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Peak Shaving Adjustments in the Reliability Backstop Procurement

Base Power Company[1] takes no position on the mechanics of supply-side procurement for capacity made in PJM's initial proposal for a Reliability Backstop Procurement ("RBP"). However, we agree that it is desirable to encourage pathways to bilateral contract for capacity, so as to reduce the ultimate need to rely upon a centralized backstop procurement administered by PJM, while at the same time producing investments in capacity through other means. For that same reason, Base proposes a deadline and process by which *reductions* in demand for capacity can be acknowledged in the load forecast that PJM will use to conduct the RBP.

Base has identified several states in PJM that have already adopted, or are implementing, regulations and retail programs that materially reduce demand for capacity. These approaches have in common the creation of a bilateral trade for demand flexibility whereby new large loads may pay for the aggregate demand of an LSE to be reduced. Simply put, they are pathways through retail programs, outside the PJM market, for new loads that do impose incremental capacity obligations to pay to reduce demand for capacity elsewhere on the system, which leads to a reduction in the need for capacity that otherwise would need to be incrementally procured in PJM's proposed backstop auction. It is important that PJM's process here allow for a reduction to the load forecast it will use to procure backstop capacity, in manner consistent with PJM's Peak Shaving Rules
Base offers several examples of state policymaking and regulatory activity that have this effect:

1. **Illinois**. The State of Illinois has adopted retail competition for electricity and, through the Clean and Reliable Grid Affordability Act of 2025, which becomes effective on June 1, 2026, electric distribution companies are required to allow net metering arrangements whereby standalone battery-storage configurations may export energy to the grid. Meanwhile, Commonwealth Edison, through the FERC-approved tariff attachment to the PJM OATT, provides for an approach

[1] Base Power Company, founded in 2023, is a licensed retail electricity provider in Illinois, and is considering entering various other state jurisdictions in the eastern United States, after the company's successful launch in Texas. Base's application for membership in PJM Interconnection is pending.

whereby an LSE is billed for its net capacity demand. If an LSE serves, for example, 10,000 customers with battery storage who export to the grid during the intervals that form the basis of capacity costs, negative billing determinants are established as the Peak Load Contribution ("PLC") for those customers, which can then be applied against a positive-value PLC from a single large customer. Together with other policy accelerants for distributed battery storage included in the Illinois' omnibus energy legislation passed last Fall, Base views this market through its combination of retail-competition and technology-incentives policies as having adopted policies that consciously seek to target capacity needs in the state.

2. **Virginia**. Through SB371, the state has required major utilities to establish voluntary demand flexibility programs for high-demand, large load customers. The bill encourages creative solutions beyond just direct curtailment of the load, including purchasing "capacity reduction credits" from third party demand response or generation. In addition, SB448 establishes aggressive energy storage targets, with a specific requirement for distributed storage to be more than 10% of procured capacity.
3. **New Jersey**. In Executive Order No. 2 issued upon her assumption of office in January 2026, Governer Sherrill has directed the New Jersey Board of Public Utilities (NJBPU) to institute a VPP program within 180 days, with an additional stated goal of 500MW of peak demand reduction through 2030 driven heavily by distributed generation and other demand-side programs. The Garden State Energy Storage Program (GSESP) has also initiated its Phase II, which specifically offers upfront incentives and performance payments for residential customer storage. This legislative combined effort, along with smart-meter installation efforts by utilities, offer end-use customers significant incentives to reduce peak demand usage and therefore reduce capacity costs through demand-side reductions.

All of these state approaches are predicated, at least in part, on producing meaningful reductions in the need to buy capacity out of the PJM capacity market. In the ordinary course of business, these reductions would gradually appear in iterations of the PJM load forecast over time. In the present moment, however, when PJM is creating a market for longer-term procurements, there should be a tandem opportunity to reduce demand through retail programs whose costs, through state regulation and utility tariffs, are allocated to new large loads. PJM has a complementary role to play in making adjustments to the load forecast it will use for its RBP to accommodate, and indeed propel greater use of, these retail and state approaches.

Base views the bilateral contracting that would need to play out to facilitate this work to occur in tandem with the supply-side bilateral activities that the PJM approach currently contemplates. Just as bilateral contracts consummated prior to the centralized

backstop auction would reduce the overall incremental demand needing to be procured in that auction, so too should approaches that accelerate capacity reductions through retail programs reduce the overall need for such procurements. For example, Base in reliance on the state programs described above, has reached at least one agreement in principle with a data center load to pay for Base to deploy batteries to residential customers' homes, in anticipation of being able to claim a reduction in demand for capacity for which the data center, through state and utility cost allocation practices, will be able to receive credit. This demand-side approach is also relevant to PJM's emerging "Connect and Manage" framework. Under PJM's February 23, 2026 compliance filing, large loads that do not bring sufficient new generation are subject to prioritized curtailment. A data center that has funded sufficient distributed peak shaving—sufficient to demonstrably reduce its net capacity impact on the system—has a strong argument that its curtailment exposure under Connect and Manage should be reduced commensurately. Linking the PSA to a Connect and Manage credit would provide data centers with a concrete incentive to fund the kinds of distributed DER programs Base and similar providers are deploying.

However, in order to facilitate this approach, PJM would need to include in its filing to FERC an opportunity for EDCs, acting on their own in relation to state policies or through instructions by LSEs who are contracted to serve incremental demand, to make a Peak Shaving Adjustment ("PSA"), or an equivalent approach, to the forecast that PJM will use to conduct the RBP. Base recommends that the PJM process include a discrete deadline by which a PSA would need to be submitted.

The normal PSA process[2] generally seems adequate to rely upon for this purpose, with a handful of potential modifications. First, the longer tenor of procurement in the RBP will require exercise of greater judgment about the scale of planned PSAs, which currently happen on an annual cycle. Specifically, the existing process requires EDC submissions approximately 10 business days before September 30, with review at the Load Analysis Subcommittee in September/October for inclusion in the following year's load forecast. This annual cadence is incompatible with the RBP's compressed timeline, and PJM should establish a bespoke PSA submission deadline keyed to the RBP filing date rather than the annual forecast cycle. Second, there should be a contractual or cost-allocation relationship between new large loads and the activities detailed in the PSA. Third, the PSAs that do occur for the RBP are likely to be predicated on legislative, regulatory, and commercial activities that are only lately emergent, or which may occur in relationship to however PJM defines the RBP process. For the first time, Base surmises, such approaches are likely to include distributed battery storage in significant quantities. PJM should also address the "historical data" problem: the existing PSA process expects EDCs to support submissions with actual load history. Newly launched distributed

[2] Attachment D, PJM Manual 19: Load Forecasting and Analysis. https://www.pjm.com/-/media/DotCom/documents/manuals/m19.pdf

storage programs will not yet have 5CP-interval history. PJM should explicitly permit forecast-based PSA submissions for the RBP, subject to the yardstick criteria described below and a true-up mechanism if actual performance deviates materially from forecast. The 2026 Long-Term Load Forecast already provides a partial precedent: PJM accepted EKPC's load adjustment for a peak shaving program that commenced mid-cycle, demonstrating that PJM can accommodate adjustments grounded in program design rather than purely historical data. As such, it may be helpful for PJM to provide a "yardstick" by which EDC submissions in this respect would be measured.

We recommend at least a few important elements be included in the yardstick:

1. A distributed resources interconnection policy that allows for energy exports from distributed energy resources, including battery storage.
2. Direct load control of such resources by an LSE or EDC, or alternatively the presence of a sufficient financial incentive to induce dispatch during peak times.
3. A commercial or cost-allocation relationship between large loads and flexibility that the PSA is predicated upon. This may include the ability of an LSE to establish negative PLCs (such as for the ComEd tariff described above), a flexibility credit trading program (such as Virginia appears to be contemplating), bilateral contracts between large loads and flexibility service providers, or direct assignment of costs by law and regulation to data centers for state programs to procure flexibility.
4. 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.

Base appreciates the attention of PJM, its members, and interested stakeholders to this proposal.

Respectfully submitted,

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