Base Power Company Reliability Backstop Procurement (RBP) Proposal

Current RBP process encourages bilateral supply-side contracting, but doesn't offer a similar demand-side opportunity

PJM Proposal

Supply-side: Bilateral contracting process before RBP auction reduces EDC-submitted MW projections

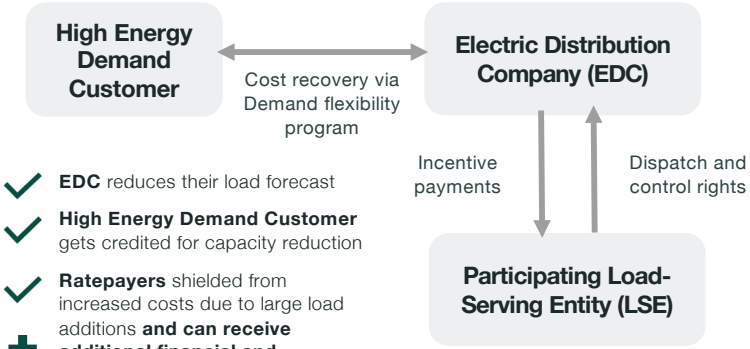
High Energy Demand Customers bilaterally procure capacity from supply-side generators to reduce capacity obligations through RBP or Connect and Manage processes

- **EDC** reduces their load forecast
- **High Energy Demand Customer** gets credited for capacity reduction
- **Ratepayers** shielded from increased costs due to large load additions

Proposed Peak Shaving Adjustment (PSA) Process

Demand-side: EDC option to submit a PSA plan or similar approach to PJM RBP auction forecast

EDC in consultation with LSEs, Large Loads, & State Offices submits PSA to PJM based on bilateral- and state-policy activities in retail market

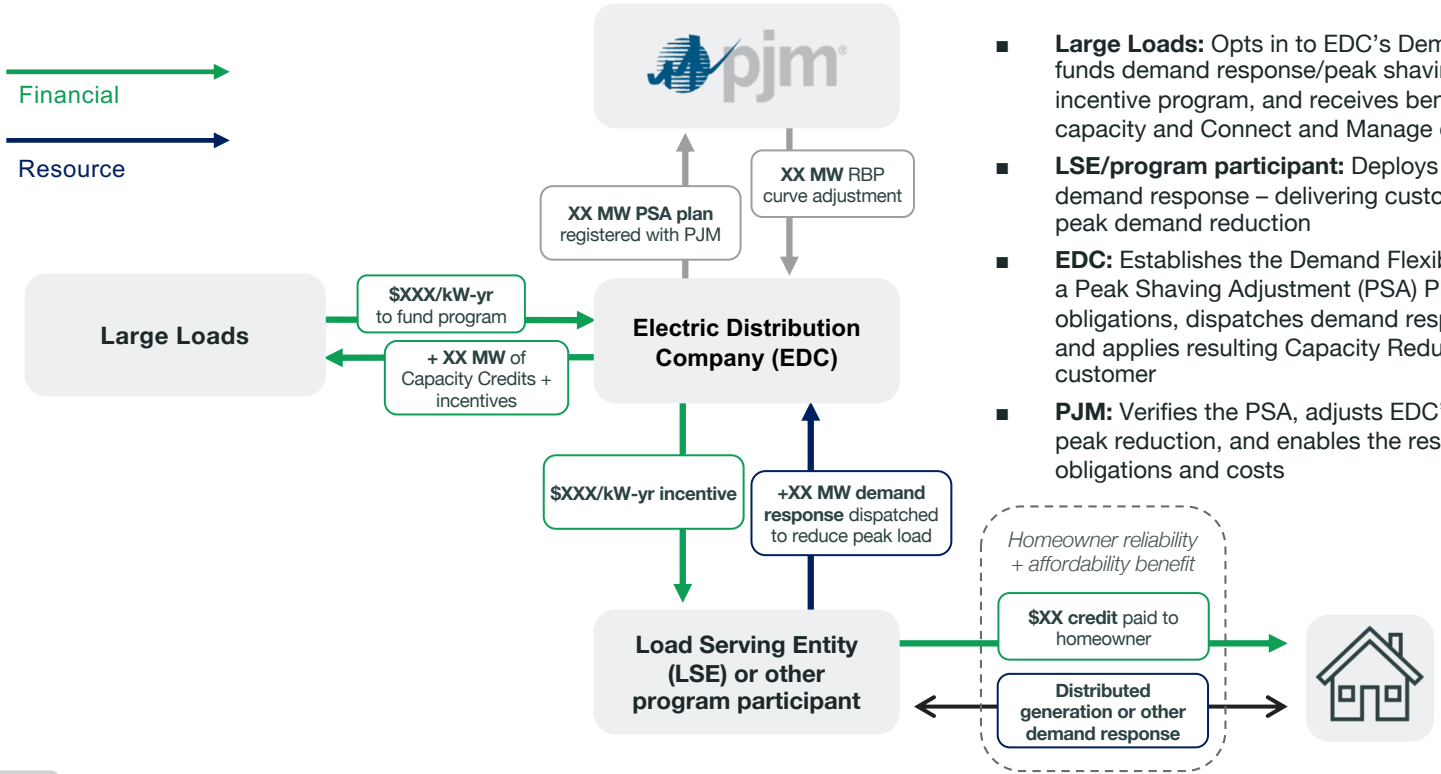


- **EDC** reduces their load forecast
- **High Energy Demand Customer** gets credited for capacity reduction
- **Ratepayers** shielded from increased costs due to large load additions **and can receive additional financial and reliability benefits**

Many states across PJM are implementing demand-side programs to incentivize peak reduction

	State Action
Illinois	The **Clean and Reliable Grid Affordability Act of 2025** 1. Mandates interconnection allowing for exports for stand-alone storage, 2. Requires utilities to implement VPP programs, and 3. Provides rebates for installation of distributed generation
Virginia	**SB371** requires utilities to establish voluntary demand flexibility programs for large load customers, allowing for structuring around "capacity reduction credits" that can be generated by other customers and sold to large load customers **SB448** establishes aggressive energy storage targets and mandates at least 10% of capacity comes from distributed resources
New Jersey	Governor Sherrill's **Executive Order No. 2** directs VPP program creation within 180 days, and 500MW of state-wide peak load reduction through 2030 by demand-side or distributed generation programs **Garden State Energy Storage Program (GSESP) Phase II** offers incentive payments and rebates for residential customer storage

Demand Flexibility program via a **EDC-led demand-side capacity framework for high energy demand customers**



- **Large Loads:** Opts in to EDC's Demand Flexibility program, funds demand response/peak shaving program via a sleeved incentive program, and receives benefits associated with capacity and Connect and Manage obligations
- **LSE/program participant:** Deploys distributed dispatchable demand response – delivering customer incentives while enabling peak demand reduction
- **EDC:** Establishes the Demand Flexibility program & submits it as a Peak Shaving Adjustment (PSA) Plan to PJM to reduce capacity obligations, dispatches demand response during peak periods, and applies resulting Capacity Reduction Credits to the sponsor customer
- **PJM:** Verifies the PSA, adjusts EDC's load forecast to reflect peak reduction, and enables the resulting reduction in capacity obligations and costs

BASE

PJM should consider a ‘yardstick’ for eligible PSAs

Utilities would file PSA programs subsidized by high energy demand customers **by Mar. 2027** that meet the following requirements:

Interconnection policies that enable net metering for distributed generation (including standalone storage)
Either direct load/resource control by the LSE/EDC for enrolled premises, or sufficient performance incentives to promote peak load reduction through dispatch
A commercial or cost-allocation relationship between large loads and flexibility that the PSA is predicated upon. This may include: **1. the ability of an LSE to establish negative PLCs to net against large users’ capacity demand (e.g., ComEd PJM OATT Attachment M2)** **2. a flexibility credit trading program (e.g., Virginia law)** **3. bilateral contracts between large loads and flexibility service providers, and/or** **4. direct assignment of costs by law and regulation to data centers for state programs to procure flexibility**
A process undertaken for the EDC, in collaboration with LSEs, new large loads, and relevant state offices, to aggregate and report an aggregated PSA in a consistent form

Gaps in RBP Process for PSAs

- Current PSA process (Manual 19, Att D) is annual, not a fit for tenor of RBP. A multi-year forecast will be required to adapt PSA to RBP
- PJM should address ‘historical data’ problem since new state programs and retail activities are emerging quickly to address data-center growth on the demand side. PJM should accept forecasts subject to the ‘yardstick’ described above, with true-ups for deviations from forecast
- PSA bears a relationship with Connect & Manage also, which through giving credit to data centers to pay for demand flexibility would encourage capacity demand reductions