Proposed Backstop Mechanism: A Parallel Path Approach

PJM is proposing a two-path mechanism for the RBP[1]: 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 the PJM region is forecasting. The Bilateral Contracting path was highly preferred among members and PJM supports bilateral activity to bring new load on to the system.

Request for Proposals (RFP)

A bilateral matchmaking RFP was issued on June 9, 2026. RFP responses will be due July 21, 2026, 12pm ET. 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 will continue for ~6-9 months.

This process will run parallel to the central procurement. Projects in the bilateral matching process that do not form agreements may bid into the central procurement. However, bidding into the central procurement reflects a willingness to take on a binding commitment. Bidders will not be permitted to exit the central procurement process to enter bilateral arrangements. Projects that are not selected in the central procurement may re-engage in bilateral matching.

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. PJM will finalize commitments prior to the 2029/2030 BRA scheduled in December 2026. The proposed[2] timeline will be:

1. Window for bid solicitation and procurement target adjustment: **September 10 – October 9, 2026**.
2. Selection process and release of results: **October 10 – November 20, 2026**.

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 footprint[3]. 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.

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[1] PJM's detailed proposal posted at with the June 11th CIFP Stage 3 meeting materials.
[2] This timeline is based upon anticipated FERC filing date of July 10, 2026.
[3] 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

The initial procurement targets will be lowered by new supply showings to set the final target, with the objective to ensure PJM does not double procure for the load. This will include: 1) Signed contracts for new supply, 2) approved new IRP supply and 3) large load sites committed to demand side participation.

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. The pro-rata share allocation will be set by 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.[4] This pro-rata share allocation of the procurement target will remain fixed for the entire 15-year RBP commitment term for purposes of cost allocation.

PJM is excluding Fixed Resource Requirement (FRR) entities from these targets and from the Reliability Backstop Procurement and associated cost allocation.

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. Resources with NOIs for 2028/2029 BRA and offers and does not clear the BRA, would still be eligible. 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.

New Annual Demand Response and DER are eligible. 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.

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.

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.

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

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.

Offers and Clearing Structure

Suppliers will represent offers in $/MW-day UCAP from the 2028/2029 DY to the 2042/2043 DY. A max willingness to pay will be set at $555/MW-day UCAP for all delivery years and any offers above this value will not be considered in selection. The $555/MW-day price cap is the Point 1 value for the 2028/2029 DY BRA VRR curve. The RBP central procurement will be pay-as-bid for the committed resources.

Suppliers will carry the Effective Load Carrying Capability (ELCC) risk for the commitment and will only be settled in the RBP for the delivered UCAP, up to the committed RBP UCAP on an annual basis.

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 resource's 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.

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.

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 selection process for commitment. Offers will 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.

Supply Obligations

Resources with a Reliability Backstop Procurement commitment are required to be PJM capacity resources[5] and to take on an RPM Must-Offer Obligation at $0 (price taker) for the lesser of the resource's Accredited UCAP at the time of the RPM auction and the UCAP committed in the RBP. The megawatts committed through RPM auctions will be subject to all capacity market rules.

A resource with an RBP commitment will be subject to a shortfall charge if they are delayed or do not come online to meet the RBP commitment. The shortfall charge will equal the RBP committed UCAP times a shortfall charge rate

[5] 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.

equal to 20% of the RBP commitment price of such resource, for the applicable delivery year. Once a RBP resource is operational, the shortfall charge will no longer apply. 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. There will be an exception to the shortfall charge for resources that are unable to meet the COD solely due to network upgrades.

Cost Allocation

Costs of the Reliability Backstop Procurement commitments will first be allocated to zone areas based on their pro-rata share of the procurement target MW as described in the Procurement Target Methodology section. Zone area costs will then be allocated pro-rata to the LSEs based on Large Load Contribution (LLC).[6].

EDCs will be responsible for allocating assigned Zonal RBP Target MW to customers via introduction of new Large Load Contribution (LLC) Obligation MW assignment in Capacity Exchange (similar to existing PLC and NSPL processes). 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. As a backstop, If EDC does not allocate via LLC Obligation, PJM will allocate to all load in the zone (including non-large loads) using existing PLC assignments.

Credit Requirement and Default Allocation

Credit Requirements 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 adjustments to address the RBP market design. Prior to RBP bid submission, the developer/supplier will be required to post credit equal to Max ($20, 0.2 x bid price) x MW UCAP committed x 365 x 3 (years). Collateral is required to be posted in the form of cash or letter of credit.

PJM is proposing to require credit support equivalent to three years of the RBP shortfall charges. This provides operational financial assurance if the project is delayed or does not come online within three years from the proposed COD

The credit requirement for the supplier may be reduced or returned once the resource achieves COD following PJM's assessment after the one year look back.

Credit requirement for Load Serving Entities

Upon notification by the Load Serving Entity (LSE) of the known changes to its load, the credit, and collateral requirements for LSEs are expected to be managed by the current credit processes. These processes include, but are not limited to, credit evaluation, peak market activity (PMA) recalculation and use of other mitigation tools, such as posting of credit support and/or unreasonable credit risk collateral calls (UCRs). Notification will be required no later than 60 days in advance of the delivery year.

Default Allocation

If a default occurs by the supply because of a nonpayment of an RBP shortfall charge, the EDCs/LSEs will be short those corresponding credits. This is consistent with the RPM market today. If a default occurs as a result of a nonpayment of a RBP charge by a LSE, the default amount would be allocated to all remaining LSEs receiving a share of the RBP charges based on their pro-rata share of the total RBP charges.

[6] This will be a new defined term exclusively for the RBP.

Transmission Owner RBP Withdrawal Responsibility From PJM

Given the long-term nature of RBP commitments, it is necessary to address the risks presented by a Transmission Owner (TO) leaving PJM at some point over the 15-year term.[7] Consistent with FERC precedent that a TO leaving PJM is obligated to pay for the capacity that PJM has acquired for its load[8] PJM is proposing the following solutions by each scenario presented by a potential TO exit. These solutions are intended to mitigate any impacts of a TO leaving PJM to all other parties.

1. TO leaves with net generation that was part of RBP
    - TO pays all costs for RBP generation to pseudo-tie if generation is able to be pseudo-tied and PJM elects to retain such resource (waiving electrical distance requirement for impacted existing generation).
    - If RBP committed resource is not able to be pseudo-tied back into PJM
        - Prior to exiting TO must (1) pay PJM the remainder of RBP value (MW x Rate x Remaining Years) on an accelerated basis. Collected revenue will be allocated to RBP resources in the TO's service territory or (2) execute a contract or TO tariff amendment that assumes the obligation to pay RBP charges to the relevant RPB resource(s) for the remainder of the RPB term. Justification is that the RBP resource was developed and financed with the expectation of a fixed 15-year term so such resource needs to be made whole to this expectation.
2. TO leaves with net load that was allocated an RBP charge
    - Prior to exiting, TO must pay all forward obligations on an accelerated basis (similar to a withdrawal today – they either post collateral or cannot leave) – obligation would be calculated as the remaining notional value of the RBP allocation. Revenue collected will be credited to remaining new large loads in PJM to offset increased costs to such loads necessary to support the committed RPB resources through the remaining term of the RBP commitment.– Justification is that remaining load cannot be harmed by the member leaving and RBP generation will need to continue to be paid through the term of the commitment.

Nothing in this proposal precludes TO from seeking recovery of such costs from large loads.

[7] 20260527-transmission-owner-separation-risk---pjm-presentation.pdf
[8] *See PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,307 at PP 83-93 (2008).