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Commissioner

Dear PJM Board of Managers,

The Markets and Reliability Committee met on March 25, 2026, and voted to approve the Connect and Manage Framework Issue Charge (“Issue Charge”). I am writing to express my concern that the Issue Charge contains a central flaw: it declares that “[c]hanges to the demand included in the capacity market” will be out of scope. This decision must be reversed or elsewhere addressed. Otherwise, existing customers will continue to pay for new generation needs caused by the influx of new large load additions (“LLAs”) such as data centers. I am committed to preventing cost shifts from LLAs to existing ratepayers and have long-noted concerns that ratepayer affordability will not be protected if connect and manage LLAs are kept in the capacity market demand stack.¹

As the PJM Board explained, connect and manage will apply to new LLAs that aren’t linked with qualifying new generation or other supply resource arrangements.² If the LLA demand is kept in the capacity market demand stack, the market will signal to these LLAs that the regional system will procure capacity for them. This conflicts with the foundational underpinning of connect and manage: connect and manage is supposed to, in large part, provide an incentive to new LLAs to procure their own capacity so that they can avoid this status.³ This incentive is strongest in the long term if PJM clearly signals that it will not procure capacity for connect and manage resources through the Base Residual Auction (“BRA”). Put another way, since connect and manage load is curtailable and the capacity market is designed to ensure firm service in such conditions, connect and manage LLAs should not be accounted for in the capacity market demand stack.

Additionally, keeping connect and manage LLAs in the demand stack will cause existing ratepayers to pay to procure supply for these LLAs. As currently designed, the capacity market socializes costs across

¹ The BPU has previously advocated for removing connect and manage new large loads from the capacity auction demand stack. See *NJBPU Staff Regarding Critical Issue Fast Path – Large Load Additions*, November 18, 2025, <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2025/20251118-njbpu-staff-re-cifp-lla.pdf>; *PJM Interconnection, L.L.C.*, Comments of the New Jersey Board of Public Utilities, Docket No. EL26-30 (December 15, 2025).

² PJM Board Decisional Letter on Critical Issue Fast Path - Large Load Additions, January 16, 2024 at 4.

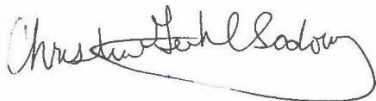
³ Put another way, since connect and manage load is curtailable and the capacity market is designed to ensure firm service in such conditions, connect and manage LLAs should not be accounted for in the capacity market demand stack.

the region and is not concerned about directing costs to new LLAs. To be clear, PJM cannot simply expect states to manage these BRA costs and states cannot guarantee that they have all the tools to assign such costs to new LLAs. As explained by the Joint Consumer Advocates, under PJM's current method of assigning capacity costs, LSEs and zones will be responsible for costs even if they do not have corresponding new LLAs or if the forecasted LLAs do not materialize. I agree with Joint Consumer Advocates that such an arrangement is unfair to the customers that aren't driving the demand for new generation.⁴

These concerns have been mirrored by other stakeholders. The Legislators' Collaborative observed that keeping connect and manage load in the capacity auction demand stack will send mixed signals about where the responsibility for bringing new supply rests.⁵ It likewise conflicts with the White House Ratepayer Protection Pledge signed by Amazon, Google, Meta, Microsoft, OpenAI, Oracle, and xAI where these companies agreed to bring forward their own new generation.⁶ The Legislators' Collaborative also noted that including connect and manage large loads in the BRA demand stack would put an upward pressure on capacity costs for existing customers.⁷

I therefore urge that PJM take action to remove connect and manage LLAs from the capacity auction demand stack.⁸ PJM should modify the connect and manage issue charge or commit to address this issue in related proceedings, such as through PJM's upcoming holistic market review or the reliability backstop procurement proceeding. Addressing this issue will ensure that stakeholders can work and develop the appropriate set of mechanics, procedures, and governing document enhancements needed to implement a robust connect and manage system. This is needed to protect long-term ratepayer affordability and encourage LLAs to develop their own new supply of generation resources.

Sincerely,



President Christine Guhl-Sadovy

March 27, 2026

⁴ *Id.* ("It is not rational or fair to expect an LSE to pay costs caused by data centers when it does not serve data centers and the assigned costs are unrelated to the LSE's demand. This simply becomes an additional cost not caused by the LSE's demand. . . . PJM can cure these defects by removing new data center load from future BRA auctions . . .")

⁵ PJM Legislators' Collaborative letter to David E. Mills and the PJM Board of Managers, March 18, 2026.

⁶ The White House, Ratepayer Protection Pledge, March 4, 2026 ("Companies will build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands, paying the full cost of those resources whether by building, or buying from, new or otherwise additive power plants.").

⁷ PJM Legislators' Collaborative letter to David E. Mills and the PJM Board of Managers, March 18, 2026.

⁸ The PJM Board indicated it would review whether new LLAs should be removed from the capacity market demand stack while implementing the RBA. PJM Board Decisional Letter on Critical Issue Fast Path at n. 6. Despite this claim, PJM Staff has repeatedly claimed connect and manage design issues will be addressed outside of the RBA process. I therefore urge that this important design choice be addressed in time for it to inform connect and manage task force discussions.