Stakeholder Feedback on Reliability Backstop Procurement Survey Responses

Question 1	
Company Name	**Do you support PJM's proposed Reliability Backstop mechanism to commence with a bilateral match-making period followed by a central procurement? Why or why not?**
East Kentucky Power Cooperative, Inc.	We support entities satisfying their capacity obligations with bilateral contracts. To the extent PJM playing a match-making role enables such commercial activities and is viewed as beneficial for those who seek to engage in such activities, we support the effort.
Mainspring Energy	Mainspring is still evaluating this bilateral concept with our partners. One challenge with commencing the bilateral match-making now is that there are not precise definitions as to which loads are subject to BYONC requirements.
Virginia Chief Energy Office & Department of Energy	Yes
New Jersey Board of Public Utilities	Staff supports PJM's six-month bilateral match-making period for its Reliability Backstop Procurement (RBP) proposal. Staff believes this phase is crucial to minimize the participation of new large loads in the central procurement phase, where EDCs bear greater risk and are responsible for higher costs. Staff supports PJM and Charles River Associates' assessment that the six-month period designated for this phase is an appropriate time frame. Staff also thinks this allotted six-month timeframe for bilateral contracts is instrumental for states to prepare for the central procurement phase 2 to be successful. Staff plans to use this time to coordinate with EDCs and policymakers to ensure the central procurement phase is carried out in coordination.
1. Natural Resources Defense Council 2. Sustainable FERC Project	Yes. Direct contracting between loads (or their representatives) and supply is the best way to reduce cost and risks to other ratepayers.
Calibrant Energy	Calibrant is generally supportive of the two-phased approach to PJM's reliability backstop mechanism. However, for Phase 1 to be successful, stakeholders must understand (1) bilateral contract requirements that must be in place to be exempt from Connect and Manage allocation and (2) the process and timeline by which PJM or the EDCs would evaluate whether a bilateral contract has met BYONC requirements. In either the CAMSTF or the RBP reliability CIFP process, PJM must explicitly cover these contract requirements. For parties to successfully negotiate contracts between September 2026 and March 2027 these contract terms must be known soon.

Question 2	
Company Name	**Please provide any additional feedback on the proposed features and timeline of the bilateral contracting period of PJM's initial proposal.**
East Kentucky Power Cooperative, Inc.	N/A
Mainspring Energy	No comment at this time.
Virginia Chief Energy Office & Department of Energy	N/A
New Jersey Board of Public Utilities	While Staff understands the purpose of confidentiality in the Request for Information (RFI), Staff would appreciate any high-level information PJM could disseminate regarding the outcome of the RFI.
1. Natural Resources Defense Council 2. Sustainable FERC Project	Our only feedback on the bilateral phase is on how it interacts with connect and manage. Bilaterals for capacity should be a path out of connect and manage, subject to: • UCAP of new capacity equals UCAP brought on by the new load, including all reserve requirements and other RPM adjustments. • New capacity must be deliverable to the load in RPM. • Getting out of connect and managed should be tied to the new capacity offering into RPM, not the in-service date. Load should exist connect and manage in the first delivery year for which the new capacity offered into the BRA. • The new supply will have market power while it is still Planned Generation for RPM. This means that new market power mitigation rules will need to be developed—otherwise, there's no incentive to ever offer at less than the RPM price cap.
Calibrant Energy	In addition to understanding the contracting requirements for BYONC as outlined above, PJM should provide additional information regarding how the "matchmaking" process will occur, including: • Will load and/or supply be shown multiple potential matches? • Will load be able to specify technology preferences? • Which factors will be given more weight when determining matches? • Which loads/supply resources would be prioritized in the match making process, especially if there is more load than supply or more supply than load? • If contract negotiations are unsuccessful can load/supply reenter the matchmaking process?

Question 3	
Company Name	**Please provide any additional feedback on the central procurement design and timeline of PJM's initial proposal.**
East Kentucky Power Cooperative, Inc.	A key feature of PJM's proposed central procurement design is to establish a role that does not currently exist for Electric Distribution Companies (EDCs), and a role that the Federal Energy Regulatory Commission (FERC) does not have jurisdictional authority to mandate. FERC does not have jurisdiction over distribution utilities or distribution facilities. We have significant concerns with PJM putting the weight of an extra-jurisdictional role on EDCs to decide the procurement target. There is an obligation – they must make a decision that they do not need to make today for any purposes in PJM's markets. A decision to submit MW for inclusion in the target or not to include MW in the target subjects the EDC to legal and regulatory risk should their decision be second-guessed by the entities (downstream) ultimately affected by that decision. Additionally, for an EDC to submit MWs for inclusion in the target and take on the credit and financial responsibly most likely would require statutory or regulatory changes in all 14 retail jurisdictions to ensure that the EDC would be permitted to take on the role and have the appropriate tariff or special contracts in place (and approved) to accomplish the intention of requiring the large loads who are driving the need for this special procurement to pay the associated costs through the entire duration of the commitment responsibility. Without having the legal and regulatory details affirmed at the front end, there is significant risk that the EDC and the other retail consumers served by the EDC will be significantly harmed by financial and credit obligations PJM would impose from this central procurement design.
Mainspring Energy	Central procurement is likely a necessary design element of any solution and PJM's advanced a strong proposal that balances objectives key to load and supply. Mainspring generally supports the proposal but has not had sufficient time to review every element. While we are still digesting many elements of the PJM proposal, Mainspring strongly supports the inclusive design elements that incentivizes new generation entering the queue. We support that PJM's Stage 1 proposal is technology neutral and allows all new generation to participate that can meet a June 1, 2031 COD. We continue to be interested in alternative proposals that also achieve these goals.
Virginia Chief Energy Office & Department of Energy	Virginia Energy is concerned that if PJM continues with the centralized procurement design without considering zonal deliverability, Virginia's ratepayers and businesses could effectively be subsidizing making the RTO whole, while themselves remaining in deficit. The proposal only solves the problem in part by making the RTO whole on paper, without consideration for the locational needs of the DOM Zone, which carries the greatest load and could be left in deficit. As we understand it, the costs of procuring the adjusted target MWs net of the bilateral process will be allocated based on a zone's portion of the total procured target, regardless of if all the capacity procured is deliverable to all the load being procured for. If we take the Initial Targets at face value and assume no bilateral contracting, the DOM Zone should be assigned just less than one third of the costs to procure new capacity resources. The DOM Zone continues to be Capacity Energy Transfer Limited and if the majority of procured resources are located outside of the DOM Zone, customers within the Zone would effectively be paying for those resource to operate and provide services to the rest of the RTO with little to no benefit provided to themselves. This would also only have the effect of making the RTO whole on paper, as in practice when PJM goes through the BRA, the Dom Zone would likely still be separable and be required to pay not only for the capacity not serving their load but also to bring on the capacity they would need in their territory in the annual BRAs.
New Jersey Board of Public Utilities	Staff has concerns about the pay-as-bid structure of the central procurement. While Staff appreciates PJM's intent to reduce costs through this mechanism, this design may incentivize capacity resources to bid based on their expectations of the clearing price rather than their actual costs. Therefore, the pay-as-bid structure may not achieve intended cost savings, particularly in tight market conditions with limited competition, and could reduce transparency into the true cost of procuring capacity.

1. Natural Resources Defense Council 2. Sustainable FERC Project	Procurement Target: PJM's decision to put EDCs in charge makes sense, but some NGOs have raised concern that this may undermine retail competition. This framework does put a lot of responsibility on states, and really explicit communication between PJM, state commissions and state legislatures will be needed for this to work. Treating multi-state EDCs as a single procurement zone will create problems at every step of the process. Many aspects of the RBP will work better if PJM breaks multi-state EDCs down into separate regions for each state, all the way through operations and settlement. (e.g., AEP-OH, AEP-WV, AEP-VA, etc.) Locational Issues: More education on the implications of ignoring RPM constraints would be very helpful. PJM staff has explain this to us, but we're still unclear what happens if capacity from outside a constrained LDA is selected to serve load in that LDA. Does building the transmission show up as an interconnection cost, in RTEP, or is the supply just not able to serve the load it's supposed to? This should also be considered in qualifying projects and auction clearing. There are probably going to be cases where it's apparent the backbone upgrades needed to deliver new capacity won't be ready by 2031. PJM shouldn't clear projects that are going to inevitably end up under the delayed network upgrades exception. Similar to the bilateral phase, locational deliverablity also needs to feed into connect and manage here. If CETL prevents procured capacity from meeting RPM demand in an LDA, some of the loads that were depending on that need to be put back into connect and manage. Eligible Resources: We support PJM's determination on exclusion of generators retiring after April 2026, delayed retirements, and re-licensing. We'd appreciate further discussion on eligibility of units receiving CIR transfers from resources retiring after April 2026. Since that ends up not increasing total UCAP, it's not clear to us that PJM should let a transaction like that increase the amount of load it commits to serve. Upgrading to dual-fuel and adding new physical capacity via SIS both seem to be fully valid sources of new UCAP. Even though they do not add new ICAP or MFO, they do add energy at critical times, and most important, increases PJM's ability to serve load. We ask PJM to reconsider their eligibility. Central Procurement Structure: It might be helpful if the RBP price cap is set before the final agreement phase of TC2. Interconnection Review: Resources should only be eligible to offer for a delivery year if they will be able to offer into the BRA for that year. This might require relaxing the requirement that resources be in interconnection Phase III before they are eligible to offer as planned. For resources that have a GIA, and possibly others, the timing of any backbone updates the resource's CIRs depend on should also be considered. Again, the delayed network upgrades exception should be reserved for surprises. PJM shouldn't be accepting bids knowing ahead of time the resource won't be deliverable in the year offered.

We'd appreciate more clarity on enforcement of developers' responsibility for actual Network Upgrade costs. If a project withdraws, is the developer still required to fund the network upgrades? Will their be any credit or financial assurance to make sure this happens? We appreciate that the large RBP deposit improves the incentives, but network upgrade costs could still easier by larger than required deposits.
Selection Process: More detail would be useful on how clearing will work for 2029/30 and 2030/31, when not all offered resource will be available. How will PJM decide between taking a less expensive resource that leaves a shortfall in 29/30 or 30/31 and a more expensive resource that meets the MW target in all years?

Gating Criteria: As discussed above, gating criteria should include that expected network upgrades support having CIRs, not just interim service, by the years offered.
Since there are currently very few large storage projects in service in PJM, the requirement for "Experience having constructed a previous project of similar size and technology" may be impossible to meet, and should be loosened for storage. For storage, experience with pervious projects of similar size in conjunction with the other gating criteria may be sufficient. Objective criteria for "similar size" would be helpful.
Will there be any opportunity to remedy deficiencies in Gating Criteria?

Supply Obligations: There seem to be serious timing mismatches between the RBP and the BRAs for 29/30 and 30/31. The BRAs for those years will have passed by the time RBP projects are selected, meaning that they can provide no price relief for those years. Once possible solution would be deferring some capacity procurement for those years to the 3rd IA, when RBP resources should be able to offer.
It may be necessary to get waivers on either the Binding Notice of Intent to Offer or when Cycle 1 resources become eligible as Planned Generation to make sure all RBP resources can offer for their obligated delivery years.

Lots of questions on the penalty structure:

- Will RBP resources face both RPM deficiency charges and RBP shortfall charges?
- Are RBP resources that are not in service subject to PAI penalties?
- What penalties to RBP resources under the delayed network upgrades exception still face?
- Will RBP resources that are not in service still receive their RPM payments? Under a CFD, there are some circumstances where loosing the RBP payment but keeping the RPM one leaves a supplier better off.
- Something seems circular about stopping RBP shortfall charges once there's no connect and manage. If the resource that didn't deliver is the reason connect and manage is over, are they still held harmless? Do any loads get put back into connect and manage?
- How does this all apply to bilateral contracts that have been used to get loads out of connect and manage. Are there any penalties for supply that's been relied on in this way? Can loads get out of connect and manage by contracting with supply with unrealistic schedules and then eating the penalties?

	• If an RBP resource fails to come on line for 3 years, are they relieved of all obligations? What happens for delivery years 4-6, when they've cleared the BRA but lost their RBP commitment? Does this amount to a stop loss on their shortfall penalties? Does any load get put back into connect and manage? Replacement Capacity: We appreciate PJM's desire to not create gaming opportunities through use of replacement capacity. However, managing ELCC risk seems like a legitimate use of replacement capacity, and we ask PJM consider allowing it in the limited case of remedying shortfalls caused by ELCC changes. Cost Allocation: Matching our comments above, it's very important that costs are separately allocated to each states' portion of a multi-state EDC. Otherwise accurate retail cost allocation becomes impossible. We've heard concerns about the complexity for states in allocating RPP costs to individual customers. Has PJM considered doing something similar to how capacity costs are allocated now to LSEs based on PLC? At least that way the problem only has to be solved once, instead of 13 + DC times. Following our comments above on locational deliverability, each EDC should only be allocated costs for RBP capacity eligible to serve load in that EDC. Since the RBP capacity is pool wide, what's the incentive for an EDC to ever purchase extra RBP capacity from another EDC? How do bilateral RBP transactions between EDCs affect connect and mange?

Calibrant Energy	Calibrant is strongly supportive of PJM's inclusion of new DR/DERs as eligible technologies in the phase 2 Reliability Backstop Procurement. In addition to locations that have never participated in PJM's RPM, PJM should also include DR/DER "uprates" and "reactivations" at locations that have previously participated in PJM's RPM as eligible new resources in the Reliability Backstop Procurement. Like an existing generator, an existing location already participating in DR may see an opportunity to expand their DR offering in response to this procurement. For example, a 50 MW location that is enrolled for 25 MW of DR today, may seek to make additional investment in response to this procurement to provide an additional 25 MW of DR. This additional 25 MW of DR should be eligible for the RBP . Similarly, a location that has previously participated as DR in the RPM, but is not part of an aggregation that has a RPM commitment for future delivery years, may be willing to reenter the PJM market if it can secure a long term commitment through the reliability backstop procurement. This is new supply and should be eligible to participate in the RBP, similar to reactivations for generating resources. In order to manage ELCC risk associated with taking on a reliability backstop procurement obligation, PJM should include the following two mechanisms for supply resources that have taken on a commitment through the RBP: • Allow RBP resources to make modifications to their resources in future years to maintain UCAP level (e.g. adding duration to a storage resource) • Allow RBP resources to cover their RBP obligations in future delivery years with new supply, with a definition of new that is consistent with definition of new for the RBP but for the first delivery year that the RBP resource is short their obligation Under each of these proposals, RBP resources would bring new supply (UCAP) to the system to help cover for an overestimation of ELCC value. Given that no ELCC forecast will be perfect and that no single resource can control its ELCC value, supply resources need mechanisms to manage that risk beyond paying the penalty. Meanwhile, to meet its reliability objectives PJM should seek to create mechanisms which encourage new supply before imposing a financial penalty. PJM's current proposal will encourage supply resources to conservatively bid their ELCC to hedge against downside risk, which would result in higher RBP prices as costs will be spread over fewer MWs.

Question 4	
Company Name	**Is there any additional feedback that you would like to provide on PJM's Stage 1 proposal and presentation?**
East Kentucky Power Cooperative, Inc.	N/A
Mainspring Energy	Mainspring appreciates the extensive work by PJM staff and members to ensure reliability at least cost in PJM. It is critical to also reduce the barriers to new loads to enter the PJM market.
Virginia Chief Energy Office & Department of Energy	Not at this time
New Jersey Board of Public Utilities	Staff supports the inclusion of demand response (DR) resources in the RBP. Although Staff understands the risks associated with a grid highly saturated with DR and recognizes the shortcomings of the current DR incentive mechanisms in PJM, Staff supports these resources and sees DR as positively contributing to our current supply and demand imbalance, particularly during a time when generation resources may require additional years to get interconnected and support the grid. Lastly, Staff would appreciate any additional education about how the RBP will interact with the BRA. Given that we are still expecting a shortfall in the BRA from the native load and supply balance, Staff would appreciate educational materials outlining how the supply and demand balance is expected to look post RBP. PJM, states, and other stakeholders need to start preparing for subsequent Delivery Years and would greatly benefit from any insight or modeling PJM can provide on this.
1. Natural Resources Defense Council 2. Sustainable FERC Project	This is a really thoughtful proposal!
Calibrant Energy	PJM should clarify how much load each EDC would be capable of exempting from connect and manage based on its allocation from the RBP. • If an EDC is allocated the cost of 1,000 MW of supply from the RBP. How much C&M obligation would it be able to avoid? 1,000 MW? Or, if Connect and Manage includes a % threshold for the initial delivery year, would the EDC only be able to avoid 1,000 / XX% of connect and manage obligation?