

Updated Proposal

The PJM Board Decision on the Reliability Backstop Procurement proposal largely reflects the PJM Stage 4 proposal, with targeted changes. The updates to the PJM Stage 4 proposal the Board is directing are highlighted in blue for reader convenience.

Proposed Backstop Mechanism: A Parallel Path Approach

PJM is proposing a two-path mechanism for the Reliability Backstop Procurement (RBP): A **Central Procurement** path, with PJM as the central administrator, and a **Facilitated Bilateral Matchmaking** path. The central procurement will look to commit supply to cure the observed megawatt shortfall of the Reliability Requirement in the 2028/2029 Base Residual Auction (BRA), while the facilitated bilateral matchmaking will be run in parallel with the central procurement and look to streamline direct contracting between supply and demand to address the growing load the PJM region is forecasting. Bilateral contracting was highly preferred among members, and PJM supports bilateral activity to bring new load onto the system.

Request for Proposals (RFP)

A bilateral matchmaking RFP was issued on June 9, 2026. RFP responses were due July 21, 2026, noon ET. Any party interested in the bilateral matchmaking process needed to respond. Upon closing the RFP window, CRA will commence the bilateral matchmaking process, with the first window to have initial matches expected in August 2026. This process is intended to be iterative and will continue for ~6–9 months.

This process will run parallel to the central procurement. Projects in the bilateral matching process that do not form agreements may bid into the central procurement. However, bidding into the central procurement reflects a willingness to take on a binding commitment. Bidders will not be permitted to exit the central procurement process to enter bilateral arrangements. Projects that are not selected in the central procurement may re-engage in bilateral matching.

Central Procurement

PJM will conduct a central procurement to function as a safety net to close the reliability gap, calculated as the shortfall megawatts from the 2028/2029 BRA. PJM will finalize commitments prior to the 2029/2030 BRA scheduled in December 2026. The proposed timeline will be:

1. Window for bid solicitation and procurement target adjustment: **September 30 to October 21, 2026.**
2. Selection process and release of results: **October 22 to December 2, 2026.**

Procurement Target Methodology

PJM is proposing a structured method for establishing the procurement targets for the RBP associated with the expected 2028/2029 BRA shortfall, consistent with the Board's direction to procure for the full reliability requirement for the footprint.¹ The initial target will be determined based on the 2028/2029 BRA and calculated as the megawatt UCAP quantity PJM clears short of the RTO Reliability Requirement.

¹ See page 6 of the [PJM Board Decisional Letter on Critical Issue Fast Path – Large Load Additions](#) (PDF).

The initial procurement targets will be lowered by new supply showings to set the final target with the objective to ensure PJM does not double procure for the load. This will include: 1) signed contracts for new supply, 2) approved new IRP supply, and 3) Large Load sites committed to demand-side participation.

There will be a limited opt-out provision for 1) Electric Distributor (ED) zone/areas² whose rates are not regulated by the state and that demonstrate a documented inability to address cost allocation associated with capacity procured in the backstop that cannot be assigned to the Large Loads included in their load forecast; and 2) ED zone/areas that are addressing their capacity needs through peak shaving adjustment programs that are codified in state law. The first opt out will require written support from the relevant governor, RERRA and the interconnecting customer from their load forecast. If a zone/area elects to opt out and provides the required written support, PJM will reduce the area's pro rata share obligation aligned with the interconnecting customer's megawatts and decrement the RTO Procurement Target accordingly.

This procurement will be at the RTO level with cost allocation to Load Serving Entities (LSEs) in a manner structurally consistent with RPM cost allocation. The pro rata share allocation will be set by the zone/area level based on the megawatts of load additions each area is forecasted to serve, using the 2026 Load Forecast for the estimated 2028 summer load forecasts minus the 2026 summer load forecasts.³ This pro rata share allocation of the procurement target will remain fixed for the entire 15-year RBP commitment term for purposes of cost allocation.

PJM is excluding Fixed Resource Requirement (FRR) entities from these targets and from the Reliability Backstop Procurement and associated cost allocation.

Eligible Supply

"New" resources will be eligible to participate in the central procurement phase of the Reliability Backstop Procurement. PJM is proposing to define "new" as resources that:

1. Demonstrate new ICAP and new MFO are being brought to the system;
2. Demonstrate CIRs that are new or transferred from a deactivated resource or a resource that has announced deactivation as of April 10, 2026;
3. Have not received an RPM commitment for a future delivery year where the BRA has already been run, which – at the time of the central procurement – will be up to and including the 2028/2029 Delivery Year, or have not submitted a binding notice of intent to offer (NOI) in the 2028/2029 BRA. Resources with NOIs for the 2028/2029 BRA that offer and do not clear the BRA, would still be eligible. For resources that are transferring CIRs from an announced deactivation, the deactivating resource cannot have a 2028/2029 RPM commitment; and
4. Have an online date no later than June 1, 2032, inclusive of Network Upgrades.

² A zone/area is an area within a zone for which the relevant Electric Distributor specifies a separate Obligation Peak Load megawatt value. A zone/area is a service area of an Electric Distributor that is a separately identifiable, geographic area bounded by wholesale metering.

³ PJM is proposing the load forecast for 2028 to align with the 2028/2029 Delivery Year. Allocations will also reflect any state Peak Shaving Adjustment programs that are submitted via the Large Load Registry and in all relevant aspects meet the PJM Tariff requirements for Peak Shaving Adjustments.

New annual Demand Response (DR) and DER are eligible. Aggregators (CSPs or DERAs) who bid DR or DER into the Reliability Backstop Procurement will be required to show the identified sites and associated contracts for participation for the length of the fixed 15-year term.

Interconnection Review

There will be no restriction to participation in the Reliability Backstop Procurement imposed by the interconnection process, and PJM will not create a "special" interconnection track for the RBP. If the Reliability Backstop Procurement offer is accepted for a generation project, the project must proceed through the standard cycle process to obtain the appropriate interconnection agreement.

The developer is responsible for the actual Network Upgrade costs of the project and is expected to offer in the Network Upgrade costs with the Reliability Backstop Procurement offer.

Central Procurement Structure

Product Definition

The Reliability Backstop Procurement will procure long-term commitments for capacity-only UCAP for a fixed 15-year term. The term will be set from the 2028/2029 DY to the 2042/2043 DY. Resources with an expected offer that begins later than the 2028/2029 DY will result in a shorter commitment, as RBP commitments will not extend past the 2042/2043 DY that aligns with the end of the fixed 15-year term.

Offers and Clearing Structure

Suppliers will represent offers in \$/MW-day UCAP from the 2028/2029 DY to the 2042/2043 DY, and the RBP central procurement will be pay-as-bid for the committed resources.

A maximum willingness to pay will be set that caps the volume-weighted average of the levelized cost of all selected RBP offers to ensure an upper limit exists. This limits the total cost to which load is exposed while also not putting a firm price cap on supply offers to allow more flexibility in bids. The value of the maximum willingness to pay will be set at \$555/MW-day UCAP, which is Point 1 for the unconstrained 2028/2029 DY BRA VRR Curve.

Suppliers will carry the capacity accreditation risk for the commitment and will only be settled in the RBP for the delivered UCAP, up to the committed RBP UCAP on an annual basis.

Settlement Structure

Each committed RBP resource will be settled as a contract for differences (CfD) based on the individual resource's offered price (which is equal to the resource's RBP commitment price), against the resource's weighted-average resource clearing price from the applicable RPM Auctions for such delivery year.

The CfD will only be assessed for megawatts that are committed in the RPM and delivered and will be capped at RBP committed megawatts. If a resource offers additional megawatts beyond its RBP commitment into RPM, those megawatts would be settled under the existing RPM rules.

Selection Process

The selection of projects in the Reliability Backstop Procurement will be conducted in a two-stage approach. The first phase will be a gating criteria evaluation that projects will pass or fail. The second phase, for projects that pass the gating criteria, will be a selection process for commitment. Offers will be selected based on earliest-offered delivery year, and then in least-cost order based on the levelized cost of capacity (UCAP) over the term, up to the defined RTO target procurement.

Supply Obligations

Resources with a Reliability Backstop Procurement commitment are required to be PJM capacity resources⁴ and to take on an RPM Must-Offer Obligation at \$0 (price taker) based on the lesser of the resource's Accredited UCAP at the time of the RPM Auction and the UCAP committed in the RBP. The megawatts committed through RPM Auctions will be subject to all capacity market rules.

A resource with an RBP commitment will be subject to a shortfall charge if they are delayed or do not come online to meet the RBP commitment. The shortfall charge will equal the RBP committed UCAP times a shortfall charge rate equal to 20% of the RBP commitment price of such resource for the applicable delivery year. Once an RBP resource is operational, the shortfall charge will no longer apply. If a resource is delayed meeting its commitment for three years after the first applicable RBP committed delivery year, the RBP commitment will be rescinded for the remainder of the term. There will be an exception to the shortfall charge for resources that are unable to meet the commitment solely due to Network Upgrades.

Cost Allocation

Costs of the Reliability Backstop Procurement commitments will first be allocated to zone/areas based on their pro rata share of the procurement target megawatts as described in the Procurement Target Methodology section. Zone/area costs will then be allocated pro rata to the LSEs based on a Reliability Backstop Obligation (RBO).⁵

EDs will be responsible for allocating assigned zone/area RBP target megawatts to customers via introduction of new Reliability Backstop Obligation (RBO) megawatt assignment in Capacity Exchange (similar to existing PLC and NSPL processes). If states have not established frameworks to appropriately allocate costs to new data center loads, it is unclear to which customers those costs would be assigned. As a backstop, if the ED does not allocate via RBO, PJM will allocate to all load in the zone/area (including non-Large Loads) using existing PLC assignments.

Credit Requirement and Default Allocation

Credit Requirement – RBP Resource

Each RPM Resource seeking to submit an RBP Sell Offer in the Reliability Backstop Procurement is subject to the following credit requirements:

- Simultaneously to RBP bid submissions, RBP collateral is required to be posted in an amount that is 0.2 times the RBP Sell Offer Price in \$/MW-Day x UCAP committed in MW x 365 x 3 years. This collateral can be posted either as a cash deposit or a Letter of Credit.

Following the RBP commitments, collateral will be returned to all bid submissions that were not selected.

⁴ RBP committed resources will be required to be PJM capacity resources, even under reforms on the existing RPM design, and will have commensurate requirements for participation.

⁵ This will be a new defined term exclusively for the RBP.

For committed RBP Resources, PJM is proposing to require credit to support the RBP shortfall framework. The credit and collateral requirement cover three years of the RBP shortfall charges while maintaining the stability and credibility of the procurement process. This will be held until an RBP resource achieves the first delivery year commitment (in whole or in part of the committed UCAP) and no longer subject to the RBP shortfall and after a one-year look back. At that time, the credit requirements may be reduced or returned.

Credit Requirement for Load Serving Entities (LSEs)

Prior to the relevant delivery year, PJM will assess the RBP credit requirement of the LSEs' allocated responsibility for RBP Obligations. The LSEs will be required to post the full RBP credit requirement for the duration of the Reliability Backstop Obligation as defined below.

- a) Within 90 days of the delivery year, LSEs must post \$1.5 million x RBP Obligations.
- b) If no RBP Obligations are reported in an Electric Distributor zone/area, and PJM will be allocated RBP charges based on the PLC, PJM may apply credit processes to an LSE in accordance with the Unreasonable Credit Risk provisions of Attachment Q, Section II.A.

The RBP credit requirement may be reduced to a level acceptable to cover the remaining RBP obligations.

Default Allocation

RBP Resource Nonpayment of RBP Shortfall Charges

In the event that an RBP Resource subject to RBP shortfall charges pursuant to Tariff, Attachment DD, section 18.6(d) defaults on RBP shortfall charges, the corresponding credits will not be allocated to the Load Serving Entities that would otherwise receive the RBP shortfall credits.

LSE Nonpayment of RBP Charges

In the event a Load Serving Entity defaults and fails to pay an RBP Charge, the defaulted amount will be allocated to all remaining Load Serving Entities that participated in the RBP central procurement responsible for paying RBP Charges based on their pro rata share of the total RBP Charges for all such Load Serving Entities.

Transmission Owner RBP Withdrawal Responsibility From PJM

Given the long-term nature of RBP commitments, it is necessary to address the risks presented by a Transmission Owner (TO) leaving PJM at some point over the 15-year term.⁶ Consistent with FERC precedent that a TO leaving PJM is obligated to pay for the capacity that PJM has acquired for its load,⁷ PJM is proposing the following solutions by each scenario presented by a potential TO exit. These solutions are intended to mitigate any impacts of a TO leaving PJM to all other parties.

1. TO leaves with net generation that was part of RBP.
 - TO pays all costs for RBP generation to pseudo-tie if generation is able to be pseudo-tied and PJM elects to retain such resource (waiving electrical distance requirement for impacted existing generation).

⁶ [Transmission Owner Separation Risk](#) (PDF)

⁷ See *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,307 at PP 83-93 (2008).

- If RBP committed resource is not able to be pseudo-tied back into PJM
 - Prior to exiting TO must (1) pay PJM the remainder of RBP value ($MW \times Rate \times Remaining\ Years$) on an accelerated basis; collected revenue will be allocated to RBP resources in the TO's service territory or (2) execute a contract or TO tariff amendment that assumes the obligation to pay RBP charges to the relevant RPB resource(s) for the remainder of the RPB term. Justification is that the RBP resource was developed and financed with the expectation of a fixed 15-year term, so such resource needs to be made whole to this expectation.
- 2. TO leaves with net load that was allocated an RBP charge.
 - Prior to exiting, the TO must pay all forward obligations on an accelerated basis (similar to a withdrawal today, they either post collateral or cannot leave). The obligation would be calculated as the remaining notional value of the RBP allocation. Revenue collected will be credited to remaining new Large Loads in PJM to offset increased costs to such loads necessary to support the committed RPB resources through the remaining term of the RBP commitment. Justification is that remaining load cannot be harmed by the member leaving, and RBP generation will need to continue to be paid through the term of the commitment.

Nothing precludes the TO from seeking recovery of such costs from Large Loads.