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Reliability Backstop Mechanism – Modifications to PJM's Proposal

Joint Consumer Advocates (JCAs)

May 4-5, 2026



JCAs' Preferred Approach

Key Elements of a Reliability Backstop Procurement

1. Demand: The amount of capacity procured through the RBP should be based on buy offers on behalf of Large Loads/Data Centers.
2. Supply: Capacity procured must be new and deliverable.
3. Cost Assignment: All of the costs of the procurement will be paid by the load serving entities who receive obligations from the RBP.
4. Service Conditions: A large load customer cannot be added to the system after June 1, 2028, unless:
 - A. Its load serving entity has an obligation from an RBP to cover its large load plus a reserve margin;
 - B. The Data Center load brings sufficient new capacity to meet its load plus a reserve margin; or
 - C. The Data Center load is subject to curtailment before pre-emergency DR consistent with Board's "connect and manage" concept.
5. Assurance: There will need to be adequate credit and collateral requirements for both the load serving entity and the capacity suppliers (subject to pre-screen).

Summary of Joint Consumer Advocates Proposal

- The Joint Consumer Advocates continue to recommend reliance on bilateral contracting and direct demand-side participation as a just and reasonable means to ensure that:
 - Data Centers are responsible for determining the quantity and cost of new generation needed to serve their demand.
 - Associated costs, credit obligations, collateral requirements, and stranded-cost risks are not shifted to existing ratepayers.
- The RBP would remain a targeted backstop: procurement would be driven by financially binding commitments from Data Centers or their load serving entities (LSEs), capacity would be new and deliverable, and cost responsibility would remain aligned with cost causation.

PJM's Proposal

*The comments and recommendations in the following slides should not be read as the withdrawal of the Joint Consumer Advocates' support for direct demand-side participation, which remains the preferred framework for the RBP. Rather, they are offered to ensure that, if PJM proceeds with a centralized procurement structure involving EDC-determined targets and EDCs as buyers, that such a structure includes safeguards necessary to prevent cost shifting to existing ratepayers, preserves accountability for large-load-driven costs, and reduces the risk of under- and over-procurement and stranded costs.

Positives of PJM Staff's April 10th Proposal

- Criteria for new resources to qualify for Centralized RBP
- Bilateral matching stage
- Procuring only UCAP-only product where suppliers absorb the quantity risk
- Length of the contract terms of the Centralized RBP (2 to 15 years)
- Relatively soon commercial operation date (COD) target (June 1, 2031) and the suppliers take on network upgrade risk of deliverability
- Designed to procure for the demand of large loads/data centers
- Selected resources are subject to standard RPM penalties for non-performance

Modifications to PJM Staff's April 10th Proposal

1. PJM should specify a price cap, implement market power mitigation and monitoring rules in coordination with the IMM. *PJM Matrix 12c & 19d. (Note that the numbers refer to Column A in PJM's matrix and not the spreadsheet's row numbers.)*
2. Increase the penalties for supply resources not materializing after being selected in the Centralized RBP. *PJM Matrix 19d.*
3. EDCs should be allowed to submit on behalf of large loads their willingness to pay, which would be binding bids used in the centralized RBP.

This will improve the centralized RBP because it will allow potential buyers to express their cost preferences and for EDCs to appropriately manage associated risk. *PJM Matrix 12c & 14.*

Modifications to PJM Staff's April 10th Proposal

4. The Centralized RBP should account for locational deliverability/transmission constraints to avoid the risk that all the selected resources are poorly located given the location of new large loads. *PJM Matrix #14.*
5. The Centralized RBP should occur before the BRA for 2030/2031, which is currently scheduled for May 2027.

Having the Centralized RBP first will avoid withholding of potential new supplies in the BRA because they are waiting for the centralized RBP to occur. *PJM Matrix #11.*

6. PJM should use the most recent large load forecasts to set the initial RBP targets for EDCs. The initial targets should be the most updated large load forecast for Summer 2029 (e.g., from the 2027 Load Forecast process) as reported in the Table B9 of its Load Report, minus the actual quantity of additional large load not in embedded as of December 31, 2025. Clarification: The EDCs determine the final values, if any, of their RBP procurement. *PJM Matrix #9.*

Modifications to PJM Staff's April 10th Proposal

7. Ensure that if RBP load does not materialize, PJM settlement does not allocate these costs to other loads or EDCs. *PJM Matrix #16.*
8. The Central Procurement should start after FERC approves the PJM Connect and Manage rules so that it is clear to Large Loads what happens if they do not procure new supply. *PJM Matrix #3.*
9. Clean energy preferences should be accommodated in bilateral contracting to help support state renewable energy policies. *PJM Matrix #6.*
10. Note that DR performance must be carefully monitored and additional requirements may be needed if DR does not perform as required. *PJM Matrix #11c.*
11. Note that at the appropriate time, PJM should provide more details on its gating criteria and evaluation process. *PJM #13.*
12. Clarify that RRI and EIT qualified resources can participate in the RBP. *PJM #11.*
13. Clarify that EDCs make the final determination the amount of centrally procured MW. *PJM Matrix #2 & 9.*