Base Power
PJM RBP Proposal

PJM has urged States to act quickly to develop corresponding policies for the RBP process

Third, PJM sent a correspondence to each of our governors last week requesting that they immediately start work on their commitment to allocate costs to data centers. After PJM runs the Backstop procurement, if states have not established frameworks to appropriately allocate costs to new data center loads, it is unclear to which customers those costs would be assigned. Absent appropriate safeguards, it is possible that these costs will be allocated to other consumers in the states, including residential consumers. We reiterate our ask here as PJM does not have the authority to allocate costs directly to retail customers.

A revised CIFP schedule combining the Backstop and C&M will be published shortly. We do know for certain that we will not be conducting CIFP Stage 4 and holding a Special MC on May 27, and may instead use that date for an additional CIFP meeting as we continue to receive refined proposals and feedback from stakeholders.

Sincerely,

Paula Conboy
Chair, PJM Board of Managers

1. PJM Board Letter Re Reliability Backstop Procurement / Connect and Manage

New Jersey has responded to PJM's call with S.731[1]

[Second Reprint]

SENATE, No. 731

STATE OF NEW JERSEY

SYNOPSIS

Requires electric public utilities to develop and apply special rules for certain data centers to protect non-data center customers from increased costs.

CURRENT VERSION OF TEXT

As amended by the Senate on May 28, 2026.

S.731 specifically describes how Reliability Backstop Procurement costs and Connect & Manage procedures are allocated to retail loads

1. Mandates that all costs attributable to large data centers, including from RBP, be allocated to those customers – preventing cost shifts to other ratepayers.

1. Allows data centers either to (a) bilaterally contract capacity resources **or** (b) bilaterally contract or pay into an EDC program for capacity demand reduction activities, in exchange for exemption from RBP cost allocation and C&M protocols

1. New Jersey S.371

S.731's framework for bilateral capacity reductions

SENATE, No. 731

STATE OF NEW JERSEY

or similar mechanism; and (d) ensure that any capacity that a large data center customer procures through a demand-reduction program established pursuant to this subsection shall reduce the capacity obligations of the large data center customer in the service territory of the electric public utility under paragraphs (3) through (6) of this subsection, as applicable;

(c) design the program for compatibility with the Peak Shaving Adjustment of the regional transmission organization, or any similar mechanism used to reduce capacity needs, so that demand reductions verified under the program are reflected in the load forecast used by the regional transmission organization to procure capacity, including any capacity procured under a backstop auction

The New Jersey S.731 frameworks establishes a paradigm whereby:

1. Data centers may contract for or fund a program to reduce other customers' demand for capacity
2. No ratepayer funds used for these activities
3. Data centers receive credit for capacity, while residential & other customers receive the rest of benefits (e.g., free batteries, discounted power bills, etc.)
4. Contracted-for demand reductions are validated and registered through a Peak Shaving Adjustment or "any similar mechanism used to reduce capacity needs"
5. Demand-reduction contracts executed prior to RBP are filed with NJ BPU for approval
6. This volume is removed from the Backstop Procurement

1. New Jersey S.371

PJM’s current proposal does not allow full realization of NJ legislation and state policy objectives

Unless revised, PJM’s existing proposal does not allow NJ law to appropriately credit demand reductions to data centers

What NJ S.731 Intends

NJ S.731 Tenets

- ✓ Data centers that bilaterally contract for demand reductions receive exemption from incremental cost allocation
- ✓ The demand reduction is credited to the contracting data center – enabling both cost relief and grid benefit - establishing a direct financial incentive for data centers to fund demand-reduction programs

An essential part of NJ S.731's would be rendered a dead letter unless PJM's RBP process recognizes and credits contracted demand reductions in a manner consistent with its proposed treatment of contracted supply.

Gap in PJM's current RBP draft

PJM RBP Framework

- ✓ Data center’s RBP / C&M obligation reflects bilateral supply contracts for new capacity
- ✖ No pathway for a data center's RBP / C&M obligation to reflect contracts for new peak demand reduction

In order to accommodate NJ S.731 and other enactments like it, PJM must establish a process whereby volumes that would otherwise be cleared in the RBP are reduced in amounts consistent with activities that reduce demand for capacity and are paid for by new large loads

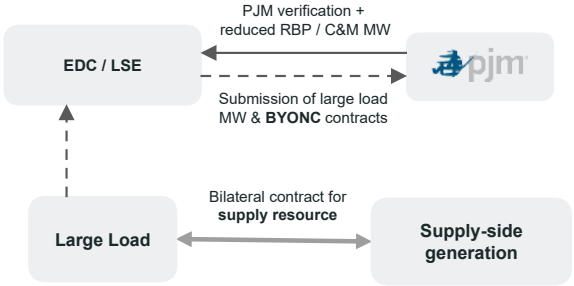
State legislatures are acting; PJM's FERC filing must accommodate, not undermine, emerging state frameworks.

Base RBP Proposal aligns State and PJM policy pathways

Current PJM Proposal

Supply-side: Bilateral contracting process before RBP auction offsets LSE / EDC-submitted MW projections

Large loads bilaterally contract capacity from supply-side generators to reduce capacity obligations through RBP / C&M

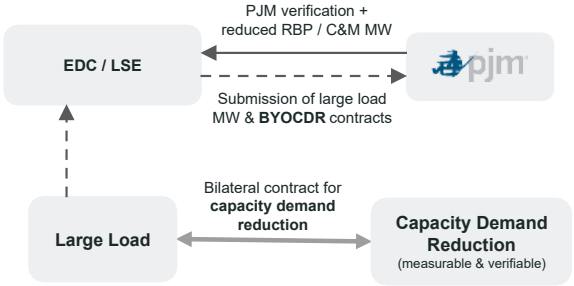


- **EDC / LSE** RBP and C&M MW are reduced due to Large Load bilaterally-contracted **BYONC** MW
- **Large Load** gets credited for contracted capacity
- **Ratepayers** shielded from increased costs due to large load additions

Proposed Capacity Demand Reduction (CDR) or Peak Shaving Adjustment (PSA) Consideration

Demand-side: EDC option to submit a Demand Reduction or PSA plan to PJM ahead of RBP auction to reduce LSE / EDC forecast for RBP / C&M allocation

EDCs in consultation with LSEs, Large Loads, & State Offices submit demand reduction or PSA to PJM based on bilateral agreements and state-policy supported retail market activities



- **EDC / LSE** RBP and C&M MW are reduced due to Large Load bilaterally-contracted **BYOCDR** MW
- **Large Load** gets credited for verified Demand Reduction
- **Ratepayers** shielded from increased costs and **can receive additional financial & reliability benefits**

Proposal is compatible with PJM's proposed Roles, Regulatory Authorities and RBP / C&M Implementation[1]

Connect and Manage: Roles and Responsibilities

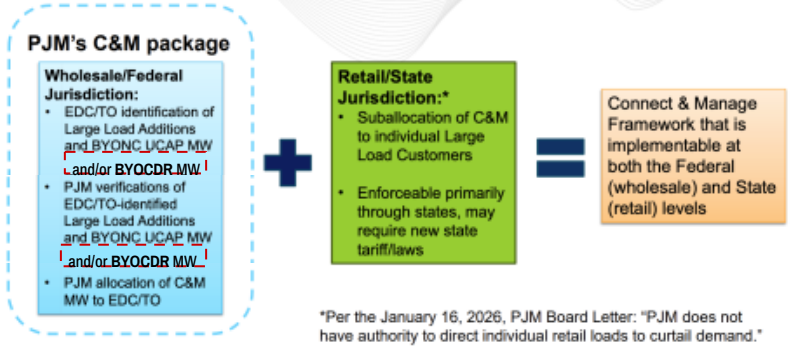
	PJM	EDC/TO	Large Load
Load Forecast	Final determination of load forecast	Submission of Large Load MW to PJM Load Forecast	Notice to LSE/EDC of load integration
BYONC	Final approval of BYONC MW quantity by Area	Submission of BYONC contract/agreement or RBP central auction identification of Large Loads for BYONC	Provide contract/agreement to EDC.
BYOCDR (Bring Your Own Capacity Demand Reduction)	Final approval of **BYOCDR** MW quantity by Area	Submission of BYOCDR contract/agreement or RBP central auction identification of Large Loads for BYOCDR	Provide contract/agreement to EDC.
C&M Assignments	Provide EDC with total assignment of C&M MW that excludes EDC-identified BYONC MW.	Identify individual assignments of C&M excluding BYONC.	Verify assignment of C&M.
C&M Modeling and Curtailment Readiness	Status quo Operational Awareness: EMS information and real-time telemetry via EDC/TO	Status quo: The EDC/TO will provide to PJM any necessary telemetry. Develop operational procedures.	Operational readiness
C&M Emergency Procedure	When PJM issues this new Emergency Procedure Action, the applicable EDC/TOs will be sent a C&M reduction MW quantity only for the MW of shortage. This MW quantity will be updated on a periodic basis, as necessary.	When receiving a C&M reduction MW quantity, the EDC/TO will take action to initiate and complete the reduction within 10-minutes.	Reduce MW quantity as instructed by EDC/TO/LSE.

Base RBP proposal modifications

PJM's proposal recognizes bilateral contracting between large loads and generation resources as a basis to exempt those loads from incremental capacity charges.

Expanding this consideration to bilaterally contracted demand reductions is operationally and administratively compatible with the existing proposal

Regulatory Authorities and C&M implementation

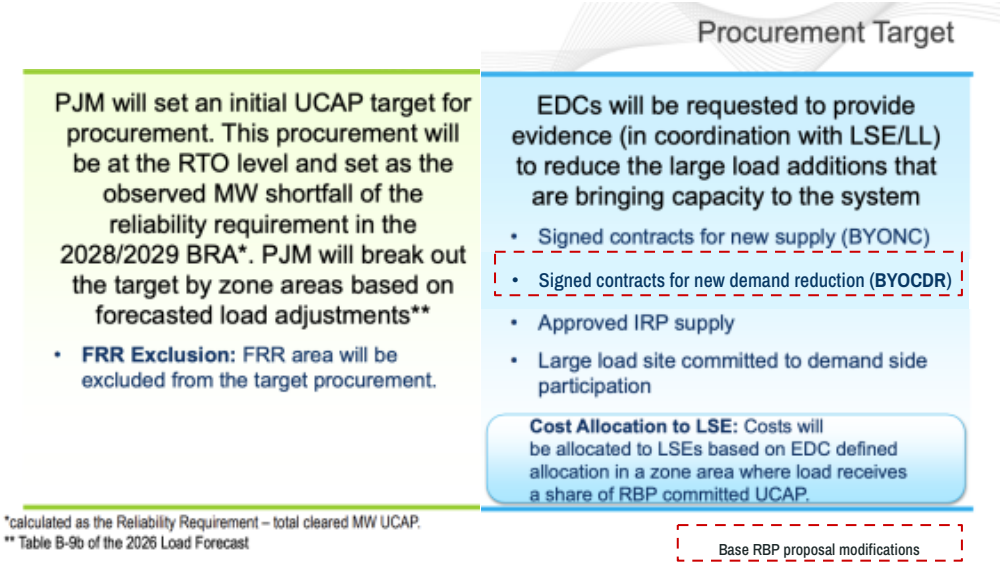


*Per the January 16, 2026, PJM Board Letter: "PJM does not have authority to direct individual retail loads to curtail demand."

1. Connect and Manage PJM Package (May 27, 2026)

Clear pathway to implement Base proposal & effectively integrate Demand Reductions into Procurement Target

PJM Procurement Target[1]



Base RBP proposal

Where a state law or regulation allocates costs to a large load (data center) based on its incremental demand, and that load bilaterally contracts for capacity demand reductions or supply additions, PJM's RBP/PSA process should:

(1) Recognize the contracted supply or demand reduction as creditable toward the data center's capacity obligation, and

(2) Allow the EDC to appropriately reflect that bilateral contract with evidence submitted to PJM — and receive appropriate multi-year forecast treatment, reflecting the nature of the agreement

(3) A Peak Shaving Adjustment is a way to make a discrete, clearly denominated identification of a programmatic capacity-demand reduction contracted for by a data center, subjecting it to clear triggers and evaluation. Base continues to believe a PSA is a plausible approach.

(4) Alternatively, an EDC/LSE could be allowed to adjust volumes of RBP being "locked" to adjust the load forecast in line with any bilateral demand-reduction activity that has occurred.

IMM commentary reinforces the role of retail demand reduction and PSA mechanisms

IMM State of the Market Report for PJM, 2025[1]

Peak Shaving Adjustment (PSA) provides an alternative means for demand response to participate in the Reliability Pricing Model (RPM). Rather than being on the supply side of the capacity market, a PSA participates on the demand side through a modified peak load forecast for the zone in which the Peak Shaving Adjustment resources are located. The peak shaving adjusted load forecast is included in the VRR curve. An important issue is that the resultant reduction in capacity obligation is socialized across all loads in the zone rather than directly benefitting the resources providing the Peak Shaving Adjustment.[150] This eliminates the incentive for individual customers to participate in peak shaving. The solution is a retail rate design that directly assigns the benefits of peak shaving to individual customers. The retail rate design is within the authority of state regulators and not the authority of FERC which has jurisdiction over the wholesale markets.

1. Monitoring Analytics, 2025 State of the Market Report for PJM, Vol. II, at 418 (2026).

Appendix

Base Power proposal

C&M options matrix package

2	**Connect & Manage (C&M) designation**	All new LLs (in MWs) that will be on-line during or after the 27/28 DY are potentially interruptible under C&M, UNLESS the LSE/EDC has submitted and PJM has accepted a Peak Shaving Adjustment (PSA) for that DY sufficient to offset the LL's incremental capacity impact on a net basis.
2a	**Exceptions to Connect & Manage (C&M) designations**	C&M exception available where the LL's LSE/EDC submits a PJM-accepted Peak Shaving Adjustment (PSA) demonstrating that state-regulated retail demand reduction programs (e.g., distributed battery storage aggregations, DR programs) funded by or cost-allocated to the LL reduce peak load by an amount equal to at least the LL's FPR-adjusted UCAP obligation for the relevant Delivery Year. Grounded in existing PSA process (Manual 19) and PLC netting methodology. Precedent: EKPC peak shaving adjustment accepted in 2026 PJM Long-Term Load Forecast.
3	**Bring Your Own New Capacity (BYONC) Eligibility**	Same as Option A, PLUS: distributed retail DER programs (battery storage aggregations, DR aggregations) funded by or cost-allocated to the LL through state-regulated utility tariffs should be eligible as BYONC where the program produces a verifiable reduction in the LL's net peak load contribution (PLC netting). [Base: Extend BYONC eligibility to retail DER funded by large loads.]
3a	**Definition of new Demand Response**	Option C plus: Distributed battery storage deployed at residential or commercial customer premises and aggregated by an EDC or DER aggregator, where costs are allocated to a new large load through a state-regulated utility tariff or bilateral agreement, should qualify as BYONC-eligible DER Aggregations. PJM should adopt the PSA/PLC netting methodology from the Long-Term Load Forecast process as the accreditation standard for such programs.
3b	**Definition of other new resources**	*Base supports Option A. See Option A for full PSA / peak shaving program definition.*
4	**BYONC Location**	For distributed retail DER BYONC (battery storage, DR aggregations), no locational requirement at the resource level. The aggregate portfolio must be located within the same EDC service territory as the large load's Point of Interconnection. LDA constraints addressed through PSA submission review by PJM.
5	**BYONC Quantity (Initial and Maintaining eligibility)**	For DER/PSA-based BYONC: EDC submits PSA demonstrating net PLC reduction >= LL's FPR-adjusted UCAP obligation for the relevant DY. For newly launched programs without full 5CP history, PJM should accept forecast-based PSA submissions subject to: (a) program design documentation, (b) state regulatory authorization, (c) cost-allocation to LL documented, and (d) true-up against actual 5CP performance in subsequent DY. Precedent: EKPC PSA accepted in 2026 Load Forecast on program design basis.