

Joint Stakeholder Proposal for a Reliability Backstop Auction

Constellation, Vistra and Earthrise
Critical Issue Fast Path - Reliability Backstop Procurement

May 4-5, 2026

Joint Stakeholder Proposal

- ▶ **Timing:** A one-time Reliability Backstop Auction (RBA) to be held in in early 2027 (perhaps even January), which will allow suppliers to have the benefit of DP1 for Cycle #1 projects/DP 3 from TC #2 and certainty as to shortfall.
- ▶ **Quantity Procured:** A procurement quantity that is the shortfall in the 2029/30 BRA.
- ▶ **Price:** The Joint Stakeholders believe a cap of \$420/MW-day (~100% of the Reliability Requirement) for the RBA strikes an appropriate balance between incentivizing supply and protecting ratepayers
- ▶ **Clearing:** Resources will be cleared by COD and term of commitment up to 15 years.
 - ▶ Resources available in the 2028/29 Delivery Year will clear first, from shortest to longest term.
 - ▶ Resources with availability in progressively later delivery years will then clear, clearing in order of shortest to longest term, until the combined shortfalls are met.
- ▶ **Eligible Resources:** New resources (including resources using CIR transfers), all uprated MWs, uprated MWs and balance of plant (with an investment equal to or greater than \$300 per kilowatt of the facility's post-uprate/expansion output), and reactivated generation (including resources that have completed the deactivation process), existing generation with an offer cap above the top of the VRR curve, any demand response committing for more than a year. Resources can be front or behind the meter.

Joint Stakeholder Proposal (con't)

- ▶ **Long-Term Resource Adequacy Preservation Mechanism:** To ensure needed existing resources do not leave PJM or retire altogether, undermining long-term resource adequacy, RBA resources are offered into the BRA at the price of their RBA commitment.
 - ▶ Alternatively, remove the RBA generation from the BRA and also remove the lower of (a) the actual large load that is in the BRA Planning Parameters and (b) the load that was forecast as the basis for the RBP procurement.
- ▶ **Cost Allocation/Curtailment Risk:** Load that contracts with RBA eligible resources are exempt from RBA cost allocation; load that contracts with qualified incremental supply are responsible for RBA cost allocation at a 50% ratio.
- ▶ Load Forecast Improvements
- ▶ Additional voluntary DR products that have been supported by data centers previously.

Long-Term Resource Adequacy Protection Mechanism

- ▶ To ensure needed existing resources do not leave PJM or retire altogether, undermining long-term resource adequacy, adopt one of two alternate proposals:
 - ▶ Single auction clearing price for both BRA and RBA; implement proxy price equal to the cleared offer. To the extent a multi-year resource does not clear future BRAs, the resource still maintains a capacity obligation based on its commitment from the reliability backstop and is paid uplift.
- ▶ Long-Term Resource Adequacy Protection Mechanism sunsets when last RBA agreement expires.

Long-Term Resource Adequacy Protection Mechanism (con't)

- ▶ Alternatively, remove the RBA generation from the BRA and remove the lower of (a) the actual large load that is in the BRA Planning Parameters and (b) the load that was forecast as the basis for the RBA.
 - ▶ Consider three scenarios all that start with a backstop procurement of 10,000 MW based on expected load growth of 10,000 MW
 - ▶ Scenario One: 10,000 MW of new large load materializes
 - ▶ 10,000 MW of load and generation are held out of the BRA
 - ▶ Existing load and generation are in the same position as they would be in if no new large load had materialized
 - ▶ Scenario Two: 12,000 MW of new load materializes
 - ▶ 10,000 MW of load and generation are held out of the BRA
 - ▶ BRA price reflects only the incremental 2,000 MW of load that was not addressed through the RBA, recognizing incremental generation may enter to respond to the capacity price signal and additional 2,000 MW will be procured in the BRA, transitioning back to normal BRA operation after the one-time RBA
 - ▶ Scenario Three: Only 5,000 MW of new load materializes
 - ▶ 5,000 MW of load and 10,000 MW of generation are not included in the BRA
 - ▶ Existing load is in the same position as if no new large load had materialized; long-term resource adequacy is preserved because existing generation is not displaced by₅ excess RBA resources; the additional 5,000 MW that exceeds the actual load still operates in the Delivery Year in energy market

Large Load Forecasting Improvements

- ▶ Only include large new load that has a meaningful/verifiable commitment. Examples of which include:
 - ▶ Energy Service Agreement
 - ▶ Credit/collateral support
 - ▶ Financially significant infrastructure investment
 - ▶ Long-term supply commitment with new or existing resources
- ▶ Improve large load modeling assumptions including, but not limited to, ramp rate assumptions, utilization rates, and reduction of double counting.
- ▶ Implement a Large Load Forecast “Reality Check”: Consider other relevant factors that may predict whether all proposed large load is likely to come to fruition. Examples include, but are not limited to:
 - ▶ Historic large load success rate and development progress reviews along with comparison to supplemental projects
 - ▶ Supply chain and other limitations such as chip (un)availability
 - ▶ Other business expert reviews (McKinsey, S&P, BNEF, LEI Study, LBNL, etc.)
 - ▶ Conversations/information exchange among large load customers, PJM, and TOs

Bilateral Contracting and Qualifying Incremental Supply

- ▶ To encourage bilateral contracting with existing at-risk resources, adopt a definition of "Qualifying Incremental Supply" that will receive a 50% deduction from wholesale cost allocation associated with the Reliability Backstop Alternative discussed above and exemption from any Connect & Manage program. "Qualifying Incremental Supply" shall include the following categories of resources that are "at risk", i.e., those that require a Power Purchase Agreement ("PPA") or similar contractual commitment to:
 - ▶ enable fuel conversion of a resource that would otherwise retire
 - ▶ enable a generator that did not clear a prior capacity auction
 - ▶ enable a license extension for a generator with a current operating license expiring, or with an application for renewal due, during the PPA period and only where there has been a demonstration that the unit has been financially challenged in the past*
 - ▶ enable continued operation of a resource that would otherwise retire early/decommission due to financial constraints/environmental constraints
 - ▶ commit to provide load flexibility consistent with the new or existing DR options

*A generating unit would be deemed to have demonstrated financial challenge if has previously received a State Subsidy (as that term is currently defined in the PJM OATT, but with the sole modification that all default procurement auctions that are conducted in a non-discriminatory manner and competitive bidding process would not be a State Subsidy) or had, prior to 2026, submitted a deactivation request.

New Demand Side Products Eligible for RPM and RBA

- ▶ Voluntary large load limited demand response
 - ▶ Allow large load to clear as limited demand response. Discounted Effective Load Carrying Capability (ELCC) to reflect the reduced availability. Two, new limited products would be defined as:
 - 24 hours/year with no single interruption greater than 6 hours
 - 100 hours/year with no single interruption greater than 10 hours
- ▶ Back-up generator operations
 - ▶ Provide relief during system emergencies using back-up generators. Agree to operate within criteria acceptable to the owners (i.e., consistent with their commitment to the environment, noise reduction, etc.). Establish new PJM emergency procedure step, 9A, for deployment immediately prior to manual load dump. Discounted ELCC to reflect the reduced availability.

Comparison of Joint Stakeholder and PJM Proposals

Component	Joint Stakeholder Proposal	PJM Proposal
RBA Clearing Mechanism	Single-clearing price; incentive to offer as low as possible so as to increase chance of clearing	Cleared on pay-as-bid basis; incentive to “guess” the highest clearing price
RBA Price Cap	\$420/MW-day	TBD by PJM after receiving input from buyers
Term of Commitment	2 to 15 years	2 to 15 years
Offer Selection Criteria	Single auction with preference for earliest in-service date and then shortest term	Phase II cleared based on the lowest average price per UCAP; no incentive for earlier availability (beyond being in-service prior to the 6/1/31 cutoff)
Long-Term Resource Adequacy Protection Mechanism	Implementing one of the two alternatives described above will ensure sufficient resources remain available over the long-term to ensure resource adequacy	None; RBA resources price takers for up to 15 ensuing BRAs; could incent existing resources to sell into other markets or deactivate, exacerbating resource adequacy issues in the long-term
COD Assurance	Same as the existing Capacity Performance product cleared in the BRA	Provides excuse for failure to achieve COD solely due to network upgrades.
New Load Flexibility Considerations	New load can participate on a voluntary basis as traditional DR or under one of the new DR products; new load also can provide load flexibility via back-up generation	Connect and Manage – new load that does not provide its own new supply is subject to involuntary highest-priority curtailment; specifics of C&M not yet clear; legality of C & M unclear.

Comparison (continued)

Component	Joint Stakeholder Proposal	PJM Proposal
Product Definition/Non-Performance Penalty	Same as the existing Capacity Performance product cleared in the BRA	Same as the existing Capacity Performance product cleared in the BRA, but with excuse for network upgrade delays
Target Quantity	Procure known shortfall in the 29/30 BRA	Unclear; preliminary quantity based on difference between summer 2029 large load forecast minus summer 2026 large load forecast; final quantity based on EDC/State Commission determinations
Responsible for Setting Quantity	PJM, based on objective tariff mechanism	EDC/state commissions with demand-side interest; non-transparent quantity determination criteria; potential to skew procurement results to effectuate overall savings across BRAs.
Resource Eligibility	Includes: balance of plant for uprates in some cases; reactivated generation that completed the deactivation process but did not retire; resources clearing above VRR curve; new DR/back-up generators	Much narrower set of eligible resources (e.g., only deactivations that actually retire prior to April 10, 2026).
Load Impacted by Connect and Manage (if implemented)	Greater opportunity for load to bi-laterally contract and avoid Connect and Manage curtailment risk	Load Impacted by Connect and Manage (if implemented)