Paula Conboy
Chair, PJM Board of Managers

PJM Interconnection
2750 Monroe Blvd.
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July 27, 2026

Dear Stakeholders,

Board Decisional Letter on Critical Issue Fast Path – Reliability Backstop Procurement and Connect and Manage

The PJM Board of Managers (Board) extends its appreciation to the stakeholder community for their extensive engagement, participation and efforts to develop solutions in the Critical Issue Fast Path (CIFP) accelerated stakeholder process focused on the Reliability Backstop Procurement and Connect and Manage issues. Board members were once again able to listen to each stage of the CIFP, and the Board appreciated the opportunity to ask questions of the presenters during the final meeting. After careful deliberation, the Board is issuing this decisional letter[1] that sets out its selected solutions to these challenging issues to be submitted to the Federal Energy Regulatory Commission (FERC) by the end of July.

The Board's decisions in this CIFP are guided by PJM's core responsibility to maintain the reliability of the regional power system for the 67 million people it serves. PJM has now experienced two successive RPM Base Residual Auctions that cleared significantly below the system's Reliability Requirement. At the same time, new Large Load demand is projected to increase by approximately 70 GW by 2038. This unprecedented growth in demand, combined with the retirement of approximately 15 GW of generation in the PJM footprint since 2022, has placed increasing pressure on the region's resource adequacy position. The Board believes this reliability threat requires decisive action.

The Board carefully considered the proposals developed through the CIFP, including their benefits, risks, implementation challenges and the level of stakeholder support they received. While the Board recognizes that the Coalition Reliability Backstop Procurement proposal received greater than two-thirds sector-weighted member support and contains several constructive elements, it concluded that a voluntary subscription framework would not provide sufficient assurance that capacity equal to the identified near-term shortfall would actually be procured. In light of the deteriorating resource adequacy outlook, and consistent with our letter issued to the stakeholders[2] on May 19, 2026, the Board determined that PJM must take timely action within its control to begin restoring resource adequacy and is directing PJM management and staff to proceed with a filing at FERC that includes the following major elements:

1. **Large Load Registry**
   PJM will develop and maintain a registry of Large Loads. Electric Distributors will be required to provide the information necessary for PJM to improve the accuracy and transparency of load forecasts and to administer the Reliability Backstop Procurement and "Interim Resource Adequacy Service." Relevant information from the registry will be made available to entities responsible for administering related processes and, to the extent permitted by applicable confidentiality requirements, to the public.

[1] This correspondence satisfies the requirements of Manual 34, Section 8.6.4, and also represents the Board's response to the many thoughtful letters it received during the pendency of the CIFP, a list of which is attached here as Appendix A.

[2] PJM Board Letter Regarding Reliability Backstop Procurement / Connect and Manage Critical Issue Fast Path (CIFP) (PDF)

2. **Reliability Backstop Procurement**

   PJM will conduct a Reliability Backstop Procurement beginning in **September 2026**, with an initial target equal to the capacity shortfall identified in the 2028/2029 Base Residual Auction, excluding Fixed Resource Requirement load and supply. The procurement target will be reduced to reflect documented bilateral contracts and self-supply arrangements for new capacity serving new load. In response to concerns raised during the CIFP process, PJM will also propose a narrowly limited opt-out for an Electric Distributor that provides documented support from the relevant governor's office, the Relevant Electric Retail Regulatory Authority (RERRA) and the interconnecting customer. Costs of the procurement will be allocated to Load Serving Entities. Where the relevant RERRA directs an allocation of Reliability Backstop Procurement obligations and that allocation is reported to PJM by the Electric Distributor, PJM will apply that allocation. In the absence of such direction, PJM will allocate costs among Load Serving Entities in the relevant zone/area based on Peak Load Contribution and the load adjustments reflected in the 2028/2029 load forecast.

3. **Interim Resource Adequacy Service (previously referred to as "Connect and Manage")**[3]

   Electric Distributors will be required to implement an Interim Resource Adequacy Service for new Large Loads that, as of **June 1, 2027**, do not bring sufficient capacity to serve their resource adequacy needs and cannot otherwise be served at the 1-in-10 reliability standard. Load reductions under this service will occur prior to the deployment of Pre-Emergency Load Management.

4. **Compensation for Reduced Load**

   In connection with the Interim Resource Adequacy Service, Electric Distributors will be required to implement a FERC-approved compensation rate for Large Load customers that are directed to reduce their consumption from the transmission system. Compensation will be based on verified performance. Determinations as to which retail customers may fund such a program or whether specific Large Loads would be entitled to such compensation (or may waive such compensation consistent with the Ratepayer Protection Pledge) will be determined by state authorities under state law or RERRA as may be applicable. The program will be administered by the Electric Distributor in coordination with the relevant state authorities or RERRA.

Details regarding the specific proposals that will be filed, together with additional rationale for their design and implementation, can be found in revised executive summaries posted on the CIFP website, and further explanation of the rationale will follow in the FERC filing itself. The Board recognizes that there were diverging views regarding a number of these elements and the implementation details surrounding them. The executive summaries explain the Board's decisions in greater detail and address the principal trade-offs raised during the CIFP process.

The Board believes that PJM should continue to procure capacity and seek to maintain the established reliability standard for interconnected load. At the same time, entities serving new Large Loads that do not bring sufficient supply resources to meet their resource adequacy needs should not impair the reliability of existing customers. The Board is therefore proposing to require Electric Distributors to implement an Interim Resource Adequacy Service for new Large Loads that contribute to PJM falling below its Reliability Requirement. In practical terms, new Large Loads

[3] Renaming Connect and Manage as Interim Resource Adequacy Service more accurately reflects the nature of the service being provided. PJM's proposal does not address the connection of the load to the electric system, which is the subject of other proceedings. *See, e.g., PJM Interconnection, L.L.C. et al.,* Docket No. EL26-67-000 (addressing, among other things, the rates, terms and conditions of service applicable to eligible customers taking transmission service to serve new Large Loads and the connection of such loads to the transmission system).

that wish to receive the same level of firm service as other load will need to bring sufficient new capacity to the system or otherwise take service under the Interim Resource Adequacy Service. Reductions of withdrawals from the transmission system under that service would occur before the deployment of Pre-Emergency Load Management.

The Board will instruct PJM staff to exclude any incremental new Large Loads relative to the forecast utilized for the 2028/2029 Base Residual Auction from the demand used in future RPM Auctions for delivery years starting with 2029/2030. Existing consumers should not bear higher capacity costs caused by new Large Loads that do not bring, or otherwise contract for, the new supply necessary to serve them. The new Large Loads will be included in the demand beginning with the delivery year that their new capacity supply (which must fully cover the respective new Large Load in ICAP terms) will be offered into the relevant RPM Auction. This adjustment is for load forecasting purposes only.

With respect to the ongoing execution of the capacity market once the backstop procurement is completed, the Board notes that PJM has engaged stakeholders in a holistic review of the capacity, energy and ancillary services markets, initiated via the Powering Reliability Through Market Design (PDF) paper in May of this year. We look forward to stakeholder discussions to enable PJM's markets and other processes to support the resource adequacy needs of the future and the diverse interests of all stakeholders.

The Board is also acutely aware of the affordability pressures facing consumers. The present trajectory of rapid load growth, tightening supply and rising capacity costs is not sustainable. The region needs substantial new investment in supply, and the central affordability question is how the costs of that investment should be allocated. The federal government, PJM states and Large Load customers have emphasized that new Large Loads should bear the costs they cause. Because PJM does not have jurisdiction to allocate retail costs directly to individual data centers, state action will be essential. PJM will support those efforts by providing information from the new Large Load Registry and other data available through its settlement and billing processes.

The region has reached a critical point in its resource adequacy outlook. PJM will take the actions within its authority to procure needed supply and maintain reliability, while supporting states and other responsible authorities in ensuring that the costs associated with new Large Loads are allocated appropriately. The Board looks forward to further engaging with stakeholders regarding the longer-term solutions to the region's resource adequacy challenges in the months to come.

Again, PJM is grateful to our stakeholder community for its substantial engagement during the CIFP process.

Sincerely and on behalf of my colleagues,

Paula Conboy

Chair, PJM Board of Managers
PJM Interconnection, L.L.C.

Appendix A

List of Board Correspondence Regarding Reliability Backstop Procurement and Connect and Manage

1. PJM Legislators Collaborative Letter Regarding Reliability Backstop Procurement (PDF)
2. West Virginia Delegate Letter Regarding Reliability Backstop Procurement (PDF)
3. West Virginia State Senator Letter Regarding Reliability Backstop Procurement (PDF)
4. PJM Governors' Collaborative Letter Regarding Reliability Backstop Procurement Objectives (PDF)
5. PJM Public Power Entities' Letter Regarding the Reliability Backstop Procurement (PDF)
6. PJM Legislators' Collaborative Letter Regarding Reliability Backstop Procurement and Connect and Manage Proposals (PDF)
7. PJM ICC, PA OCA, IL CUB Letter Regarding Positioning States for Success in Retail Cost Allocation (in re RBP and C&M) (PDF)
8. DC Department of Energy and Environment Letter Regarding PJM's Reliability Backstop Procurement and Connect and Manage Proposal (PDF)
9. West Virginia Public Service Commission Letter Regarding Connect and Manage Proposal (PDF)
10. Virginia State Corporation Commission and Data Center Coalition Letter Regarding Connect and Manage and Reliability Backstop Procurement (PDF)
11. PJM Power Providers (P3) Group Letter Regarding Connect and Manage (PDF)
12. Public Utilities Commission of Ohio Letter Regarding CIFP Stage 4 Connect and Manage (PDF)
13. CAPS Letter Regarding CIFP Connect and Manage Proposal (PDF)