# East Kentucky Power Cooperative (EKPC) Stage 4 CIFP Large Loads: Exec. Summary

### *High-Level Summary of EKPC's Proposal Components*

- Load Serving Entity (LSE) obligations include disincentives (penalties) for adding large loads without sufficient supply. Penalty revenues are distributed to compliant LSEs to offset reliability and economic risks.
- Load forecast improvements adopt PJM's proposal with Dominion's modification—requiring TO/EDC review of third-party assessments.
- Generation interconnection improvements adopt PJM's EIT proposal but removes the state sponsorship requirement.

EKPC does not support changes to Demand Response products or the Price Responsive Demand (PRD) construct. Proposed PRD reforms raise concerns about free-riding and cost shifting.

EKPC also opposes extending the RPM capacity market price collar. EKPC's goal is to preserve the capacity market as an efficient mechanism for maintaining resource adequacy while mitigating the potential for reliability risk and cost due to the integration of large loads to be shifted to existing consumers.

### *Background*

EKPC is a not-for-profit generation and transmission cooperative serving 16 distribution cooperatives under Kentucky Public Service Commission regulation. We serve economically challenged communities. We aim to ensure reliability and affordability and to protect existing consumers from undue price and reliability risks, while seeking to hold cost-causers accountable.

Our proposal targets LSEs—the entities responsible to serve load under the PJM Reliability Assurance Agreement (RAA)—with disincentives (penalties) to discipline large load entry. We believe sufficient transmission is not enough; adequate supply must also be ensured. The Department of Energy called for "orderly" interconnection of large load. In EKPC's view, orderly interconnection requires both adequate transmission capability and adequate generation capacity.

### *Proposal*

EKPC's proposal modifies which large loads are included in PJM's Large Load Adjustment (LLA) process, thereby affecting the load forecast used to establish the VRR Curve for RPM auctions. **Only after an LSE has been identified as being responsible to provide the supply (energy and capacity) to serve the large load will the large load be included in the LLA.**

The 2026 load forecast will soon be finalized and used for all auctions run by PJM until the 2027 load forecast is finalized. In order to ensure that the proposed improvements to the load forecast achieve their beneficial impact; **EKPC proposes that PJM do a mid-term Large Load Adjustment to ensure that the 2029/30 BRA utilizes the reformed load forecast**. Otherwise, due to the current auction timeline, the changes will not have an impact until the 2030/31 BRA and incremental auctions run in 2027 and beyond.

The proposal strengthens PJM's capacity market by aligning supply obligations with entities serving load, reinforcing procurement discipline, and respecting jurisdictional boundaries. It is grounded in the principle that reliability should be paid for by its beneficiaries and that market structures must support—not undermine—self-supply planning.

EKPC proposes a refined framework for capacity obligations and interconnection prioritization that:

- Preserves PJM's capacity market design and the RAA
- Aligns risk and cost accountability with LSEs
- Respects state jurisdiction over retail load
- Avoids cost shifting and reliability dilution from a potentially liberalized PRD construct
- Enhances reliability through enforceable obligations and disciplined procurement

***Key Elements***

❖ **LSE-Centric Capacity Obligation**

EKPC reaffirms that LSEs, as RAA signatories, are solely responsible for capacity obligations. Generators and large loads do not hold this responsibility under PJM's capacity market construct. Nor does the Federal Power Act enable PJM to directly regulate retail loads.

- The proposal maintains the LSE obligation framework, with the first applicable BRA, or relevant IA, establishing the Delivery Year (DY) obligation.
- Large loads without an assigned LSE are excluded from the load forecast, ensuring the Variable Resource Requirement (VRR) curve reflects only accountable demand.

❖ **Penalty and Risk Allocation**

To enforce procurement discipline, EKPC proposes a collateralized penalty for LSEs that enter a BRA/IA without sufficient resources to match its load inclusive of the new large load **and** the LDA does not have sufficient supplies (including imports supported by CETL).

- Penalty = new large load (MW) × 1.5 × BRA Price Cap (\$/MW-day), collateralized upfront
- Shortfalls may be cured via Incremental Auctions or via replacement capacity (new owned resources or bilaterally contracted resources)
- Collateral is held until short position is resolved in advance of the DY or penalty is paid in DY
- In the Delivery Year, penalties are based on actual shortfalls (i.e., did not secure sufficient capacity to cover load obligation inclusive of the large load with the penalty being based on that portion of the obligation associated with serving the large load that was not covered)
- Funds are redistributed to compliant LSEs with the applicable LDA

This structure allocates the cost of load forecast uncertainty and under-procurement are borne to the responsible parties.

In retail choice states, large loads typically do not use default service, choosing instead to contract directly with LSEs. In certain states, it may be possible for large loads to become their own LSE or to create an affiliate to be their LSE. As such, it is reasonable to assume that this proposal aligns with the practice in retail choice states and does not disrupt those programs.

***Additional Elements***

- **Load Forecast Reform**: EKPC supports PJM's proposal with Dominion's modification—requiring TO/EDC review of third-party assessments to maintain forecast integrity and prevent demand misrepresentation.
- **Expedited Interconnection Track (EIT)**: EKPC supports PJM's EIT concept with two changes:
  - LSE contracts with merchant generation or self-build plans associated with serving large loads qualify for expedited treatment (i.e., the focus is on the LSE not the load itself).
  - State sponsorship is optional. In states with regulated utilities, requiring a state to "sponsor" may conflict with the state's responsibility to issue a CPCN to authorize a generator's construction.
- **Price Responsive Demand (PRD)**: EKPC **opposes** PRD changes due to concerns about cost shifting and reliability dilution. As PJM has proposed, large load-PRD customers receive reliable service funded by other firm loads, even during scarcity that drives energy and ancillary service prices up for all load. Curtailment mechanisms for large load-PRD customers remain unclear, raising fairness and operational concerns.

***Conclusion***

EKPC's proposal delivers a disciplined framework that strengthens reliability by aligning capacity obligations with accountable LSEs. Excluding load not aligned with an LSE that is responsible under the PJM RAA to secure sufficient supplies from forecasts preserves market integrity. The collateralized penalty structure disciplines load entry and mitigates the cost of free-riding. PJM's enhanced load forecasting with TO/EDC review of the third-party assessment will best ensure forecast integrity and accuracy. By rejecting PRD liberalization, EKPC's proposal avoids increasing reliability risks and cost shifting. By rejecting extension of the price collar, EKPC's proposal allows the market to appropriately signal that new resources are needed and the market design can stabilize to provide greater investor confidence. The proposal also respects state jurisdiction and supports infrastructure development aligned with state regulated resource planning processes.

Together, these elements form a pragmatic reform that enhances reliability, aligns incentives with accountability, and preserves the existing capacity market design and RAA framework.