



June 23, 2026

Dave Anders and Matt Connolly
PJM Interconnection, LLC
(Sent via Email)

Advanced Energy United Comments on Critical Issue Fast Path - Reliability Backstop Procurement (RBP) and Connect-and-Manage (CAM)

To Dave Anders and Matt Connolly:

Advanced Energy United appreciates the opportunity to provide feedback and comments on PJM's Reliability Backstop Procurement (RBP) and Connect-and-Manage (CAM) proposals.

Advanced Energy United ("United") is a national association of businesses that works to accelerate the move to 100% clean energy and electrified transportation in the U.S. The term advanced energy encompasses a broad range of products and services that constitute the best available technologies for meeting our energy needs today and tomorrow. These include solar, wind, energy storage, demand response ("DR"), distributed energy resources ("DERs"), alternative transmission technologies, electric vehicles ("EV"), energy efficiency, heat pumps, and smart grid technologies. United represents more than 100 companies in the \$374 billion U.S. advanced energy industry, which employs 4.1 million U.S. workers.

United applauds PJM's efforts to provide clarity around the myriad novel and challenging issues associated with the dramatic increase in demand on the PJM system due to large load additions. The rapid emergence of load growth has significant implications for system reliability and consumer pricing that must be balanced. We also recognize the need to move as quickly as possible to establish appropriate rules on a timely basis given the speed at which new large load proposals are moving forward.

The PJM region faces an unprecedented scale and pace of forecasted load growth that is raising concern about the ability to affordably and reliably serve new loads. Competitive, regional markets are well suited to meet load growth affordably and reliably to the benefit of all customers, and the PJM region should strive to maintain these market structures.

Advanced Energy United offers the following recommendations to ensure that any solutions ultimately implemented as a result of this CIFP promote reliability and affordability in the near-term while preserving reliability and the competitiveness of the PJM markets in the long-term.

Market consistency/certainty:

We recognize that PJM is working diligently in a rapidly shifting environment characterized by rapidly increasing demand on an uncertain trajectory, coupled with numerous obstacles to rapid deployment of new generation - many of which are outside of PJM's control. Adding to these challenges, PJM is getting inconsistent policy direction among the 14 jurisdictions it serves, and even conflicting policy direction from within individual states, as well as input from both the Federal Energy Regulatory Commission and the Energy Dominance Council. Given this challenging backdrop, it is imperative that PJM endeavor to create a predictable and certain path forward that creates an environment to facilitate the massive investments needed to meet this crucial moment.

Ensure ratepayers are fully insulated in all scenarios/contingencies:

PJM must ensure ratepayers are completely insulated from large load-driven costs to avoid having everyday households and small businesses risk bearing billions of dollars in potential infrastructure upgrades and capacity price spikes. Absent explicit protections existing consumers will likely face severe bill impacts from supply shortages and the socialization of grid costs. It is essential that the final rules and structure of any RBP CAM fully insulate ratepayers from all large load related costs; importantly, this includes adhering to a legally durable articulation of PJM's jurisdiction and a clear description of the role of states in implementation of cost allocation and other aspects of these reforms.

Focus on bi-lateral contracting:

United supports PJM's focus on bi-lateral contracting as the primary means for securing power for large loads, but we also recognize the necessity of having some kind of procurement/auction structure for residual loads that may be unable to secure bilateral contracts. Key benefits of a bilateral backstop structure include:

- **Targeted Cost Allocation:** Costs are borne directly by the specific load driving the new power demand, effectively shielding everyday residential and commercial ratepayers from paying for the infrastructure required by large, new facilities.
- **Revenue Certainty for Developers:** Negotiating directly for multi-year capacity commitments will allow project developers to secure the stable, long-term revenue streams required to unlock debt financing and get new steel-in-the-ground faster.
- **Flexibility and Risk Sharing:** Unlike the standardized rules of a centralized capacity auction, bilateral contracts allow willing buyers and sellers to negotiate custom terms, prices, and risk-sharing structures that fit their exact needs.
- **Ratepayer Protection:** By removing these massive, new, energy-intensive loads from the traditional regional capacity market, PJM can prevent sudden spikes in overall capacity prices.
- **Minimized Market Distortion:** A negotiated bilateral model pairs specific demand with specific supply without disrupting the broader energy and ancillary service margins, allowing traditional markets to function more normally over the long term.



Additional principles for consideration:

1. **Contracting and procurements should accommodate flexible contract durations**
2. **Eligibility parameters should not exclude any new capacity resources** – final participation rules should reflect an “everything all at once approach” to new generation, and actively encourage all forms of DR, DER, aggregations, storage, and hybrid clean generation opportunities.
3. **Procurement constructs should promote expansion of demand response** –
 - a. CAM loads should be deployed prior to pre-emergency or emergency load management (DR) resources. New large loads participating in load management programs should be dispatched at the same time as pre-emergency and emergency DR (not after.) Failure to follow this dispatch order will increase the cost of DR in PJM, discourage new market entry, and potentially lead to existing DR exiting the market due to event “fatigue.”
 - b. Clarity around definition determination of “New” DR (i.e. any DR not in the most recent BRA should be considered new.)
 - c. Avoid burdensome/unreasonable rules for DR/DER (i.e. needing to demonstrate identified sites and signed contracts for the entire length of the bid's term.)
 - d. Avoid burdensome penalties for DR/DER.
4. Outside of the planned RBP and CAM processes, PJM should continue to prioritize implementation of interconnection reforms and further efforts to expedite interconnection of new generation and storage resources.

United appreciates PJM’s consideration of this feedback and looks forward to future PJM processes to address issues critical to managing costs and ensuring resource adequacy with large load additions.

Respectfully Submitted,



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