

Critical Issue Fast Path – Reliability Backstop Procurement PJM Proposal

PJM published the initial version of this paper on April 10th, 2026 to support the CIFP Stage 1 meeting. This updated version, posted to support the CIFP Stage 3 meeting on May 27th, 2026 reflects the evolution of PJM’s proposal based on the feedback received in this process. A summary of the design changes can be found in an Appendix at the end of this paper.

Reliability Backstop Procurement – PJM Proposal

This paper outlines PJM’s updated proposal to address the need for a Reliability Backstop Procurement. PJM’s proposal serves as a mechanism to safeguard resource adequacy, support the Connect and Manage interim posture, and advance reforms to be discussed in the investment incentive work planned for later this year.

PJM has received a tremendous amount of feedback from stakeholders on this topic since its initial proposal on April 16th, 2026. PJM and Charles River Associates (CRA) have received close to 450 submissions on the RFI, PJM has received written comments from many stakeholders, and considered the many proposals presented in the CIFP meetings on May 4 & 5, 2026. With that information, and consultation with Charles River Associates (CRA), PJM is putting forth an updated framework that will allow for a parallel path approach: a proposal to initiate a central procurement to acquire the 2028/2029 Delivery Year expected shortfall and to facilitate a bilateral matchmaking to encourage contracting between direct parties to address continued load growth.

PJM is viewing the Reliability Backstop Procurement as a one-time procurement of capacity designed to begin to address the unprecedented load growth in the region. PJM does not believe the Reliability Backstop Procurement is a long-term fix for its resource adequacy issues. Therefore, in parallel with the Reliability Backstop Procurement, PJM is also undertaking a review of its markets as mentioned in the National Energy Dominance Council within the White House and PJM Governor’s principles¹ that articulate a longer-range desire to “Return PJM to Market Fundamentals” and the PJM Board letter² from January 16th that also instructs PJM staff to undertake a holistic review of investment incentives in PJM’s markets. PJM launched this effort to rethink the future of its wholesale electricity markets with the publication of Powering Reliability Through Market Design³ on May 6th, 2026.

The Reliability Backstop Procurement should not subsume this larger review of market fundamentals. PJM believes this proposal for the Reliability Backstop Procurement is in-line with the White House and Governor’s principles as it seeks to get net-new generation online in the PJM footprint, allocate costs to the load that is purchasing the capacity, and establishes a one-time procurement to allow for a broader review of investment incentives in PJM with a focus on returning to competitive markets for resource adequacy as soon as possible.

Resource Adequacy in PJM – Background

Over the next decade, the PJM region is forecasted to experience an unprecedented need for net-new supply to connect to the system. For the first time in its history, PJM cleared short of the Reliability Requirement in the

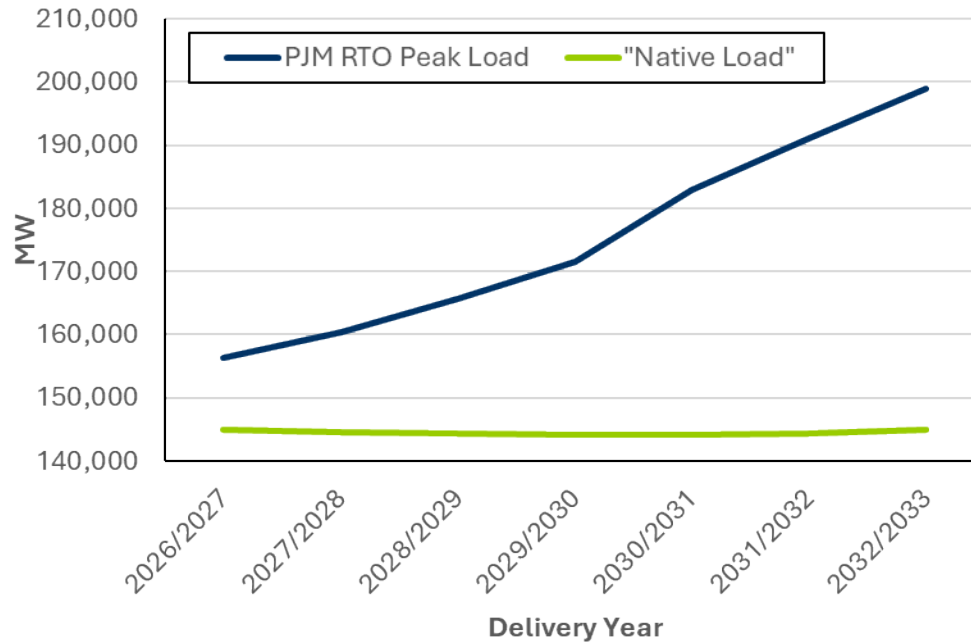
¹ <https://www.energy.gov/documents/statement-principles-regarding-pjm>

² <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf>

³ [20260506-powering-reliability-through-market-design.pdf](https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260506-powering-reliability-through-market-design.pdf)

2027/2028 Base Residual Auction (BRA). This shortfall is projected to continuously grow over the next decade as new large loads come on to the system. Current projections show a potential capacity shortfall of 50 GW to 60 GW in the next decade, primarily driven by large load growth but also forecasted conventional load growth. With longer construction times for some technologies, needed transmission build-out and other infrastructure needs (e.g., natural gas infrastructure), the PJM system needs to prepare for the net-new supply needed to maintain resource adequacy in the region.

Figure 1: PJM RTO Peak Load and Estimated Native Load: 2026/2027 through 2032/2033 Delivery Years



Roles and Responsibilities

Designing and executing a Reliability Backstop Procurement (RBP) that will have meaningful impact in resolving PJM’s anticipated capacity shortfall will require a cooperative and collaborative effort between PJM, the states and the stakeholders. In this proposal, PJM identifies the impacted parties and where there are roles and responsibilities outside of PJM in this process.

The use of the term “EDC” in PJM’s Reliability Backstop proposal refers to Electric Distributor as defined in the PJM Reliability Assurance Agreement (RAA) Electric Distributor:

“Electric Distributor” shall mean a Member that 1) owns or leases with rights equivalent to ownership of electric distribution facilities that are used to provide electric distribution service to electric load within the PJM Region; or 2) is a generation and transmission cooperative or a joint municipal agency that has a member that owns electric distribution facilities used to provide electric distribution service to electric load within the PJM Region

Request for Information

PJM, through CRA, issued an RFI to industry from April 13 to May 6. This Request for Information (RFI) was confidential and sought information on terms, conditions and criteria in which parties would: (1) enter bilateral contracting and/or (2) participate in a PJM central procurement.

There was a robust response to this RFI. Approximately 450 responses across the supply, demand, and regulatory sectors were received. There was strong preference for bilateral matchmaking, with an overwhelming majority of supply and demand respondents ready to engage in the process now.⁴

Reliability Backstop Procurement Design

Proposed Backstop Mechanism: A Parallel Path Approach

PJM is proposing a two-path mechanism for the RBP: A **Central Procurement** path, with PJM as the central administrator and a **Facilitated Bilateral Matchmaking** path. The Central Procurement will look to commit supply to cure the observed MW shortfall of the reliability requirement in the 2028/2029 BRA, while the facilitated bilaterals, to be run in parallel with the central procurement, will look to streamline direct contracting between supply and demand to address the growing load, and support the Connect and Manage framework. The Bilateral Contracting path was highly preferred among members and RFI respondents and PJM supports bilateral activity to bring new load on to the system.

Bilateral contracting can and does exist successfully outside of PJM today. The value PJM believes it can bring in facilitating bilateral contracting is one of timing with the introduction of the Reliability Backstop Procurement and the Connect and Manage framework, and a value-add of enabling potential many-to-one contracts for a total load or total generation need.

Facilitated Bilateral Matchmaking

PJM and Charles River Associates (CRA) will act as confidential intermediaries to match buyers (load) and sellers (new generation, storage, and demand resources). Unlike the existing capacity posting functionality in Capacity Exchange, which is underutilized due to its public and decentralized nature, this stage will be "hands-on," providing a secure environment for independent negotiation and many-to-one or one-to-many contracting.

Once potential matching is identified, it will be up to the parties to set terms and conditions and execute a contract. PJM and CRA will not be party to these negotiations and do not intend on developing pro formas for this process. PJM and CRA believe that giving parties the flexibility to form their own contractual terms will support more bilateral activity.

The matching process is intended to be dynamic and will include time for re-matching if initial matches do not proceed to contract.

Even though PJM will not be playing a formal role in bilateral contract negotiations, there will be opportunity for parties to confirm understanding of how their contract will interact with the Connect and Manage framework. There is

⁴ See, PJM Reliability Backstop Bilateral Matchmaking Process Overview, Charles River Associates, May 27, 2026, <https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260527/20260527-item-06---bilateral-matchmaking-process-overview---charles-river-associates-presentation.pdf>.

no requirement from PJM to finalize contracting agreements, and any party not successfully contracted can participate in the central procurement phase.

PJM will not be adjusting the existing interconnection queue process timelines for any project contracted through this effort, or for the RBP in general. Projects currently under study will have the most recent study results consistent with the appropriate phase that has been completed to inform their potential contracts. Projects not under study would need to rely on independent analysis, which can be achieved using the planning models provided by PJM.

Request for Proposals (RFP)

A bilateral matchmaking RFP is expected to be released early June 2026. This RFP will be open approximately six weeks and any party interested in the bilateral matchmaking process will need to respond. Upon closing the RFP window, CRA will commence the bilateral matchmaking process, with the first window to have initial matches expected in August 2026. This process is intended to be iterative and continue for ~6-9 months.

This process will run parallel to the central procurement process. Supply in the bilateral matching, will still have the opportunity to participate in the central procurement if they have not finalized contracting with a bilateral match.

Roles and Responsibilities

Participate in Bilateral Contracting: LSEs, large load participants, hyperscalers, generation and storage developers, DR/DER Aggregators



The RFP for Bilateral Matching is planned to be released in June 2026

Central Procurement

PJM will conduct a central procurement to function as a safety net to close the reliability gap, calculated as the shortfall MW from the 2028/2029 Base Residual Auction. The central procurement RFP, with participation agreement details and deadlines, will be issued ahead of the central procurement bid window. PJM will open bid solicitation in September 2026 for 4 to 6 weeks. A 4 to 6-week selection process will follow. PJM will finalize commitments prior to the 2029/2030 BRA scheduled in December 2026. The design of the central procurement is detailed in the following section.



Central procurement is planned to commence in September 2026.

Central Procurement Design

Procurement Target Methodology

PJM is proposing a structured method for establishing the procurement targets for the RBP associated with the expected 2028/2029 BRA shortfall, consistent with the Board’s direction to procure for the full reliability requirement for the footprint⁵. The initial target will be determined based on the 2028/2029 BRA and calculated as the MW UCAP quantity PJM clears short of the RTO Reliability Requirement.

This procurement will be at the RTO level with cost allocation to Load Serving Entities (LSEs) in a manner structurally consistent with RPM cost allocation. PJM will set the initial allocation at the zone-area level based on the megawatts of load additions each area is forecasted to serve, using the 2026 Load Forecast for the estimated 2028 summer load forecasts minus the 2026 summer load forecasts.⁶ PJM is excluding Fixed Resource Requirement (FRR) entities from these targets and from the Reliability Backstop Procurement.

The initial procurement targets will be adjusted by new supply showings. This will account for BYONC contracts for new supply and load in a zone area, an approved IRP for new supply in a zone area, and/or new large load that will participate as a demand side resource. PJM will adjust the procurement target, and the zonal share of the target down to account for these showings. These contracts can originate from the facilitated matchmaking phase of the Reliability Backstop or from independently arranged bilateral agreements. These contracts will need to be presented by the EDC (or underlying LSE or large load) and demonstrate the load is expected to come online in the 2028/2029 DY and the generation associated with the contract will be net-new UCAP to the PJM system. The net-new UCAP evaluation will match the Bring Your Own New Capacity (“BYONC”) definition.

The proposed timeline for the target development will be:

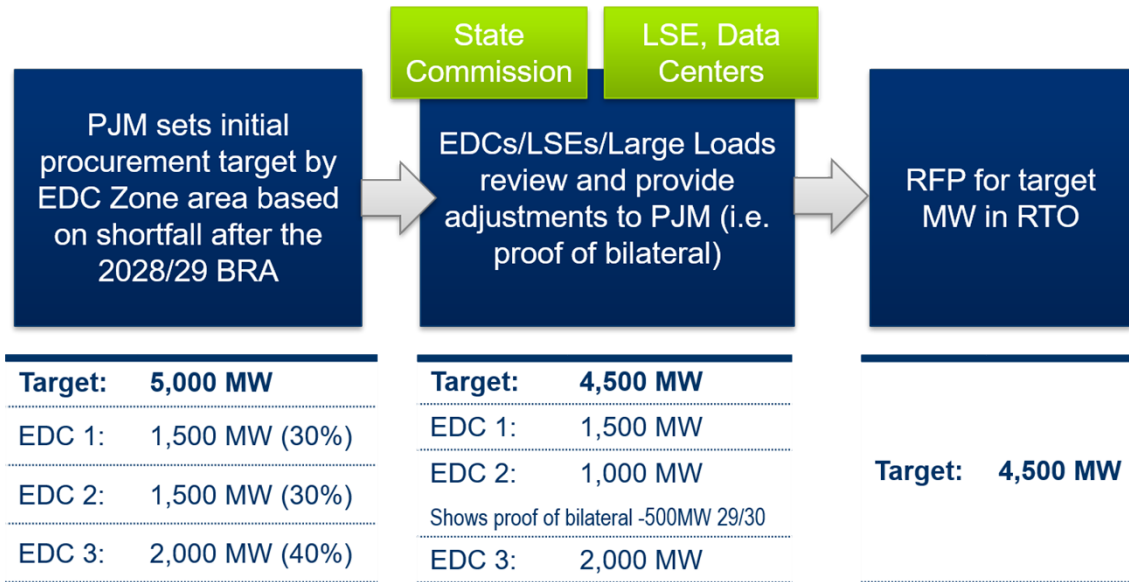
1. PJM will set the initial target following the 2028/2029 BRA.
2. Adjustments to the target will conclude 5 business days before the opening of the RBP central procurement bid window.

This workflow, with an example, is highlighted in Figure 2:.

⁵ See page 6 of the PJM Board Decisional Letter on Critical Issue Fast Path - Large Load Additions; <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf>

⁶ PJM is proposing the load forecast for 2028 to align with the 2028/2029 Delivery Year.

Figure 2: Procurement Target Workflow



The driver for the RBP central procurement is the resource adequacy shortfall at the RTO level. Therefore, the central procurement construct aims to pool the supply and demand at the RTO level to address this shortfall. PJM does not propose to match specific supply to specific demand or to apply locational constraints in the central procurement.

PJM does recognize there are locational considerations at large for resource adequacy, and PJM recognizes these constraints in RPM. RPM is an annual 3-year forward framework, which allows PJM to model the necessary locational parameters – Capacity Emergency Transfer Objectives (CETO) and Capacity Emergency Transfer Limits (CETL) – to accurately capture the locational needs in the capacity market. PJM does not project and calculate these parameters 15 years out, which is the eligible term of the RBP. At this time, PJM does not have the information needed to determine such locational parameters for 15-year term capacity commitments.

PJM’s interconnection process ensures the initial deliverability of new capacity to the RTO. Going forward, the PJM RTEP process annually studies and addresses any transmission upgrades needed to ensure the ongoing deliverability of capacity resources. Load deliverability is also assessed as part of the RTEP process, which will identify transmission needs as load patterns change.

Locational considerations and risks should be considered by the large loads. If the central procurement results in generation additions that do not fully support the locations requirements relative to the load that is interconnecting, that load will be at higher risk of a locational load-shedding situation.

Roles and Responsibilities

Setting Procurement Targets: PJM will set targets based on expected 2028/2029 Base Residual Auction shortfall. TOs/EDCs/LSEs/Large Load will provide PJM adjustments to the target.

Eligible Supply

“New” resources will be eligible to participate in the central procurement phase of the Reliability Backstop Procurement. PJM is proposing to define “new” as resources that:

1. Demonstrate new ICAP and new MFO are being brought to the system;
2. Demonstrate CIRs that are new or transferred from a deactivated resource or a resource that has announced deactivation as of April 10, 2026;
3. Have not received an RPM commitment for a future delivery year where the BRA has already been run, which – at the time of the central procurement – will be up to and including the 2028/2029 Delivery Year, or have not submitted a binding notice of intent to offer (NOI) in the 2028/2029 BRA. For resources that are transferring CIRs from an announced deactivation, the deactivating resource cannot have a 2028/2029 RPM commitment; and
4. Have a commercial operation date (COD) no later than June 1, 2032, inclusive of network upgrades.

For generation and energy storage resources, this can include new build, uprates or repowering of currently deactivated generators. Pseudo-tie resource would be eligible to participate if they are new resources meeting the criteria above, being interconnected to the system.

New Annual Demand Response and DER are eligible, with locations that have not previously participated in PJM's RPM or new demonstrated capability from generation or storage at a previous site. Aggregators (CSPs or DERAs) who bid DR or DER into the Reliability Backstop Procurement will be required to show the identified sites and associated contracts for participation for the length of the fixed 15-year term.

Based on this definition, delayed retirements, re-licensing, fuel switching, CIR-only uprates and resources utilizing Surplus Interconnection Service (SIS) would be excluded. Existing resources operating under either a Reliability Must Run (RMR) agreement or a Federal Power Act, Section 202(c) Order for continued operation beyond a planned retirement date will also not be eligible.

As stated in eligibility criteria #3 above, resources that have submitted NOIs for the 2028/2029 BRA scheduled for June 2026, will not be eligible. This determination of eligibility based on submitted NOIs is to prevent double counting supply to address the shortfall. Given the shortfall target is a direct representation of the shortfall in the 2028/2029 BRA, allowing these resources to participate in the RBP would either (1) increase the shortfall target if they did not offer and get committed in the BRA or (2) count on supply that is already committed to serve load and minimize the net-new commitments to the system.

Resources can submit an NOI for the 2029/2030 BRA scheduled for December 2026 and still be eligible for the central procurement, subject to eligibility criteria above. Resources that receive an RBP commitment with a 2029/2030 BRA NOI will be expected to offer in the RBP commitment in that auction, since the RBP is scheduled to occur prior to the 2029/2030 BRA. Resources that receive an RBP commitment with a 2029 COD, and have not submitted an NOI for the 2029/2030 BRA, will be expected to submit an NOI and offer into the 2029/2030 2nd IA, in line with the updated planning parameters accounting for this resource.

PJM is proposing a firm in-service date of no later than June 1, 2032, to be eligible for the central procurement participation. With the selection process prioritizing COD and the term length being set to 15 calendar years (2028/2029 – 2042/2043), in the event PJM will need to commit longer lead supply to meet the target MW shortfall,

that supply can be committed. The resulting commitment would be for the remainder of the 15-year term of the RBP commitment timeframe.

Interconnection Review

There will be no restriction to participation in the Reliability Backstop Procurement imposed by the interconnection process, and PJM will not create a "special" interconnection track for the RBP. If the Reliability Backstop Procurement offer is accepted for a generation project, the project must proceed through the standard cycle process to obtain the appropriate interconnection agreement that permits commercial operation consistent with the offered parameters. The project will be required to either reach commercial operation or seek interim deliverability, to obtain CIRs, for its first n delivery year and all applicable subsequent delivery years.

The developer is responsible for the actual Network Upgrade costs of the project and is expected to offer in the Network Upgrade costs with the Reliability Backstop Procurement offer. If an RBP offer is underpriced relative to actual upgrade costs determined in the queue process, the developer bears the shortfall costs. For projects that do not yet have a signed interconnection agreement with PJM, these estimated upgrade costs will need to be obtained by the developer. A project currently under study – in Transition Cycle 2 (TC2), Cycle 1, or the Expedited Interconnection Track (EIT) – would have the most recent study results consistent with the appropriate phase that has been completed. A project not under study would need to rely on independent analysis, which can be achieved using the planning models provided by PJM.

Roles and Responsibilities

Evaluation of Network Upgrades and Associated Costs: Suppliers

Central Procurement Structure

Product Definition

The Reliability Backstop Procurement will procure long-term commitments for capacity-only UCAP for a fixed 15-year term.

The term will be set from the 2028/2029 DY to the 2042/2043 DY. Resources with a COD later than 2028/2029 will result in a shorter commitment, as RBP commitments will not extend past the 2042/2043 DY which aligns with the end of the fixed 15-year term.

PJM weighed the tradeoffs of a central procurement for capacity-only versus “all-in” capacity, energy and ancillary services commitments. Although long-term commitments aimed at capturing all-in costs may provide more revenue certainty, this type of construct would add complexity and extend impacts across PJM markets to implement and manage the commitments. Containing commitments to the capacity space still provides an amount of revenue certainty to new resources while simplifying implementation and avoiding unintended consequences, such as degraded performance incentives, in other market areas.

A structure that commits for UCAP carries a level of uncertainty risk related to resource accreditation over the term of the commitment. However, PJM believes that aiming to meet the Reliability Backstop Procurement target considering resources’ anticipated reliability value will be most effective. The risk of accreditation changes over the term of the commitment will be on suppliers, who will have the opportunity to manage this risk through their offers into the central procurement.

Offers

Suppliers will represent offers in \$/MW-day UCAP from the 2028/2029 DY to the 2042/2043 DY.

Suppliers will carry the Effective Load Carrying Capability (ELCC) risk for the commitment and will be expected to provide the offered UCAP on an annual basis. Suppliers will be able to manage the risk of shortfall charges through replacement with new UCAP – this is detailed in the Supply Obligations section.

Clearing Structure

The RBP central procurement will be pay-as-bid. Resources that pass through the gating criteria assessment will receive commitments based on their COD, offer prices, and UCAP quantities – this is further detailed in the Selection Process section.

The central procurement will have a single representation of the willingness to pay, and individual large loads wanting to express a unique willingness to pay will have the opportunity to do so in the bilateral contracting stage. PJM is proposing to define the maximum willingness to pay, i.e. the price cap, equal to the mean plus two standard deviations ($\mu + 2\sigma$) of the RBP offer distribution. Pre-defining a numeric price cap, may skew the market and bilateral phase, by given both buyers and suppliers a fixed value. Rather than set a specific value, this formulaic price cap aims to capture competitive supply offers, and restrict expected outlier offers.

PJM evaluated several variations of pay-as-bid and uniform price auction styles when designing the RBP. Given the one-time nature of the proposed RBP and the procurement framework, the values of a single clearing price design, allowing price discovery and long-term incentive signals, are reduced. A pay-as-bid procurement with a price cap is better suited to model a process similar to a bilateral contract process and to minimize the complexity of this effort.

PJM is not proposing market power screening or mitigation in the RBP. Given the proposal of a pay-as-bid procurement, the primary incentive for supply resources will be to bid their estimate of the market-clearing price rather than their marginal cost, as their compensation is tied directly to their specific offer. Since pay-as-bid by design does not have a uniform clearing price that can be inflated by a single supply offer, the traditional mechanism for exercising horizontal market power is significantly diminished. The RBP is also a voluntary, bilateral-style procurement for a specific subset of load, which calls into question how effectively PJM would be able to mitigate economic withholding if the supply can simply not offer.

Settlement Structure

Each committed RBP resource will be settled as a contract for differences (CfD) based on the individual resource's offered price (which is equal to the RBP commitment price), against the resource's weighted average resource clearing price of applicable RPM auctions, in which it shall offer as a price taker, for all committed RPM megawatts. If an RBP commitment is for a delivery year in which PJM has already conducted the BRA, the CfD will only be against the weighted average resource clearing price in the applicable Incremental Auction(s).

The CfD will only be assessed for megawatts that are committed in the RPM and delivered and will be capped at RBP committed megawatts. If a resource offers additional megawatts beyond its RBP commitment into RPM, those megawatts would be settled under the existing RPM rules.

Table 2 and Table 3 provide illustrative examples of a contract for differences.

Table 1: Contract for Differences Example When RPM Clearing Price < RBP Commitment Price

RBP Commitment Price	\$400	\$/MW-day (UCAP)
RBP Commitment	100	MW (UCAP)
RBP Commitment Value	\$40,000	
RPM Commitment	100	MW (UCAP)
RPM Resource Clearing Price	\$300	\$/MW-day (UCAP)
DY Available (Owned)	100	MW (UCAP)
RPM Settlement	\$30,000	100 MW @ \$300/MW-day
RBP Settlement	\$10,000	100 MW @ \$100/MW-day (\$400–\$300)
Net CfD Settlement	\$40,000	

Table 2: Contract for Differences Example When RPM Clearing Price > RBP Commitment Price

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RBP Commitment	100	MW (UCAP)
RBP Commitment Value	\$40,000	
RPM Commitment	100	MW (UCAP)
RPM Resource Clearing Price	\$500	\$/MW-day (UCAP)
DY Available (Owned)	100	MW (UCAP)
RPM Settlement	\$50,000	100 MW @ \$500/MW-day
RBP Settlement	(\$10,000)	100 MW @ \$100/MW-day (\$400–\$500)
Net CfD Settlement	\$40,000	

When considering the RBP central procurement’s interaction and integration with the existing RPM construct, PJM evaluated an alternative approach to carve RBP supply and demand out of RPM. Both approaches have pros, cons, and complexities. PJM anticipates the capacity cost outcomes of either approach to be largely the same, and neither approach would materially change the costs to remaining PJM load in RPM.

PJM’s primary concern with the carve-out approach is that it starts to set up bifurcating large load from other loads, which would chart a new path forward for RPM. In line with PJM’s objective for the RBP to be a one-time procurement of capacity, PJM’s design aims to require minimal changes to the existing RPM construct. PJM intends to address broader changes to the RPM construct in its forthcoming work with stakeholders on investment incentives in PJM’s markets⁷.

⁷ [20260506-powering-reliability-through-market-design.pdf](https://www.pjm.com/20260506-powering-reliability-through-market-design.pdf)

Selection Process

The selection of projects in the Reliability Backstop Procurement will be conducted in a two-stage approach. The first will be a gating criteria evaluation that projects will pass or fail. The second, for projects that pass the gating criteria, will be a COD-prioritized price-based selection.

Stage 1: Gating Criteria Evaluation

To validate the required COD of June 1, 2032 or earlier, the following threshold criteria will be used. Resources that cannot produce this evidence of project feasibility will not pass through the gating stage:

- Critical path construction schedule showing how COD will be achieved, with attestation
- Site control for generation resources
- Identified locations and contracts for DR or DER bids
- Financing plan
- Permitting plan
- Signed memorandum for the acquisition of major equipment, invoices of or agreements to acquire major equipment, or other documentary evidence that major equipment has been procured
- Experience having constructed a previous project of similar size and technology
- Fuel delivery arrangements (if applicable)
- Project must be electrically located in or have firm transmission into PJM

PJM intends to allow for a window of time, approximately 5 business days, within the gating stage for projects to cure any deficiencies in the information provided before not passing a project through to selection.

Stage 2: Selection Assessment

All supply offers that pass the gating criteria evaluation will move on to Stage 2. Offers will then be selected based on earliest COD, and then in least cost order based on the levelized cost of capacity (UCAP) over the term, up to the defined RTO target procurement.

PJM is proposing to prioritize COD as the MWs that can come online closer to the 2028/2029 shortfall will best support short-term reliability needs.

The levelized cost of each offer will be calculated as $Levelized\ Cost = \frac{Net\ Present\ Value(Cost\ Offer \times MW, \$)}{Net\ Present\ Value(Capacity, MW)}$, with a discount rate equal to 9.5% after-tax average weighted average cost of capital (ATWACC)⁸.

⁸ ATWACC is consistent with the calculated value used in the 2025 Periodic Review of Variable Resource Requirement Curve Shape and Key Parameters, <https://www.pjm.com/pjmfiles/directory/etariff/FercDockets/9248/20251107-er25-455-000.pdf>.

Table 3: provides an example of how resource offers that pass the gating criteria will be evaluated for selection. Although Supply 5 has a lower levelized cost than Supply 6, Supply 6 clears first as it has an earlier COD. Supply 5 does not clear, as the 8,000 MW target is met when clearing Supply 6.

Table 3: Offer and Selection Example with 8,000 MW Target

Example	Target = 8,000 MW			Levelized Offer Cost for Selection
	29/30	30/31	31/32	
Supply 1:	550 MW @ \$200	500 MW @ \$200	500 MW @ \$200	\$200
Supply 2:		2,150 MW @ \$280	2,150 MW @ \$280	\$280
Supply 3:	1,800 MW @ \$290	1,800 MW @ \$290	1,800 MW @ \$290	\$290
Supply 4:	3,000 MW @ \$300	3,000 MW @ \$300	3,000 MW @ \$300	\$300
Supply 5:			550 MW @ \$310	\$310
Supply 6:	550 MW @ \$320	550 MW @ \$320	550 MW @ \$320	\$320
Total	5,900 MW @ \$289.49	8,000 MW @ \$287.50	8,000 MW @ \$287.50	

PJM is not proposing to partially clear resources. The RBP commitment will be for all offered UCAP. Assuming PJM cannot meet the targeted MW with the available offers, PJM will clear short of the RBP the target rather than long. PJM will also skip over lower priced resources to maximize procurement to meet the target MW value.

Supply Obligations

Resources with a Reliability Backstop Procurement commitment are required to be PJM capacity resources⁹ and take on the following obligations:

1. **RPM Must-Offer Obligation at \$0 (price taker):** Resources with an RBP commitment have a capacity must-offer requirement for all RPM auctions conducted after the RBP procurement for all Delivery Years within the resource’s backstop commitment period (RBP term).
 - The must-offer MW quantity will be based on the lesser of the resource’s Accredited UCAP at the time of the RPM auction and the UCAP committed in the RBP.
 - The price at which those MW will be required to offer is \$0 (price taker) in the RPM auctions. Any available UCAP offered in excess of the RBP committed UCAP will be subject to normal offer cap rules.
 - The megawatts committed through RPM auctions will be subject to all capacity market rules, including applicable obligations on committed capacity (e.g., energy must offer), non-performance evaluations (e.g., PAI, deficiency charges) and options for replacement capacity.

Exceptions to the RPM Must-Offer Obligation

- In limited circumstances, an exception to the capacity must-offer requirement for RBP resources will be accepted. Specifically, a resource that is no longer expected to be physically available or in-service for a Delivery Year in which they received an RBP commitment may be granted an exception to the must-offer requirement with supporting documentation. This is intended to help ensure the supply in RPM auctions

⁹ RBP committed resources will be required to be PJM capacity resources, even under reforms on the existing RPM design, and will have commensurate requirements for participation.

continues to reflect physical resources. An RBP resource that is granted an exception to the RPM must-offer obligation may still be subject to the Connect and Manage Shortfall Charge for failing to deliver on its RBP commitment, as further described below. An RBP resource would not be eligible for a must offer exception based on a financially and physically firm agreement to sell off system.

2. **Connect and Manage Showing:** A resource with an RBP commitment must deliver the amount of UCAP committed in the RBP to support its Connect and Manage showing. Failing to deliver the RBP committed UCAP results in a lower quantity of eligible MW that the RBP load can use to avoid Connect and Manage. Therefore, a resource that does not deliver on its RBP commitment may be subject to a RBP shortfall charge.
 - The rules and requirements for the Connect and Manage showing will be consistent with those determined under the Connect and Manage proposal.

RBP Shortfall Charge

- A shortfall charge shall be assessed daily, beginning in the first Delivery Year of the RBP commitment, on any deficiency between the RBP committed UCAP and the amount delivered under the Connect and Manage showing. The shortfall charge shall equal the deficient UCAP MW times a charge rate equal to 20% of the RBP commitment price of such resource.
- Resources that fall short of the RBP committed UCAP and subject to a shortfall charge are eligible to use replacement capacity to cover the RBP commitment and would be able to replace with any MW that are considered BYONC and not allocated to another load for Connect and Manage.
- Given the 1-time showing for Connect and Manage, after the RBP resource delivers the first DY UCAP to the system, no shortfall charge will be assessed.
- There will be an exception to the shortfall charge for resources that are unable to meet the COD solely due to network upgrades. In this case, the supply resource will need to demonstrate readiness through test energy and seeking interim deliverability to be absolved of the shortfall charge.
- The shortfall charge will be assessed for the duration of time PJM is operating in a Connect and Manage framework. When PJM is no longer operating in a Connect and Manage framework, the shortfall charge will not apply. This is proposed assuming that load will be able to procure capacity through RPM when the system is not short.
- PJM proposes to subject a resource to both a shortfall charge under the RBP commitment and a deficiency charge under RPM commitment in order to maintain performance expectations under both tariff commitments. The RBP contract is to cure a procurement target for the 2028/2029 expected BRA shortfall. If a resource does not deliver, the load will not be covered by the supply procurement and subject to Connect and Manage.

In addition to the above, if a resource is delayed meeting COD for three years after the first applicable RBP committed Delivery Year, the RBP commitment will be rescinded for the remainder of the term.

Cost and Risk Allocation

Costs of the Reliability Backstop Procurement commitments will be allocated to the LSEs based on the Large Load Contribution (LLC) of the target megawatts provided to PJM by the EDC. Absent an LLC bring provided, PJM will allocate RBP costs to LSEs based on the submitted Peak Load Contributions (PLC).

PJM is excluding Fixed Resource Requirement (FRR) Entities from the Reliability Backstop Procurement and associated cost allocation. If an area has a RBP commitment and later transitions to a FRR Service Area, the FRR Entity for the area would not be able to use the RBP commitments to satisfy their FRR Plan and the EDC for the area still will be accountable for the RBP commitment. The reason the RBP commitment is not able to be used to satisfy

the FRR Plan is because the RBP commitments are designed as a pool of MWs, not as specific resources for individual loads.

Default allocation provisions will be consistent with the RPM market today. If a default occurs by the supply because of a nonpayment of an RBP shortfall charge or deficiency charge, the EDCs/LSEs will be short those corresponding credits. If a default occurs as a result of a nonpayment of a RBP charge by a LSE, the amount would be allocated to all LSEs receiving an RBP charge proportionally to the MWs served to the data centers across all zones. For supply, credit and collateral requirements for planned resources for taking on a RBP commitment will follow existing RPM framework (Attachment Q, VI., B) with rate and other adjustments to address the longer-term commitment of the RBP. An example of the requirement is below:

Prior to bid submission RBP Phase II (central procurement) Max $(\$20, 0.2 \times \text{bid/clearing price}) \times \text{year multiplier}$

Year multiplier is the ratio of the Net Present Value¹⁰ of the number of years credit requirement cash flow to the nominal value of one-year RBP credit requirement

RBP Phase II credit requirement may be reduced to reflect the remaining years while considering the credit quality of the Market Participant.

Figure 3 illustrates how the pre-bid RBP Phase II (central procurement) will be calculated.

Figure 3: Credit and Collateral Pre-Bid RBP Phase II (Central Procurement) Example

Auction Date	Sep-26
Bid/Clearing Price (\$/MWD)	\$400
Cleared Volume (MW)	100
Bid (Central Procurement) Credit Rate %	0.2
Tenor (year)	15
Discount Rate	9.5%
Nominal RBP Credit Requirement (\$MM/Yr)	$\$2,920,000 = 400/\text{MWD} * 100\text{MW} * 365 * 0.2$
NPV (Jun-28) of RBP Credit Requirement (\$MM)	$\$25,029,807 = \text{NPV}(\text{Discount Rate, Tenor, -Nominal Credit Requirement})$
NPV (Sep-26) of RBP Credit Requirement (\$MM)	$\$21,355,943 = \text{NPV}(\text{Discount Rate, Years Between Sep-26 and Jun-28, 0, -NPV in Jun-28})$
Year Multiplier	$7.31 = \text{NPV}(\text{Sep-26}) / \text{Nominal Credit Requirement}$

PJM is proposing to require credit support equivalent to Net Present Value (NPV) of credit requirement over the term. The credit support amount covers the full RBP credit requirement for the years at most risk. This equates to approximately one-year of notional value of the commitment value and provides operational financial assurance once the plant is online.

As illustrated in PJM’s credit requirement example which assume a 15-year contract, the year multiplier is designed to align a project’s financial obligations with its long-term risks associated with non-performance. By factoring in the

¹⁰ NPV = 9.5%, Source - Brattle 2025 CONE Report for PJM

typical five-year development cycle and potential post operational disruptions – (such as penalty impacts, move to another ISO, shift in ownership, fuel procurement uncertainty etc.) – the multiplier ensures that financial commitments remain tethered to the project throughout its contract term.

This mechanism effectively encourages developers to internalize the cost of their delays, reflecting the cumulative impact of a project being absent from the grid for an extended period. The multiplier provides a buffer for the construction cycle while acting as a filter to ensure that the most resilient projects proceed, maintaining the stability and credibility of the central procurement process.

PJM recommends applying the capacity market Weighted Average Cost of Capital (WACC, 9.5% proposed by Brattle 2025 CONE Report for PJM) as the discount rate for the RBP collateral, based on the following reason:

Framework consistency. WACC is the rate used for Net CONE in reference resource economics. The collateral represents a potential deficiency calibrated, by construction, as 20% of the developer's expected capacity revenues, and the non-performance charge, both of which carry the business risk as the project itself and is properly valued at WACC. Using any other rate for this single calculation would be internally inconsistent with the rate applied to revenue-stream valuation elsewhere in the Reliability Pricing Model (RPM) framework

Credit and collateral requirements for LSEs, upon known changes to load, credit, and collateral requirements for Load Serving Entities (LSEs) are expected to be managed by the current credit processes. These processes include, but are not limited to, credit evaluation, PMA and use of other mitigation tools, such as posting of credit support and/or UCRs.

Roles and Responsibilities

Allocating to the applicable Load that the RBP megawatts were purchased for: EDCs

Appendix: Summary of Proposal Changes

Design Area	Initial Proposal	Updated Proposal
Schedule Design	Two phased approach: -Bilateral Matching (Sept 2026 – Mar 2027) -Central Procurement (Mar 2027)	Parallel path approach: -Bilateral Matching (June 2026 RFP) -Central Procurement (Sept 2026)
Procurement Target	Initial Target set by the 2029 load forecast and EDCs would set final targets based on their adjustments	Initial Target set as the 2028/2029 BRA shortfall to the Reliability Requirement PJM will make adjustments for BYONC showings or forecast updates
Eligible Supply COD	June 1, 2031	June 1, 2032
Cost Allocation Counterparty	EDCs / Electric Distributors	LSEs/ Load Serving Entities
Term	Term Length 2-15 years	Term Length 15 year period 2028/2029 DY – 2042/2043 DY
Max Willingness to Pay	TBD	price cap equal to the mean plus two standard deviations ($\mu + 2\sigma$) of the RBP offer distribution.

Selection Process	Stage 1: Gating Criteria Stage 2: Lowest weighted average cost selection	Stage 1: Gating Criteria Stage 2: Prioritize COD, then lowest levelized cost selection by DY
Replacement MW for RBP	No replacement MW eligible	Replacement MW eligible to cure a RBP shortfall, Replacement MW will need to meet the BYONC definition