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Base Power Company is a distributed battery company and electricity retailer currently doing business in the PJM region as a business licensed under state utility regulation.

We want to thank you for your ongoing work on the Critical Issue Fast Path process that is ongoing relative to the Reliability Backstop Procurement (“RBP” or “Backstop”) and Connect & Manage (“C&M”). For your consideration, we wish to raise awareness for you of Base's proposal, which is a minor modification to a variety of proposals, including PJM's, where we have sought to replicate a feature that exists in the normal-course capacity auctions PJM conducts, which allow for decremental *reductions* in demand for capacity consistent with state or utility programmatic approaches. In both PJM's tariff¹ and business manuals,² this has occurred either through a Peak Shaving Adjustment (“PSA”) or as part of the normal load forecasting process. In the Backstop and Connect & Manage procedures, we believe this approach should be replicated by having a discrete deadline to file a PSA or something like it in order to remove associated volumes from those procedures.

The Base team has previously met with PJM staff regarding our interest here. However, to date, PJM's proposal does not allow for an electric distribution company or load-serving entity to make a downward adjustment to the volumes that will otherwise be centrally procured in the RBP on the strength of a demand reduction. Nor do the recent C&M revisions achieve what we are looking for here, because it does not provide space for achievements of decremented demand to be acknowledged in the volumes fed into the new PJM procedures.

PJM's current posture is problematic to Base, because we have sought to enter into commercial agreements whereby a large load would pay Base and companies like ours to deploy distributed energy storage to be available to reduce capacity needs in the same utility service territory as a large load is located within. This allows a high Value of Lost Load resource not to source a capacity reduction within its own fence-line, but instead source it from other customers in a bilateral agreement or through a utility

¹ Attachment K, Sec. 3.3A (establishing a customer baseline load applicable to demand-side Peak Shaving Adjustment).

² Manual 19 (Load Forecasting), in Attachment D, relative to Peak Shaving Adjustments.

program that the large load pays for. However, in order for the large load to gain any value from such an arrangement, it would need to reduce the volumes to be contracted in the backstop and for the benefit of that reduction to be economically allocated to the data center who paid for it.

The current state of PJM's proposal is unfortunate because we worry that it would render an important provision of state legislation a dead letter. Consider, for instance, New Jersey's [S.731](#), which appears to be poised to be the legislative vehicle by which the state would allocate the cost of what PJM is doing here. As described in the slide deck Base previously presented to the stakeholder process, that legislation allows for the kind of commercial arrangement Base contemplates to be filed with the state utility regulatory commission as a basis for a particular data center to be credited the economic value of the capacity reduction it has paid for. Yet if PJM does not maintain a process where such a reduction can affect volumes going into a central procurement, which is what PJM does do in the normal course of the capacity auction through its provision for a PSA, then PJM will over-procure capacity and create a situation where overpayments or double-payments must occur.

In our opinion, this is not a tenable position for PJM to have, especially when its tariff and business practice manual typically allow for exactly what Base is proposing to occur. PJM has not to date explained why its proposal here departs from its well-established practice, which FERC has accepted, in its normal-course auction activities. Indeed, the current approach contemplated for the RBP risks creating a perverse incentive where data centers would be discouraged from reducing demand for capacity through state programs, because by lowering demand and thus the capacity clearing price, such an approach would *increase* the difference between the clearing price of capacity normally and the price at which capacity was centrally procured in the backstop. The departure from well-established norms together with the perverse incentive negatively affecting large loads, but not other customers, is not consistent with our understanding of appropriate market design or the Federal Power Act.

By contrast, we view Base's proposal as a more or less straightforward replication of an existing procedure in PJM, and one that is necessary to accommodate a state policy. Because of active state policymaking in this space, we view this procedure to actually be growing in its relevance.

Base's distributed batteries are a source of fast-moving resources that can quickly be deployed to reduce capacity needs. It is important that these contributions be recognized and acknowledged in PJM's RBP and C&M market designs.