



COMMONWEALTH of VIRGINIA
Office of the Governor

Josephus Allmond
Chief Energy Officer

June 29, 2026

Mr. David Mills
President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

Dear Mr. Mills:

I appreciate the significant effort that PJM Board and staff are putting into developing near-term fixes for the resource adequacy challenges driven by rapid load growth. As outlined in my May 17 letter, Virginia remains focused on ensuring we hit our regional reliability goals at the lowest possible cost for households and businesses. Meaningfully integrating distributed energy resources (“DERs”) and demand response (“DR”) into the upcoming Reliability Backstop Procurement (“RBP”) auction is vital to achieving those cost-effective outcomes.

While it is encouraging to see continued progress toward integrating the value of demand-side resources into the RBP, the latest staff proposal continues to include barriers that will prevent full participation of these resources. Under this model, high-growth regions like Virginia’s Dominion (DOM) Zone face the prospect of being unfairly allocated RBP procurement costs to meet peak demands, while simultaneously being blocked from deploying the very distributed assets capable of mitigating those costs.

To ensure a non-discriminatory, competitive market, PJM must resolve three issues in the final design of the RBP framework:

- 1. Align RBP Gating Requirements with Commercial Realities of Demand-Side Aggregation.** While we commend the eligibility of new DR/DERs in the RBP, the requirement for fully executed, 15-year customer agreements covering site-specific megawatt commitments *before* the auction occurs creates significant barriers to entry.

Aggregators often cannot secure binding, long-term retail commitments without final price and volume certainty that the auction clearing provides. PJM should update this gating criteria to align with traditional generation, where a signed memorandum for major equipment—rather than a finalized contract—is sufficient pre-auction. For DR/DERs, PJM should accept analogous indicators of pre-auction readiness, such as demonstrated investments in dispatch software or EPC agreements to deploy assets. Firm customer contracts should be required during the post-auction execution phase.

2. **Update the Definition of "New" DR/DER Capacity to Include Upgrades and Reactivations.** In line with the principles I outlined in my May 17 letter, PJM should refine its definition of “net-new” supply to capture all types of additive capacity. In a period of acute capacity constraints, the RBP should recognize the addition of new capacity at existing sites and the reactivation of past capacity. Further, an updated definition should ensure it does not inadvertently disincentivize new participants from joining the market before the 2029/2030 delivery years if ready to activate. Narrowly tying "newness" to historical site registration rather than incremental physical capability risks shutting out the fastest, most cost-effective capacity available.
3. **Establish a Peak Shaving Adjustment Pathway for Verified Demand-Side Capacity Reductions.** The RBP appropriately credits supply-side bilateral arrangements by allowing them to lower PJM's procurement target. This same logic should extend to the demand side. When a large load verifiably reduces its capacity needs through a retail bilateral arrangement, that reduction should decrement the RBP procurement target. This is a straightforward application of PJM's existing and settled Peak Shaving Adjustment (PSA) practice.¹ This protects state zones from being unfairly allocated costs during the RBP. PJM must allow contractually backed demand reductions to reduce a zone's load forecasts on a timeline compatible with the RBP and backed by clear, consistent, and verifiable reporting requirements.

The implementation details of the RBP are critical to get right to ensure it successfully delivers cost-effective supply additions. It is essential that RBP targets and peak demand cost allocations are equitable and fully leverage every available asset, including demand-side resources. Virginia is already leading on these issues by creating a voluntary demand-flexibility program for large loads, requiring ambitious Virtual Power Plant pilots, and pursuing nation-leading energy storage targets, including specific carve-outs for distributed storage. We recognize that demand-side resources are critical levers for achieving our affordability and reliability goals here in Virginia.

¹ PJM OATT, Attachment K-Appendix, § 3.3A.2; PJM Manual 19, Attach. D; *see also PJM Interconnection, L.L.C.*, 167 FERC ¶ 61,114, at P 37 (2019) (“PJM states that the Peak Shaving Adjustment filing will improve the accuracy of PJM's load forecast by accounting for MW reductions . . . that are already practicing peak shaving but are not accounted as demand or supply resources.”). FERC has also already accepted PJM's Peak Shaving Adjustment “to be a just and reasonable, and not unduly discriminatory or preferential, mechanism for PJM to value the load reductions . . . that would otherwise not be reflected in PJM's markets.” *PJM Interconnection, L.L.C.*, 167 FERC ¶ 61,114, at P 19 (2019).

Without making the reforms outlined above, we fear that DR and DERs will be included in the RBP in name only. PJM must now do its part to fairly account for and enable these resources as it implements the RBP and broader market reforms.

I look forward to continuing our engagement with you, the PJM Board, and staff—both directly and through the Governor’s Collaborative—to deliver a robust and fair approach for connecting, serving, and allocating costs associated with large load customers.

Sincerely,

A handwritten signature in cursive script that reads "Josephus M. Allmond". The signature is written in black ink and is positioned to the left of the printed name.

Josephus Allmond