

PJM Reliability Backstop Procurement: EDC Allocation & Planned Resource Credit Considerations

Critical Issue Fast Path - Reliability Backstop Procurement

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On behalf of: Southern Maryland Electric Cooperative, Inc.

EDCs as Effective Counterparty

EDC's as Effective Counterparty:

PJM Settlement, Inc. is the counterparty, 'on behalf of EDCs'.

Issues:

- ***But:* EDCs are the -- wires company -- not the LSEs.**
- **EDCs are not a signatory to the PJM RAA; and may have little/no relationship to large load customer.**
- **Putting RBP Capacity 'commodity' risk on EDC's Balance Sheet should be revisited.**
- **PJM Public Power Entities letter to Board last Wednesday provides additional details.**

RBP Shortfall Charge

RBP Shortfall Charge = RBP Shortfall MW * 20% RBP Price:

The “20% Charge” is for the risk that new Large load is subject to higher curtailment priority in the C&M framework by dint of the RBP Resource’s shortfall.

Issues:

- EDC may not have a mechanism to allocate deficiency charges to large load (or to even to curtail the customer).
- Is the 20% Shortfall Charge Rate the right compensation for looming C&M load shed risk?
- A 100 MW load paying a \$400 MW-day RBP price receives a ~ \$2,628,000 payment for rising to the top of the C&M ‘stack’.

Planned Resource Credit (Pre/post)

[PJM proposes a 9.5% NPV discount rate in RBP Credit:](#)

(from the Brattle '25 Periodic Review report, where 9.5% is merchant IPP ATWACC).

Issues:

- A discount rate that reflects how loads may view service interruptions (or non-service due to RBP Award abandonment) *may be* appropriate to consider.
- Propose using ~ 5.3% from another Brattle paper, to reflect imputed value to load of not being served (See Appendix).
- Increases collateral to ~ \$24 MM (from \$15.5 MM) in PJM's 100 MW, \$400 MW-day, 15-year example.

Appendix: Discount Rate for Planned Gen Credit

Discount rate: PJM Discount rate, 9.5% is used to reduce an RBP resource's credit req:

- Discount rate should reflect the value to customers of not being served.
- Using a 9.5% merchant IPP after-tax weighted average cost of capital (ATWACC) may not accurately capture this value.
- Alternative: Based on the current 3.3% inflation rate and a 2% real social discount rate, this results in a nominal discount rate of approximately 5.3%.
- 2022 Brattle study for Atlantic Electric:
‘When calculating the Real-Discounted benefits and costs, we use a real discount rate of 2%. This leads to a nominal discount rate of 4.35% after adding the [then applicable] 2.35% inflation rate. The 2% real discount rate was chosen to reflect the social discount rate, since this CBA focuses on benefits and costs at societal scale including those that are associated with the utility system...’.

Sources:

- 2022 Brattle study for Atlantic Electric at page 65: <https://www.brattle.com/wp-content/uploads/2024/08/Cost-Benefit-Analysis-of-Electric-Distribution-Investments.pdf>
- PJM Apr 16, 2026 RBP Presentation <https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260416/20260416-item-05---pjm-reliability-backstop-procurement-design---pjm-presentation.pdf>