Critical Issue Fast Path - Large Load Additions
Stage 4
November 17, 2025

Protecting Ratepayers Proposal
Executive Summary

Background

As a coalition of bipartisan state legislators representing ratepayers across the PJM Interconnection region and the Natural Resources Defense Council, we appreciate the PJM Board's leadership in initiating the Critical Issues Fast Path (CIFP) process to address the reliability and affordability challenges associated with rapid load growth from large new data center development. We recognize that data centers are critical to the modern digital economy and can generate local economic benefits. At the same time, their extraordinary and concentrated electricity demands present new challenges for maintaining affordability and reliability across the region.

Earlier this year, state legislators from across the country unanimously adopted a resolution at the National Conference of State Legislatures (NCSL) Summit, acknowledging these dual realities. The resolution urged federal and regional entities to collaborate with states to ensure that large-scale energy users pay their fair share of system costs under "cost causation" and "beneficiary pays" principles, and to develop strategies that protect ratepayers and maintain grid reliability. This proposal reflects that same intent.

This proposal is directly responsive to the August 8 board letter which initiated the CIFP, as well as the problem statement and issue charge, to develop "reliability-focused solutions to ensure large loads can continue to be integrated rapidly and reliably, without causing resource inadequacy." We believe this proposal is one of the few that squarely addresses the resource adequacy risks.

This proposal, referred to as the Protecting Ratepayers Proposal, combines elements of existing stakeholder proposals with pragmatic safeguards to manage near-term affordability and reliability risks. Together, these measures establish a structure for integrating large new loads while maintaining affordability and reliability for all PJM customers.

"Protecting Ratepayers" Proposal Details

The Protecting Ratepayers proposal combines the incentives for new supply and other features of the Data Center Coalition/Governors/ Exelon proposal (the "DCC Proposal") with essential backstop mechanisms that mitigate the price and reliability impacts of load growth on the public. Those backstops are (1) beginning with the 2027/28 delivery year, PJM will only provide firm service for organic load growth; (2) integrate interruptible load into energy and reserves markets to reduce energy price increases; (3) provide every possible path for new capacity to increase the amount of firm service a zone obtains; (4) extend the current RPM price caps for one year.

Many proposals rely on voluntary options for large loads to "bring their own" supply, along with load forecasting updates to reduce speculative risk. We support those approaches, and include the corresponding components of the DCC Proposal: (1) Load forecasting enhancements, (2) Enhanced Demand Flexibility, and (3) Incentives for large loads that BYOG.

The Protecting Ratepayers proposal adds a new component to the DCC proposal regarding the treatment of large loads that have not brought their own capacity. PJM will no longer procure supply for large loads; instead, PJM will only provide firm service for large loads to the extent they have added new capacity to the system. Zones that have added large loads without supporting capacity will receive interruptible service. This significantly reduces the capacity cost impacts of new large loads.

The Protecting Ratepayers proposal ensures fair allocation of reliability risks while respecting jurisdictional boundaries. To ensure interstate fairness, interruptible load is allocated to PJM zones in the amount each zone's load exceeds committed capacity. This ensures no states suffer reduced reliability due to load growth in other states. To respect jurisdictional boundaries, allocation of curtailment obligations to retail customers is done by the Relevant Electric Retail Regulatory Authority (RERRA). To mitigate energy market impacts, interruptible load will be treated as a source of reserves in real-time markets and curtailed prior to entering scarcity pricing.

The Protecting Ratepayers proposal provides flexible and certain paths to firm service. Large Loads and utilities may increase the amount of firm service their zone obtains from PJM permanently by adding new RPM resources with a must-offer requirement. They may also increase their firm service year-by-year by adding RPM resources that do not have a must-offer requirement, by purchasing capacity in the 3rd incremental auction, or through bilateral contracts with uncommitted existing capacity resources. Allocation of this increased firm service to retail customers is determined by the RERRA.

The Protecting Ratepayers proposal incorporates interconnection fast tracks from both the DCC and BIGPAL proposals. However, to protect resources already in the queue, we stipulate that none of the fast-track paths grant CIRs. Once connected, these fast-track resources can offset curtailments of interruptible service, but all risk that the transmission system may not support the fast-track resources' full output remains with the large loads. Fast-track resources may obtain CIRs through the queue like all other resources. This approach enables fast pathways for new supply without major transmission upgrades or harm to the main queues, provides clear incentives to locate new supply where it is deliverable to large loads, and allows large loads to gain full benefit of these investments without putting any additional risk on the pool.

Finally, the Protecting Ratepayers proposal incorporates two distinct consumer protection mechanisms: to correct a timing mismatch between RPM forward auctions and resource new entry, we propose holding back a portion of capacity purchases from the Base Residual Auction to the 3rd Incremental Auction. The amount held back should equal PJM's estimate of the amount of new generation expected to enter service between those two auctions. The proposal also incorporates the DCC proposal's one year extension of the RPM price cap, through the 2028/29 auction.

Implementation in PJM Markets

These bullet points provide specific details of how the reforms above are implemented in PJM markets. We note that throughout we have emphasized using existing market structures to minimize the risk of unforeseen consequences and implementation effort.

- Large loads adjustments to RPM are frozen at the level that cleared the 2026/27 BRA.

- RPM VRR curves in future BRAs are set at 2026/27 + organic load growth + capacity added to the system designated for the benefit of new large loads.
- Bring Your Own Capacity (BYOC) mechanisms:
  - Loads and utilities can BYOC by adding any UCAP recognized by RPM.
  - Adding capacity with a must offer requirement (new generation) gets the load firm service permanently. Once this capacity has been added to the system and takes on an RPM must-offer requirement, the amount of capacity PJM purchases in RPM permanently increases.
  - Adding capacity without a must offer requirement (new DR) gets the load firm service for as long as the resource offers into RPM.
  - Loads may gain firm service one year at a time by purchasing surplus capacity in the 3rd IA or bilaterally from uncommitted resources. This ensures that no surplus capacity goes to waste. This mechanism allows large loads to meet their capacity needs and works well with voluntary BYO mechanisms or updates to the load forecast.
  - BYOC is managed on a UCAP basis, including reserve requirements. Loads gain firm service MW-for-MW, rather than having to specifically match capacity to individual sites. (See the demand response bullet below for how matched non-capacity resources will help large loads).
  - Incorporates the BYOC incentive from the DCC proposal. States are encouraged to prioritize loads that BYOC for retail interconnection.
- Demand response (DR):
  - UCAP from new DR or PRD may be used to gain firm service for as long as that demand response offers into RPM. That DR/PRD may be self-supplied by the large loads or contracted from other customers in the same Load Delivery Area (LDA).
  - Add new limited DR products described in the DCC proposal
  - These products can help large loads gain firm service, but will have a lower ELCC than current DR.
  - Any DR or PRD participant may contract with resources that are in their LDA and do not have a capacity commitment to net that resources' output against the DR/PRD sites' curtailment obligation. (E.g., if a site with a 100MW DR obligation contracts with a solar facility that happens to be producing 60MW when the DR is called, the DR must only curtail 40MW.) This allows any energy-only resources that receive expedited interconnection (see "Interconnection Fast Tracks" section) to reduce large loads' curtailment risk by producing energy when needed. In other words, it provides a way to capture the resource adequacy value of very rapid interconnection while passing no risk on to the pool in general.
- Operations:

  - All load beyond what clears RPM is interruptible; PJM administers this at the wholesale level and regulators assign it to retail customers.
  - Interruptible load will be curtailed around when PJM calls emergency DR, and always before entering scarcity pricing.
  - Interruptible load is treated as a source of reserves, again reducing energy prices, especially during scarcity events.
- Interconnection fast tracks:
  - Expedited energy-only interconnection for state-sponsored or load-affiliated resources as in the DCC proposal.
  - Incorporate BIGPAL-style local resource interconnection.
  - Energy only resources offset large load curtailment risk as described in the demand response bullet above.
  - Fast tracks do not grant CIRs to avoid harming existing queues.
  - These fast track energy-only resources can simultaneously or later enter the regular queue to get CIRs.
- Load forecast:
  - Incorporate the load forecast improvements in the Maryland Office of People's Council proposal.
  - The improved load forecast will be used for transmission planning purposes.
  - Because PJM will not purchase capacity based on forecast large loads, capacity prices are protected from forecast errors.
- Transmission costs:
  - Incorporates the DCC proposal to engage a stakeholder process to explore enabling large loads to fund network upgrades.
  - Disciplines costs through load forecast improvement.
  - Begin a stakeholder process to allow customers to fund transmission upgrades to access accelerated interconnection.
- Other:
  - Extends the RPM price cap one year.
  - Add an RPM holdback equal to PJM's estimate of the amount of UCAP expected to enter service between the BRA and 3rd IA.

Signatories

Legislators

Delaware
Senator Stephanie Hansen
Representative Debra Heffernan
Representative Frank Burns

District of Columbia
Councilmember Charles Allen

Illinois
Senator Rachel Ventura
Senator Sue Rezin
Representative Joyce Mason

Indiana
Representative Sue Errington

Maryland
Senator Katie Fry Hester
Delegate Chao Wu
Delegate Kym Taylor
Delegate Adrian Boafo
Senator Benjamin Brooks
Senator Brian J. Feldman
Senator Charles Sydnor III
Delegate Courtney Watson
Delegate Greg Wims
Senator Jim Rosapepe
Delegate Julie Palakovich Carr
Senator Karen Lewis Young
Delegate Lily Qi
Delegate Linda Foley
Delegate Mark Chang
Delegate Regina T. Boyce
Delegate Joe Vogel
Senator Ben Kramer
Delegate David Fraser-Hidalgo
Delegate Nick Allen

New Jersey
Senator Bob Smith
Assemblyman David Bailey, Jr.
Senator Angela V. McKnight
Assemblyman Robert Karabinchak

North Carolina
Representative Julie von Haefen

Pennsylvania
Representative Lisa Borowski
Representative Ben Waxman
Representative Elizabeth Fiedler
Representative Danilo Burgos
Representative Chris Rabb

Virginia
Delegate Richard C. (Rip) Sullivan, Jr.
Senator Saddam Azlan Salim
Delegate Michelle Lopes Maldonado

West Virginia
Delegate Evan Hansen

Senator Shelly Hettleman
Delegate Lorig Charkoudian
Delegate Terri L. Hill, M.D., PA
Delegate Aletheia McCaskill
Delegate Aaron Kaufman
Senator Clarence Lam
Delegate Michele Guyton
Senator Chris West

Public Interest Organizations

Natural Resources Defense Council (NRDC)
Environmental Law and Policy Center (ELPC)
Vote Solar
New Jersey Sustainable Business Network
Ceres
Action Together New Jersey
Southern Environmental Law Center (SELC)