



June 23, 2026

PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

Dear President Mills & the PJM Board,

Data centers are unique customers. State lawmakers, governors, the White House, and even some of the leading hyperscalers are aligned in wanting data centers to be responsible for their own costs. The most recent version of the PJM staff proposal moves in the opposite direction, placing the cost and reliability impacts of new data centers on all ratepayers.

Connect and Manage

We are disappointed in PJM staff's proposal to exclude data centers from Connect and Manage when supply is insufficient. This contradicts the Board's January 16 directive to manage capacity shortfalls by curtailing excess load *prior* to entering emergency procedures. Staff's recommendation would expose the region to disruptive emergency procedures, and risks extended periods of extraordinarily high energy prices. Under the Staff's proposal, states that invest the time and resources to develop and implement interruptible tariffs for LLAs would still be subject to the regional price impacts from LLAs sited in states that do not elect to establish such protections.

Furthermore, keeping Connect and Manage loads in the regular capacity auction means their costs will be socialized to all ratepayers. PJM justifies this on the false premise that high capacity prices will lead to investment in new generation. However, the long delay between price increases and new entry has turned the capacity market into an expensive and inefficient way to attract new investment. Furthermore, new entry is likely to be driven by private deals with data centers, which can be encouraged by making Connect and Manage an unattractive alternative.

At the highest level, PJM's commitment to meeting data center supply needs by raising prices for everyone contradicts White House, Governors, and FERC directives to isolate the costs of serving data centers. There is simply no way of meeting those directives while procuring supply for large loads through the capacity market. PJM can devise a separate procurement structure that separates the costs of new supply from the cost to serve native load.

We are further concerned that Connect and Manage load will likely run on dirty diesel backup generators, creating significant environmental justice concerns, as many data centers are located in or near areas already overburdened with air pollution.

We request that the Board implement the following:

- Place all new large loads in Connect and Manage until they bring their own capacity, preferably clean, and as determined by state policy.
- All Connect and Manage load should be energy-only and removed from the Base Residual Auction until there is sufficient new capacity to support it. On June 18th, FERC made clear

that general customers must not pay for transmission built to serve large loads. Inexplicably, the PJM staff proposal moves in the opposite direction with regard to capacity.

- State regulators should be able to designate Connect and Manage load. State policies that incentivize or require large load flexibility should be reflected as Connect and Manage load and excluded from the determination of the capacity demand curve. This is outlined in [NRDC's amendment](#) to PJM's package.
- Establish Connect and Manage load shedding as pre-emergency, so that the use of backup generators fall under the non-emergency use of EPA emissions standards compliance. Any 202c requests that PJM makes should only apply to data centers built before these policies go into effect. This is important to incentivize the data centers to bring their own capacity. If the cost and risk of being put in Connect and Manage is minimal, data centers will choose this path, with the accompanying impact on reliability, cost shift to other ratepayers, and localized air pollution.

Reliability Backstop Procurement

The way PJM designs the Reliability Backstop Procurement will determine the ability of states to effectively design and implement the necessary cost allocation changes and will also influence states' ability to exercise their authority over generation type.

We are concerned that the proposal for this auction gives favorable long-term contracts to new fossil and nuclear resources while forcing the public into paying for large amounts of new transmission to deliver that power to data centers. This is because 1) PJM is holding the auction so soon that new clean energy resources can not respond; 2) The proposal allows capacity from anywhere in the PJM region to meet the load requirements, potentially requiring significant transmission to meet local needs, thus further driving up costs to current rate payers; 3) PJM is requiring long-term contracts that appear designed around the needs of gas powered plants; and 4) PJM is not including Surplus Interconnection resources and creates barriers to distributed energy resources participation.

We request that the Board implement the following:

- **Give States More Visibility Of and Control Over Procurement Costs.** PJM should not be able to procure capacity on behalf of data centers and socialize the costs to the public. At a minimum, only include load in the Reliability Backstop Procurement with the affirmative approval of states and electric distribution companies. If the Reliability Backstop Procurement proceeds as proposed, PJM must ensure that the results, such as clearing prices, megawatt quantities, and large load contributions to the overall procurement target, are communicated on a zonal *and* state boundary level so that states can make sure that large loads are paying their fair share.
- **Align Procurement Timelines with New Resources Development.** Currently, many of the possible supply resources for the backstop auction do not yet have generator interconnection agreements. We recommend that PJM time the auction in relation to new resource timing (i.e., post-November cycle results) so that new large-scale battery energy storage systems and high-capacity clean energy have a chance to respond and participate.

- **Prevent Gaming of the Backstop Auction.** States need assurance that PJM is doing everything it can to prevent resources from withholding capacity from the BRA so that they are eligible for the RBP. The Market Monitor likely has a significant role to play in this.
- **Adopt Resource Neutral Rules.** Reliability Backstop Procurement rules should not discriminate against clean energy, especially storage resources, which may be the fastest capacity to construct. Eligible resources should also include Capacity Interconnection Rights (CIR) Uprates and Surplus Interconnection Service resources. The Procurement should also recognize the savings from resources that do not need extensive gas infrastructure investments, and so can request a shorter-term price guarantee.
- **Establish Reliability Backstop Procurement rules that effectively allow for Virtual Power Plants and contracted demand response** (excluding demand response that is required through Connect and Manage) to participate. PJM rules should strive to align with state policies to encourage these resources for data centers and other decarbonized options. In particular, many of our states have statutes or are considering legislation to encourage distributed storage as a partial solution to the capacity shortfall. PJM's proposed requirement related to signed contracts in order to participate in the Reliability Backstop Procurement makes it virtually impossible for such mass market DER programs to participate.
- **Respect the intent of FERC's June 18 Order regarding transmission cost allocation.** FERC's June 18 Order (Docket EL26-67) was clear that the costs of transmission upgrades driven by large loads must be allocated to those large loads. A Reliability Backstop Procurement that ignores locational issues virtually guarantees the region will need major future transmission upgrades. Under existing rules, the costs of those upgrades will be allocated to all customers. The region may end up with a supply mix that is not the least-cost solution once transmission upgrades are taken into account.

We appreciate your attention to our concerns.

Sincerely,

Maryland Delegate Lorig Charkoudian
on behalf of the National Caucus of Environmental Legislators (NCEL)