

Understanding Capacity Costs

Capacity represents the need for adequate generating resources and ensures there is enough electric supply to meet demands, especially at peak times. Regional Transmission Organizations (RTOs) – like PJM Interconnection, L.L.C., that serves this region – are responsible for ensuring there is sufficient capacity by conducting auctions to set the capacity price, which varies across different zones based on zonal needs and the amount of generation offered and accepted in the auctions.

While capacity is just one component in your company's overall energy spend, its impact on your price can vary from year to year. Calculating your company's capacity costs is easier when you have all the information you need in one place. We've created this quick reference guide and worksheet to help make calculating your capacity costs simple.

Capacity Terms

- **Capacity Peak Load Share (PLS)** - Customer specific. Based on average of your coincidental peak demand matched against the five highest demand summer (June-September) on-peak hours against all of PJM. Your Electric Distribution Company (EDC) calculates and sends you your PLS value each year.
- **Forecast Pool Requirement (FPR)** – Added capacity planned to meet the unforced reserve margin.
- **Zonal Scaling Factor (ZSF)** – Accounts for forecasted load growth versus prior year and any changes to capacity portfolio. These are electric distribution company (EDC) specific.
- **Capacity Obligation** – Amount of capacity supplier must procure to serve your facility
- **Reliability Pricing Model (RPM)** – PJM will conduct a Base Residual Auction (BRA) for each planning year (PY). The BRA sets the majority of the price for the indicated PY. The price differs by zone within PJM. Subsequent incremental auctions (IA) can result in adjustments to the BRA price.
- **Capacity Cost** – RPM price times your Capacity Obligation in MW-Day. Can be converted to MWh costs for inclusion in fixed price or capacity can be passed-through via monthly demand charge.

Date/Hour	Your Peak (MW)	Example: customer located in FEOH consuming 10,000 MWh/year.			
6/21/24 @ 18:00	1.588*	X	Forecast Pool Requirement	Zonal Scaling Factor	Your Capacity Obligation
7/15/24 @ 18:00	1.517*		0.938	1.0254	1.468 MW
7/16/24 @ 18:00	1.399*				
8/1/24 @ 18:00	1.446*				
8/28/24 @ 18:00	1.682*				
PLS	1.526				

Your Capacity Obligation		2024 / 2025 RPM Rate		Days		Capacity Cost
1.468 MW	X	\$270.43	X	365	=	\$144,920 / yr. \$12,077 / mo. \$14.49 / MWh

*Account specific obtained from interval data. EDC adjusts for loss factor and weather (AEP weather applied at time of billing).

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Worksheet

If you know your Capacity Peak Load Share (PLS), you can use the input table below to calculate your Capacity Cost.

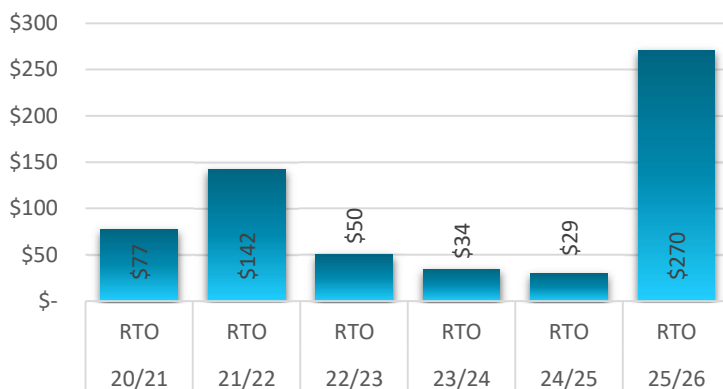
Capacity PLS (MW)		Forecast Pool Requirement		Zonal Scaling Factor		Your Capacity Obligation (MW)
	X		X		=	
Your Capacity Obligation (MW)		Current RPM Rate		Days		Capacity Cost
	X		X	365	=	

Input Table by Electric Distribution Company

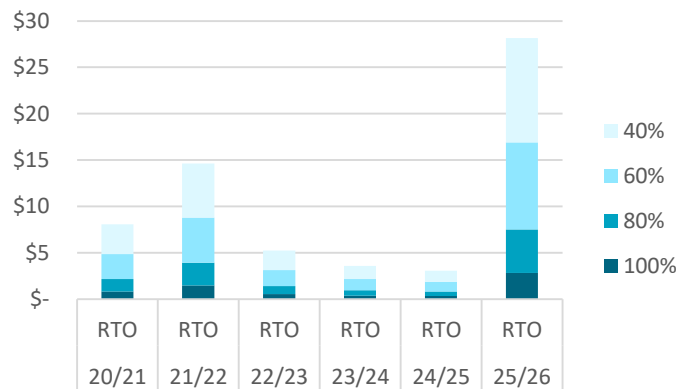
FPR (24/25)	1.117	FPR (25/26)	0.9380	RPM Rate	
EDC	ZSF (24/25)	ZSF (25/26)	PY 2024/25	PY 2025/26	
American Electric Power (AEP)	1.1386	0.9806	\$29.50	\$270.43	
Duke Energy Ohio (Duke)	1.1185	1.0222	\$57.93	\$270.43	
AES (fka Dayton Power & Light)	1.1063	1.0056	\$29.50	\$270.43	
FE-OH	1.1501	1.0254	\$29.50	\$270.43	
Atlantic Electric	1.1280	1.0120	\$56.56	\$270.43	
BGE	1.1156	1.0128	\$61.53	\$471.33	
ComEd	1.1156	1.0071	\$29.50	\$270.43	
DLCO	1.1084	1.0091	\$29.50	\$270.43	
Delmarva	1.1227	1.0172	\$175.22	\$270.43	
JCPL	1.1017	1.0035	\$56.56	\$270.43	
MetEd	1.1153	1.0252	\$50.22	\$270.43	
PECO	1.1189	1.0175	\$56.56	\$270.43	
Penelec	1.1137	1.0292	\$50.22	\$270.43	
Penn Power	1.1501	1.0254	\$29.50	\$270.43	
PEPCO	1.1044	1.0194	\$50.22	\$270.43	
PotEd / WPP	1.1387	0.9899	\$29.50	\$270.43	
PPL	1.1067	1.0235	\$50.22	\$270.43	
PSEG	1.1207	1.0115	\$56.56	\$270.43	

*Updated 3.12.25

PJM's RPM Auction Results



\$/MWh by Load Factor



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