

Expert Blog

"Lightning Plan" and PJM Agreement Strike in Pennsylvania

Leading into next week's budget address

January 30, 2025



Commonwealth Media Services

**Robert
Routh**

Policy Director,
Pennsylvania,
Climate & Energy

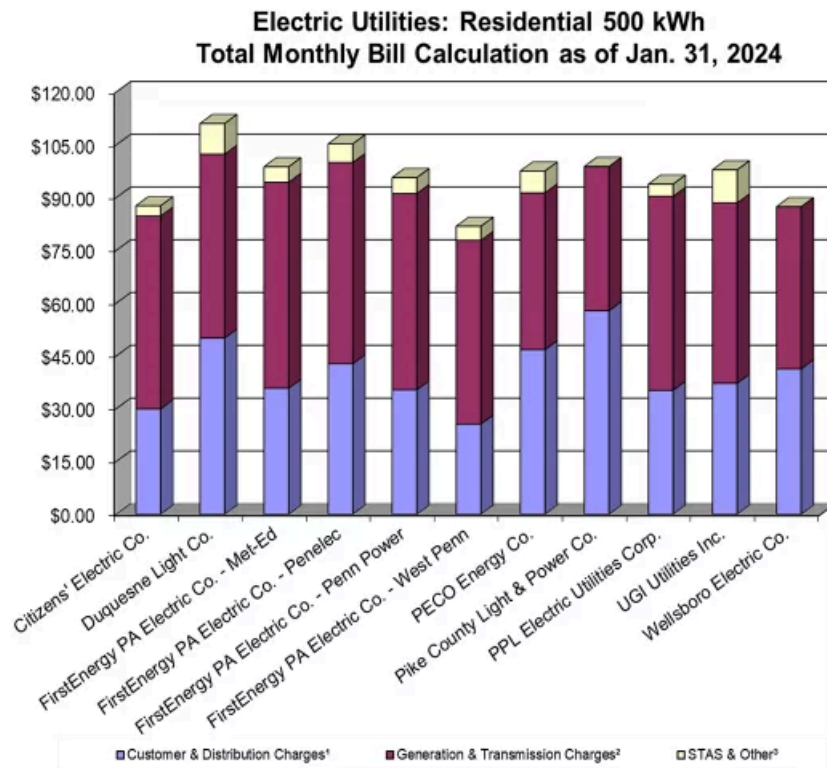
<<http://nrdc.org/bio/robert-routh>>

This has been a particularly consequential week for Pennsylvania consumers and for climate and energy policy in the Commonwealth. Shortly before the calendar turned to 2025, the Shapiro administration filed a complaint <[https://pa.gov/content/dam/copapwp-pagov/en/governor/documents/pjm-lawsuit/gov.%20shapiro%20and%20commonwealth%20of%20pa%20complaint\(119760108\).pdf](https://pa.gov/content/dam/copapwp-pagov/en/governor/documents/pjm-lawsuit/gov.%20shapiro%20and%20commonwealth%20of%20pa%20complaint(119760108).pdf)> with the Federal Energy Regulatory Commission (FERC) against the largest regional transmission organization in the country, PJM Interconnection, arguing that its market design features were fundamentally broken and burdening Pennsylvania ratepayers with astronomical electricity prices without any commensurate public benefit.

PJM's failures and the consequences stemming from the unreliability of gas-fired power plants were made manifest in the most recent capacity auction <<https://www.nrdc.org/bio/claire-lang-ree/pjms-capacity-auction-real-story>> that took place in July 2024. PJM is six years behind in processing requests to bring new generation resources online - nearly all of which are renewables and battery storage - meaning that high prices do nothing to attract new investment or add more power supply.

With skyrocketing prices expected to continue, Governor Shapiro's complaint urged FERC to temporarily change the formula that determines the price cap for PJM's next two capacity auctions to avoid worst-case outcomes for consumers. This was a narrow, targeted request for relief to buy time to address the real, underlying problems in the wholesale electricity market. The governor followed up with a letter to PJM Board members <<https://www.pjm.com/-/media/dotcom/about-pjm/who-we-are/public-disclosures/2025/20250113-pa-gov-shapiro-letter-re-capacity-market-price-cap.pdf>> in mid-January, and NRDC joined with other environmental advocates to file comments in support of Pennsylvania's complaint.

On January 28, Shapiro announced that he brokered a historic agreement <<https://www.nrdc.org/reaction/settlement-between-pennsylvania-and-pjm-saves-customers-billions>> with PJM that will establish a new, lower price cap that will save Pennsylvanians billions of dollars over the next two years. Consumers will still feel the pain from the results of last July's auction beginning in June 2025 - and there is clearly more work to be done by PJM, states like Pennsylvania, and stakeholders to bring clean, reliable, affordable power online to meet growing demand - but this resolution represents significant savings compared to the alternative. See here <<https://www.nrdc.org/bio/mark-szybist/four-facts-about-electricity-costs-rggi-pennsylvania>> for a comprehensive breakdown of what is included in Pennsylvania electric bills.



Source: Pennsylvania PUC Rate Comparison Report (April 15, 2024) <https://www.puc.pa.gov/media/2909/24_rate-comparison-report_final.pdf>

On the heels of that groundbreaking news, Governor Shapiro took to the podium in Pittsburgh on January 30 to announce his new energy plan for the 2025-26 legislative session, dubbing it the "Lightning Plan." Inspired by Ben Franklin's legacy, Shapiro announced that his administration will work with the General Assembly on a six-part package of legislation that will collectively cut carbon pollution, grow energy jobs, diversify Pennsylvania's energy portfolio, and reduce costs on residents' utility bills. The six pieces include:

1. Reintroduction of the Pennsylvania Reliable Energy Sustainability Standards Act ("PRESS")
<<https://www.nrdc.org/bio/robert-routh/new-nrdc-analysis-gov-shapiros-energy-plan-winner>>
2. Reintroduction of the Pennsylvania Climate Emissions Reduction Act ("PACER")

3. Reintroduction of reforms to the Economic Development for a Growing Economy ("EDGE"

<<https://dced.pa.gov/programs/pennsylvania-economic-development-for-a-growing-economy-pa-edge-tax-credit-program/>>) tax credits, a version of which passed the PA House last October:

- a. Repealing the existing credit to incentivize production of petrochemicals and replacing it with a new "Reliable Energy Investment" credit to incentivize new power generation.
 - b. Amending definitions and criteria for the existing credit for manufacturing facilities that purchase and use clean hydrogen produced in Pennsylvania.
 - c. Establishing a new "Sustainable Aviation Fuel" credit to incentivize qualifying facilities that make at least a \$250 million capital investment and create at least 400 jobs to produce aviation fuel that is not kerosene or derived from petroleum or palm fatty acids.
4. Establishing a new Reliable Energy Siting and Electric Transition ("RESET") Board to bring Pennsylvania in line with the majority of other states <<https://www.ethree.com/wp-content/uploads/2024/04/renewable-siting-and-permitting-policies-e3-public-version-04.17.2024.pdf>> that have some statewide entity with the authority to handle siting decisions for key energy projects.
5. Establishing a new "Community Energy" program that appears to be modeled after an existing proposal to authorize Community Solar (a policy that has been debated in the General Assembly for many sessions now) while also providing for resources such as geothermal and anaerobic digesters.
6. Reforming Pennsylvania's flagship energy efficiency law, Act 129, which was enacted back in 2008 and can be updated to maximize consumer savings in a changing energy landscape.

Taken together, this package represents a sweeping, ambitious plan to address rising costs and produce more clean, reliable power. As with everything in Harrisburg, the devil will be in the details, but the Lightning Plan appears to reflect the diverse interests of consumer advocates, organized labor, environmental/climate groups, and business and industry. These are the stakeholders that Governor Shapiro has consistently brought together since he first took office. This plan also appears consistent with the governor's oft-repeated three-part test: (1) take real action to address climate change; (2) protect and create energy jobs; and (3) ensure reliable, affordable power for Pennsylvania consumers in the long-term.

What Comes Next?

Governor Shapiro is scheduled to deliver his annual budget address in the Capitol on February 4 where we can expect to hear more details about his priorities heading into the next fiscal year. Then, throughout the rest of February and leading into March, the House and Senate Appropriations Committees will hold their annual budget hearings with leaders and staff from executive agencies to discuss the administration's spending proposals. Amid this flurry of activity, we look forward to rolling up our sleeves and engaging with partners, elected officials, regulators, and staff as bill text is drafted and this energy plan begins to move through the legislative process. Much more to come.

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Fossil fuel un-reliability and PJM's failure to speedily connect new clean resources to the grid are to blame for the 2025/26 auction price spike.

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