of the People’s Counsel for the District of Columbia (“OPC”), the Commission opened Formal Case No. 1183, establishing the Task Force to “(1) study the immediate and long-term financial impact of the July PJM capacity auction, (2) develop a robust education and outreach plan to assist consumers in understanding and preparing for the new charges set to take effect in June 2025 and (3) learn what changes Pepco will make to its business strategy in light of the capacity auction”.¹ In Order No. 22425, the Commission separated the Task Force reports into two-parts report.² Phase 1 was submitted on July 31, 2025. The Task Force now submits Phase 2 as directed in Order No. 22425:

The Task Force shall then submit part two of the recommendation report on what improvements might be made locally to address the impacts of the capacity auction on District consumers by October 31, 2025. This two-part recommendation report will allow the Task Force to update the Commission on the discussions held on these initial topics, while allowing the Task Force to continue to discuss

¹ *Formal Case No. 1183, In the Matter of the Investigation into the Impact of the PJM Capacity Auction and the Establishment of the PJM Capacity Auction Task Force* (“Formal Case No. 1183”), Order No. 22334, ¶¶ 2, 4, rel. December 9, 2024 (“Order No. 22334”).

² *Formal Case No. 1183*, Order No. 22425, rel. May 29, 2025 (“Order No. 22425”).

ideas related to the long-term issues surrounding the capacity auction.³

On November 6, 2025, the Commission granted a motion for an enlargement of time, filed by OPC, extending the deadline to file the Phase 2 Report until January 23, 2026.⁴ The Task Force consists of OPC, Potomac Electric Power Company (“Pepco”), Department of Energy and Environment (DOEE), the Apartment and Office Building Association of Metropolitan Washington (“AOBA”), PJM Interconnection LLC, (PJM), DC Sustainable Energy Utility (“DCSEU”), and DC Office of the City Administrator.

The following Part II of the Report summarizes meetings, presentations, and discussions from the parties in response to the Commissions directive in Order No. 22425.

II. TOPICS FOR PART II REPORT

The Commission Staff outlined four topics for the PJM Task Force meeting to discuss in Part II, with the goal of completing discussions and filing the report by October 31, 2025,⁵ in accordance with Order No. 22425, four meeting were held to address:

1. Supply-Side Opportunities ([August 28, 2025](#));
2. Modifications to Standard Offer Service (SOS) Procurement Process (September 17, 2025);
3. Demand-Side Solutions and Customer Programs ([October 8, 2025](#)); and
4. Final Recommendations.⁶

The following sections summarize the four subject areas identified for discussion during the Part II process. Each section includes a summary of the presentations/topics. Each Party has submitted their individual positions regarding the Phase 2 1183 Task Force. Each party’s section will be attached as a separate Addendum to the Phase 2 Report. Below is a summary of the Phase 2 topics.

a. Supply-Side Solutions Opportunities

On August 28, 2025, the Task Force convened a Working Group meeting to initiate development of the Part II Report. During the August 28 meeting, Pepco presented its preliminary supply-side concepts, which included the exploration of:

1. Vehicle-to-Grid (“V2G”) programs,

³ *Id.*

⁴ *Formal Case No. 1183*, Order No. 22736 ¶ 1, rel. (November 6, 2025).

⁵ *Formal Case No. 1183*, Order No. 22425, rel. May 21, 2025.

⁶ *Formal Case No. 1183 – Meeting Summary- August 28, 2025 – Working Group Part II* (September 8, 2025) See also, *Formal Case No. 1183*, Order No. 22425, ¶ 4.

2. Enhancements to Distributed Energy Resource (“DER”) Hosting Capacity Maps,
3. Behind-the-meter and utility-scale battery storage projects,
4. Virtual Power Plant (“VPP”) aggregation models, and
5. Grid-Enhancing Technologies (“GETs”).

b. Modifications to Standard Offer Service (SOS) Procurement Process

Pepco presented potential modifications to the District’s SOS procurement process as discussion points, with the goal of improving price stability and reducing exposure to PJM capacity auction volatility.⁷ Potential options in Pepco’s presentation covered:

1. INC/DEC Load Adjustment Mechanism (Used in Maryland)

- MD uses an **INC/DEC mechanism** based on customers’ Peak Load Contribution (PLC), limiting unexpected swings in supplier-served load.

2. Reducing DC’s Two Annual Auctions to One

- DC currently conducts **two auctions** (3-year forward for residential/small commercial; 1-year for large commercial).

3. Shifting Capacity Cost Recovery from Summer to Winter

- Proposals potentially redistribute or smoothes costs between seasons.

4. Removing RPS (Renewable Portfolio Standard) Requirement From SOS Pricing (Bates White Proposal)

- This would increase transparency by separating energy costs from RPS compliance costs.
- Allows more flexible REC procurement instead of tying REC purchases to SOS volumes.

c. Section 3 – Demand-Side Solutions and Customer Programs

Pepco presented slides that discussed included TOU rates, managed charging, thermostat demand response, the Energy Wise Rewards Refresh program, behavioral and technical solutions, efficient products incentives, prescriptive and custom incentives, behind-the-meter battery energy storage incentives.

With respect to TOU rates, there were several different subcategories the parties discussed including whole-house TOU rates, EV-only TOU Rate, technology-neutral general service rates, and general service EV Rate.

Members agreed to explore demand-side and customer-based programs designed to reduce peak load and overall energy consumption within the District of Columbia. Topics identified for

⁷ *Formal Case No. 1017 Public Notice, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia*, The Commission initiated the 2025 Biennial Review of Standard Offer Service (“SOS”),(December 23, 2025).

further discussion included expanded demand-response participation, distributed storage aggregation, and building performance standards aligned with the District’s decarbonization goals. The DC Sustainable Energy Utility (“DCSEU”) emphasized the importance of aligning such programs with FERC Order No. 2222 and the District’s greenhouse gas reduction targets.

d. Section 4 –Final Recommendations

There was no consensus regarding any long-term recommendations for the Commission derived from the Task Force.

III. Positions of stakeholders

The Task Force Along with Commission staff met to discuss the Part II Report. The majority of stakeholder indicated that their preference was to draft their individual positions regarding the Task Force topics and matters discussed during the Task Force, and other positions related to the Taks Force topics. The stakeholder positions are appended to this Part 2 Report as follows:

Task Force member positions

- i. AOBA- *See Addendum 1*
- ii. DOEE- *See Addendum 2*
- iii. OPC- *See Addendum 3*
- iv. Pepco- *See Addendum 4*
- v. PJM- *See Addendum 5*

IV. Conclusion

There were no consensus positions reached by the working group.

ADDENDUM 1

**BEFORE THE
PUBLIC SERVICE COMMISSION
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Formal Case No. 1183, In the *
Matter of The Investigation into *
the Impact of the PJM Capacity *
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Task Force *
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**PHASE II REPORT OF
THE PJM CAPACITY AUCTION TASK FORCE**

AOBA Addendum I

AOBA was a member of the Task Force established by the Commission on December 9, 2024 by Order No. 22334, which opened Formal Case No. 1183. The Commission directed that the *“Task Force develop a recommendation report, citing the need for ‘immediate action’ and ‘a coherent local strategy’ with respect to the capacity auction, particularly as the auction pertained to wholesale process beyond the control of the Commission.”*¹ AOBA submitted its comments which were contained in the Phase I Report. AOBA found the information presented in the Phase I Report very useful even though there was not total agreement regarding specific findings or how best to present those findings.

In the final Task Force Phase II meeting of January 12, 2026, OPC indicated that it may recommend continuing rate impact analyses following capacity auctions as was done in Phase I of the Task Force. AOBA agrees and believes that it may be helpful to continue meetings after each Base Residual Auction (“BRA”) for the parties to share information regarding the impacts of each auction, as well as the impact of each auction on the various customer classes and prices in general.

AOBA has continued as a member of the PJM Task Force Part II, the purpose of which was to discuss *“what improvements might be made locally to address the impacts of the capacity auction on District consumers.”*² Although AOBA participated in task force meetings, AOBA submits that while concepts and ideas were discussed, there are no immediate solutions that will lessen the impact of the extremely large increases as a result of the PJM capacity auctions for June 1, 2025/2026, as well as for the auctions which determined capacity prices beginning June 1, 2026/2027 and June 1, 2027/2028.

¹ Phase I PJM Capacity Auction Task Force Report, page 2, (“Phase I Report”).

² Order No. 22425, paragraph 4.

Addendum 1

At the meeting of December 22, 2025, the task force was informed that the PJM 2027/2028 Base Residual Auction (BRA) results were posted with prices clearing at the FERC approved cap, 333.44/MW-day for PJM, an increase of 1.3% from the 2026/2027 BRA.

The Phase II Task Force held four meetings in 2025:

August 28, 2025 – Pepco Supply Solutions

September 17, 2025 – Standard Offer Service (SOS) Ideas (Procurement Process Modifications)

October 8, 2025 - Pepco Demand-Side Solutions

December 22, 2025 – Impact of the PJM capacity auctions 2027/2028

And, one meeting in 2026, January 12, 2026 to discuss the mechanics of filing the Phase II report.

Supply-Side Solutions Presentation

At the August 28, 2025 meeting, Pepco presented certain preliminary supply-side concepts in a power-point presentation which included the following:

- Vehicle-to-Grid (“V2G”) programs;
- Enhancements to Distributed Energy Resource (“DER”) Hosting Capacity Maps;
- Behind-the-meter and utility-scale battery storage projects;
- Virtual Power Plant (“VPP”) aggregation models; and
- Grid-Enhancing Technologies (“GETs”).

However, while several questions were raised, none of those concepts were fully explored and no specific cost-benefit analysis was presented showing how such supply side measures would lower capacity charges in the immediate future.

The capacity issue in PJM shows no sign of being alleviated in the near future. The increase in prices is attributable to a few factors which are out of the control of this Task Force. The retirement of older large generators which are mostly gas, coal or nuclear are not being replaced quickly enough to keep pace and these large baseline generators are being replaced by intermittent wind and solar generators. This imbalance has only been exacerbated by the proliferation of new data centers being built/proposed within PJM. AOBA’s concern is spending significant dollars and resources on these nascent, mostly unproven technologies without any real dollar benefit being realized by rate-payers. A more thorough review and cost-benefit analysis should be undertaken before committing more rate-payer funds to these projects.

Addendum 1

Additionally, concerns were raised regarding whether battery storage should be privately owned since utility ownership of generation resources could undermine the competitive market.

AOBA submits that none of the proposed concepts are readily implementable at this time. AOBA notes, for example, the Vehicle-to-Grid program appears to be a pilot program underway in another jurisdiction and Grid-Enhancing Technologies are being explored in other Exelon jurisdictions.

Standard Offer Service (SOS) Ideas (Procurement Process Modifications)

Although Pepco presented certain potential modifications to the District's SOS procurement process in a Powerpoint presentation on September 17, 2025 that could be incorporated into the SOS process based on information from other jurisdictions, Pepco stated in its presentation that *"Pepco is not supporting any of these as a solution that should be pursued rather than ideas to be discussed as a group."*³ It is important to note that in discussing potential changes to SOS, Pepco noted that *"Any change to SOS processes would have to go through the annual PIP before being incorporated"* and *"Some changes may trigger a need to modify DCMR."*⁴

AOBA submits that none of the concepts presented were shown to be effective in lowering capacity costs. Importantly, even though some of those concepts may have been utilized elsewhere, it must be recognized that other jurisdictions have very different overall SOS procurement practices. No one practice should be adopted without consideration of the entirety of the SOS procurement strategy adopted by another jurisdiction. For example, AOBA notes that even Maryland, which is the other jurisdiction regulating Pepco, has a very different overall SOS procurement strategy than the District of Columbia.

Pepco presented the following potential modifications:

1. INC/DEC Load Adjustment Mechanism (Used in Maryland)

- MD uses an **INC/DEC mechanism** based on customers' Peak Load Contribution (PLC), limiting unexpected swings in supplier-served load.

Pepco reiterated that Bates White provided the opinion that this would not make a significant difference in SOS pricing, but did not believe that an INC/DEC mechanism would cause any harm.⁵ AOBA urges caution in implementing a new mechanism at this time, since we are trying to avoid unintended consequences.

³ Pepco SOS Ideas, Powerpoint presentation September 17, 2025, page 2.

⁴ *Id.*, page 2.

⁵ *Id.*, page 3.

2. Reducing DC's Two Annual Auctions to One

- DC currently conducts **two auctions** (3-year forward for residential/small commercial; 1-year for large commercial).

Pepco has shown no reason to change the current auction process. There is no information to indicate that one auction is better than two, or even that three might be better. The current auction process was developed with careful thought and analysis and should not be changed as the result of a few working group meetings. Pepco did not support this change and stated that Bates White did not recommend this change either.⁶

3. Shifting Capacity Cost Recovery from Summer to Winter

- Proposal redistributes or smooth costs between seasons.

This Pepco proposal sounds something like budget billing, but certainly would give all ratepayers incorrect and misleading price signals. Pepco raised the potential that with increased electrification, winter usage may climb which could cause spikes in winter bills.⁷

4. Removing RPS (Renewable Portfolio Standard) Requirement From SOS Pricing (Bates White Proposal)

- Would increase **transparency** by separating energy costs from RPS compliance costs.
- Allows more flexible REC procurement instead of tying REC purchases to SOS volumes.

AOBA is supportive of achieving cost transparency of all rate-payer charges included in SOS. AOBA submits that the SOS tariff should indicate, specifically, all charges that make up the SOS rate and when such charges are subject to change. It is important that ratepayers understand exactly what is included in SOS charges. Ratepayers who want to compare SOS charges to competitive service charges must know when and why SOS charges can be affected by RPS standards and capacity charges, as well as adjustments to SOS resulting from ratepayers moving between SOS and competitive supply.

AOBA submits that Pepco is correct that none of the concepts discussed above should be pursued at this time.⁸

⁶ *Id.*, page 4.

⁷ *Id.*?page 5.

⁸ *Id.*?page 2.

Demand-Side Solutions and Customer Programs

At the October 8, 2025 meeting, Pepco presented Powerpoint slides that included:

1) Time-Of- Use (“TOU”) Whole-House Rates for residential customers; 2) EV only TOU Rates; 3) Opt-in TOU rates for GS-LV and MGT-LV customers; 4) General Service EV rate; 5) Managed Charging for residential and commercial customers; 6) Thermostat based demand response; 7) Energy Wise Rewards Refresh program; 8) Behavioral and technical solutions; 9) Efficient products incentives; 10) Prescriptive and custom incentives; and 11) Behind-the-meter battery energy storage incentives.

AOBA will discuss TOU rates in its comments which are the subject of another Working Group Report due January 30, 2026. However, with respect to TOU rates, several different subcategories were presented by Pepco for discussion, including whole-house TOU rates, EV-only TOU Rate, technology-neutral general service rates, and general service EV Rates. However, these discussions were not substantive and did not offer any cost-benefit analysis. Further, the discussion concepts presented regarding TOU rates appear to be substantively and substantially different from what AOBA believes Pepco is now recommending in the TOU Working Group Report. AOBA will hold its comments relating to TOU for the Time of Use Working Group Report.

AOBA is supportive of cost-effective programs designed to reduce peak load and overall energy consumption within the District. AOBA has suggested that if Pepco would notify its customers by email (or other means) which days in the summer the Company projects or expects to be a “peak day” for determining a customer’s ICAP for the following June, it would help ratepayers, particularly commercial ratepayers, in lowering their individual ICAP requirement thereby lowering the competitive energy charges.

AOBA Recommendations

AOBA submits that there have been no conclusive options supported by the Task Force for integration and recommendation at this time. While AOBA has found Phase I of the PJM Capacity Auction Task Force to be worthwhile, AOBA submits that not all subjects are ripe for working group/task force reports that make recommendations to the Commission for implementation.

AOBA submits it could be productive for informational and discussion purposes to have “informational or technical conferences” for consideration by various parties to explore. However, not all issues can be resolved with a few working group meetings and produce a consensus report. Brainstorming concepts should not result in implementable solutions without an evidentiary process consisting of testimony, discovery, responsive testimony and all of the prerequisites of due process.

ADDENDUM 2

Addendum 2

DOEE

DOEE has been working with partner organizations and agencies, both within DC and across the mid-Atlantic, to advance solutions to rising wholesale market prices. Many of the most important initiatives extend beyond DC's borders. Improvements in transmission planning and interconnection, enhancements to PJM's forecasting and capacity market design, and new cost allocation policies for large loads like data centers are all needed. DC agencies have important roles to play to advance the District's interests in these and other regional and national initiatives pending before PJM and FERC. Timely and appropriate actions by both PJM and FERC are needed to address the core drivers of capacity market constraints and high prices impacting the District's residents and businesses.

DC also has a robust local toolkit that District agencies should ensure is deployed to full effect to help residents and businesses, even as the District Government contributes to broader regional and national initiatives. Many of the strongest local tools are already in flight. Energy efficiency, the backbone of DC's energy strategy, remains as important as ever and is supported by a suite of District policies and programs including improvements to building codes, the Building Energy Performance Standards (BEPS) program, and DOEE and the DCSEU's programs for weatherization and energy efficiency.

DOEE and OAG have also developed proposals and analyses to understand the value of new programs and policies. These include new rate designs to encourage off-peak consumption, a recent DOEE Request for Information on next steps the District can take to support FERC 2222 implementation, initiatives to expand the Residential Aid Discount program to mitigate rising prices for low- and moderate income residents, and a forthcoming study by the Pacific Northwest National Laboratory of the financial benefits that energy storage could provide in DC from the perspective of peak shaving.¹

As noted in the report above, although the task force discussed a number of possible ideas at a high-level, no specific solutions were developed. DOEE recommends that organizations who are interested in particular solutions continue to work on them outside the context of formal task forces. DOEE has appreciated being a part of this task force, spearheaded by the Office of the People's Counsel and the Public Service Commission, and looks forward to collaborating on the development of more specific solutions with interested residents and organizations in the months ahead.

¹ At AOBA's request, DOEE is not attaching a copy of that PNNL study here but will instead file a copy under separate cover.

ATTACHMENT 3

Addendum 3

OPC appreciates the opportunity to participate in Formal Case No. 1183 and provide comments. The Task Force held approximately three substantive discussions on potential solutions to address rising costs from the PJM Capacity Market. These meetings consisted of high-level PowerPoint presentations by Pepco on supply-side solutions, modification to SOS, and demand-side solutions. While OPC appreciates the handful of meetings convened during Phase 2 of the Task Force, the limited time did not present the opportunity to adequately address the immense and dynamic challenges developing in PJM's wholesale markets. It is unlikely that such a task force could jointly develop long-term solutions, particularly under the current structure. Furthermore, there remains a lack of information upon which to develop or propose meaningful solutions.

OPC had coordinated meetings with PJM separately to further understand capacity forecasting. Subsequently, OPC suggested during a Task Force meeting that PJM provide representatives who could speak to the Task Force on possible avenues for reducing the District's capacity obligation. This could have been helpful to the Task Force in understanding potential demand-side solutions. PJM also expressed a willingness to arrange for speakers. However, the speakers could not be scheduled prior to submission of this Report.

Additionally, to further explore the potential for demand-side solutions, OPC presented a series of questions and informational requests to Pepco on the deployment and usage of AMI meters in the District of Columbia. Pepco, however, responded in October that it would not provide further presentations or data to the Task Force, declining to answer or respond to OPC's inquiries.

While the Task Force does not appear to have any consensus recommendations for the Phase 2 Report, OPC believes the Task Force did serve as useful forum in certain respects – notably, during Phase 1 of the Task Force. Based on the discussions from the Task Force's initial phase, when specific rate impacts from the auction were examined, OPC recommends that Pepco provide or file the monthly rate impacts on D.C. ratepayers following each auction, prior to the implementation of those new capacity costs. This can be filed either in this docket or another docket that the Commission finds appropriate. Additionally, it is important to remain engaged with PJM and understand mechanisms available to help reduce capacity obligations for the District.

ADDENDUM 4

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA**

**Formal Case No. 1183, In the *
Matter of The Investigation into *
the Impact of the PJM Capacity *
Auction and the Establishment of *
the PJM Capacity Auction Task * Formal Case No. 1183
Force *
*

**COMMENTS OF
POTOMAC ELECTRIC POWER COMPANY ON THE PART II REPORT OF
THE PJM CAPACITY AUCTION TASK FORCE**

I. Introduction

Potomac Electric Power Company (“Pepco” or the “Company”) submits these Comments to the Part II Task Force Report (“Part 2”), pursuant to the directives of the Public Service Commission of the District of Columbia (“Commission”) to report on what improvements might be made locally to address the impacts of the capacity auction on District consumers:¹

The Task Force consists of the Office of the People’s Counsel for the District of Columbia (“OPC”), Pepco, the District Department of Energy and Environment (“DOEE”), the Apartment and Office Building Association of Metropolitan Washington (“AOBA”), PJM Interconnection LLC, (“PJM”), the DC Sustainable Energy Utility (“DCSEU”), and DC Office of the City Administrator (*collectively* “Stakeholders”). All stakeholders were able throughout the Task Force to provide recommendations, presentations, and other improvements that could be made locally to impact capacity auction pricing. Following the Commission’s separation of the Task Force Reports into Part 1 and Part II, Commission staff along with Stakeholders agreed to breakdown the Part II meetings into four topic areas: Supply-side Opportunities, Modification to Standard Offeror Service Procurement Process, Demand-side Solutions and Customer Programs, and Final Recommendations.

Pepco appreciates the efforts of the Task Force and the opportunity to discuss these issues and provides these Comments along with the Part II of the Task Force Report.

¹ *Formal Case No. 1183, In the Matter of the Investigation into the Impact of the PJM Capacity Auction and the Establishment of the PJM Capacity Auction Task Force* (“Formal Case No. 1183”), Order No. 22334, ¶¶ 2, 4, rel. December 9, 2024 (“Order No. 22334”).

II. TOPICS FOR PART II REPORT

Initially, the Part II Report provided a general deliverable seeking potential improvements to impact local capacity auction prices. The Commission Staff outlined four topics for the PJM Task Force meetings:²

1. Supply-Side Opportunities;³
2. Modifications to Standard Offer Service (“SOS”) Procurement Process;⁴
3. Demand-Side Solutions and Customer Programs;⁵ and
4. Final Recommendations.⁶

It is important to note that while the Company made presentations on the first three topics, that the Company was clear that some presentations included ideas that the Company has raised only for discussion purposes and would need further review and analysis. On the other hand, some presentations topics raised by the Company are proposals found in other dockets such as the Climate Solutions Plan in Formal Case No. 1167 and—while they may have an impact on capacity prices—these proposals should be reviewed within the context of those dockets and the filings therein.

A. Supply-side opportunities

The Task Force’s supply-side discussion focused on options to reduce PJM capacity costs by increasing the availability of supply or reducing reliance on capacity resources during peak conditions and addressing resource adequacy. Pepco emphasized that these concepts were preliminary and would require additional design, benefit-cost analysis, and Commission approval before implementation. The discussion centered on resource adequacy and the implications of capacity market conditions for customer electricity bills, highlighting increasing pressures on system reliability and affordability. Structural challenges, including accelerating load growth driven by large load customers, broader electrification trends, as well as significant generation retirements are putting strain on supply. While recent PJM market reforms and projections for new generation additions by 2030 represent meaningful progress, these measures alone are unlikely to fully address the magnitude of the challenge. Accordingly, some areas discussed by the Company that could address the Supply-side of this issue are first, deploying resources capable of injecting energy during peak demand periods to mitigate costs; and second, expanding overall supply, either through the development of new in-district resources or through increased imports into the District.

² *Formal Case No. 1183*, Order No. 22425, rel. May 21, 2025.

³ FC1183 Task Force meeting held on [August 28, 2025](#).

⁴ FC1183 Task Force meeting held on September 17, 2025.

⁵ FC1183 Task Force meeting held on [October 8, 2025](#).

⁶ *Formal Case No. 1183 – Meeting Summary- August 28, 2025 – Working Group Part II (September 8, 2025)* See also, *Formal Case No. 1183*, Order No. 22425, ¶ 4.

Several supply-side concepts by Pepco align with longer-term strategies already contemplated in the Climate Solutions Plan (“CSP”)⁷, particularly within the “Activating the Local Energy Ecosystem” and “Enhancing Infrastructure for Climate Solutions” portfolios.

i. Distributed and Customer-Sited Resources

a. Vehicle-to-Grid (“V2G”) and Bi-Directional Charging

During the meeting, Pepco described potential incentives for bi-directional chargers and V2G participation as a means of injecting power during peak conditions. While no specific program design was discussed, this concept is consistent with CSP programs contemplated in the 10-Year and 15-Year planning horizons, which include V2G compensation and deployment initiatives to support resource adequacy and peak management.

b. Behind-the-Meter Battery Energy Storage Systems (“BESS”)

Incentives for behind-the-meter storage and aggregation through virtual power plants (“VPPs”). The CSP similarly identifies battery incentives, battery arbitrage tariffs, and VPP programs as tools to balance load and provide grid services, subject to benefit-cost analysis and Commission approval. These CSP concepts were cited as illustrative examples of how customer-sited resources could be scaled over time.

c. Virtual Power Plants

Pepco noted that initial VPP efforts would likely begin with battery aggregation and potentially expand to EVs. This approach aligns with CSP programs such as “Virtual Power Plant” initiatives under the Local Energy Ecosystem portfolio, which are intended to enable coordinated dispatch of distributed assets for system needs.

ii. Utility-Scale Storage and Grid-Enhancing Technologies

Pepco discussed front-of-the-meter storage and grid-enhancing technologies (“GETs”) such as dynamic line ratings and advanced power-flow control. The CSP similarly identifies utility-scale battery grid services, grid-facing batteries, and advanced distribution system enhancements as longer-term infrastructure solutions to improve reliability and resource adequacy. These CSP references provide context for how such investments could be evaluated within existing Commission planning frameworks.

iii. Long-Term Power Purchase Agreements (“PPAs”)

Pepco currently executed a PPA in 2025 for 5% of load.⁸ The Commission has approved procurement of approximately 5% of SOS load through a renewable PPA, Pepco is currently

⁷ FC1167 Climate Solutions Plan, filed October 31, 2025.

⁸ *FC 1017* Order No. 22702 In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia, (August 14, 2025).

conducting a request for proposals for an additional 20% of SOS load.⁹ Long-term PPAs are already under active Commission consideration, rather than a new Task Force recommendation.

B. Modification to Standard Offer Service Procurement Process

i. PJM Capacity Market Background

It was requested that a PJM Capacity Market Background be provided as well as an overview of how demand side and supply side options can affect it. Pepco provided an overview of this information prior to presenting potential modifications to Standard Offer Service Procurement Process.

PJM develops its load forecast using a range of variables, including average customer usage by sector, weather patterns, coincident peak data, plugin electric vehicle adoption, behind-the-meter battery storage behavior, calendar effects, and relevant state policies. In addition to its core modeling, PJM incorporates load modifications submitted by Load Serving Entities (“LSEs”). These include Large Load Adjustments, which account for significant load increases that PJM may not otherwise capture—such as new data centers or broader electrification trends—and Peak Shaving Adjustments, which represent load reductions from behind-the-meter generation or time-of-use participation that are not apparent to PJM.

Demand Response (“DR”) and Price Responsive Demand (“PRD”) participate as resources within the Reliability Pricing Model (“RPM”), meaning they are not netted out of the load forecast up to the quantities offered into the auction. Although demand-side programs like DR and PRD can be monetized through the capacity market, they do not reduce the overall capacity obligation for the load zone. These solutions remain valuable tools for managing load growth and reducing peak demand, but they depend on consistent customer behavior changes to be effective. On the supply side, dispatchable generation continues to have the greatest impact on resource adequacy due to its reliability. While intermittent resources receive a lower Effective Load Carrying Capability (“ELCC”) compared to dispatchable units, they nonetheless contribute to system adequacy and play a crucial role in meeting clean energy goals.

ii. Potential options in need of further discussion that may reduce SOS Auction prices

As part of the Task Force, Pepco made a presentation on potential options that may impact SOS auction prices, while not directly affecting resource adequacy, this could still promote affordability. Pepco does not currently endorse any of these ideas or specific procurement reforms at this time, but in an effort to provide potential options the Company thought this would be helpful to the Task Force for discussion purposes. The Company is also mindful that several of these

⁹ *Id.*

topics are being addressed through the Commission’s most recent biennial review of the Standard Offer Service (“SOS”) process in Formal Case No. 1017.¹⁰ The proposals discussed were:

1. INC/DEC Load Adjustment Mechanism (Used in Maryland and Delaware)
2. Reducing DC’s Two Annual Auctions to One
3. Shifting Capacity Cost Recovery from Summer to Winter
4. Removing RPS (Renewable Portfolio Standard) Requirement From SOS Pricing (Bates White Proposal)

The INC/DEC load adjustment mechanism used in Maryland and Delaware is designed to protect wholesale suppliers from unexpected fluctuations in the amount of load they must serve. By reducing the risk associated with changes in load size, this mechanism can lower suppliers’ exposure to uncertainty, which may allow them to reduce the risk premium they include in their bids.

Regarding the proposal to reduce DC’s two annual auctions to a single auction, combining them would double the number of load blocks offered at one time. In theory, this could attract additional suppliers and enhance competition. However, Bates White¹¹ does not recommend this change. They believe the current two auction structure helps mitigate market uncertainties, and they expect that, rather than drawing new participants, existing suppliers would simply bid on more blocks—potentially at higher prices. Evaluators also observed that having two separate auction days can encourage more competitive pricing, as bidders who lose in the first round often reassess their strategy and return with lower offers in the second auction.

The idea of shifting capacity cost recovery from the summer to the winter would not reduce overall costs but would redistribute them across the year. Pepco’s initial review, based on assumed average monthly usage of 686 kWh in the summer and 564 kWh in the winter, highlights potential concerns with this approach. As electrification increases, particularly with the growing adoption of electric heat pumps, winter usage could rise significantly. This shift could result in higher winter bills if capacity costs were moved to those months.

Finally, the proposal to remove the Renewable Portfolio Standard (RPS) requirement from Standard Offer Service (SOS) pricing, as suggested by Bates White, would increase transparency by clearly separating the cost of the SOS product from the cost of meeting RPS obligations. It would also create greater flexibility in RPS compliance by allowing for targeted procurement of renewable energy credits (RECs) rather than tying REC procurement directly to SOS pricing. Another option to reduce the cost of RPS to customers would be lowering the ACP for SRECs or accepting SRECs from neighboring areas within PJM.

¹⁰ *Formal Case No. 1017 Public Notice, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia*, The Commission initiated the 2025 Biennial Review of Standard Offer Service (“SOS”),(December 23, 2025).

¹¹ Bates White Economic Consulting is the District of Columbia SOS Market Monitor.

Again, these potential options would need further discussion and development before implementation.

C. Demand-side Solutions and Customer Programs

Demand-side discussions focused on reducing peak demand to lower the District's capacity obligation in PJM. Pepco emphasized that the concepts presented were illustrative and not final program proposals. Additionally, like the CSP, there are other dockets such as FC 1160, FC, 1167, and FC 1176 that are reviewing topics raised here.¹²

i. Time-of-Use ("TOU") Rates and Managed Charging

Pepco discussed whole-house TOU rates, EV-specific TOU rates, and managed charging programs. These concepts directly align with CSP programs such as Residential TOU Rates, Commercial TOU Rates, and Managed EV Charging, which are designed to reduce peak load and support resource adequacy.

ii. Demand Response and Load Management

Pepco proposes modernizing its residential direct load control ("DLC") program and expanding enrollment while continuing to support customer controlled smart thermostat options. Participating customers would receive enrollment incentives and monthly bill credits in exchange for allowing Pepco to cycle their HVAC systems during peak demand. Although customers cannot opt out of individual events, they may unenroll at any time. Pepco also discussed Bring Your Own Device ("BYOD") and rebate-based thermostat programs, which allow customers to participate using compatible smart thermostats while retaining full control and the ability to override events. These customers earn performance-based bill credits that reflect their delivered load reductions.

Together, these programs expand customer participation and enhance Pepco's ability to manage peak demand, increase load reduction potential, strengthen system reliability, and compensate customers for the grid services they provide.

iii. Energy Efficiency and Behavioral Programs

Pepco described behavioral programs, efficient product incentives, and audits as lower-cost tools with gradual impacts on peak demand. These concepts align with CSP programs such as Efficient Products Incentives, Home Energy Reports, and Quick Home Energy Check-Ups, which are intended to reduce overall system demand and support affordability.

¹² Many demand-side concepts discussed during this meeting are reflected in the CSP's Decarbonizing Buildings and Electrifying Transportation portfolios.

III. Conclusion

The Company provided substantive presentations throughout the several meetings and discussed many issues raised by stakeholders throughout the Task Force. Nevertheless, the Company recognizes that no single solution is likely sufficient to address PJM capacity cost volatility and resource adequacy issues. However, Pepco finds that many of the topics raised in this Task Force can be addressed in the Formal Cases discussed *supra* where there can be further development and discussions.

ADDENDUM 5

Addendum 5

PJM appreciated the opportunity to participate in FC 1183 as a member of the Task Force. PJM recommends the District utilize any viable technologies and program opportunities to increase supply and reduce demand, both on the distribution system, as well as the wholesale level. As expressed in Phase I of the Report, PJM looks forward to continuing to serve as an educational resource to the Commission and to collaborate with the District as it seeks to meet its energy policy goals. PJM will continue to focus on its mission of ensuring reliability for the 67 million customers it serves, which includes the District of Columbia.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of Pepco's Part II Report of the PJM Capacity Auction Task Force was served on the parties of record in Formal Case No. FC1183 by electronic mail this 23rd day of January, 2026:

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