Joint Stakeholder Reliability Backstop Procurement Proposal – Executive Summary

Constellation, Vistra, and Earthrise

Critical Issues Fast Path – Reliability Backstop Procurement/Connect and Manage

June 30, 2026

Alignment with PJM

Shared Goal: To address the immediate resource adequacy challenge as PJM and stakeholders consider long-term, sustainable, market design reforms as outlined in *Powering Reliability Through Market Design*.

Timing: The Joint Stakeholders agree with PJM's proposal to have a one-time backstop auction that commences in September 2026.

Procurement Quantity Target: The Joint Stakeholders support a procurement target based on the shortfall from the 2028/29 BRA. A procurement focused on the shortfall will allow PJM to address short-term resource adequacy needs while minimizing the risk of over procurement and saddling ratepayers with stranded costs. Importantly, any adjustments to the procurement target must be a "one-way ratchet" meaning that the procurement target only goes down.

Clearing: The Joint Stakeholders appreciate PJM's decision to use a clearing mechanism that emphasizes the earliest commercial operation date.

Connect and Manage: The Joint Stakeholders agree with PJM that its original mandated curtailment policy faced significant jurisdictional and legal challenges and that extended litigation over Connect and Manage could cloud and potentially delay the needed reforms outlined in PJM's proposal.

That said, the Joint Stakeholders are pleased that PJM recognizes its jurisdictional and legal limitations and has offered a proposal that is better aligned with those limits. While PJM's revised, voluntary Connect and Manage proposal is an improvement over its previous mandatory one, it still presents significant implementation challenges. The Joint Stakeholders therefore urge PJM to file any Connect and Manage proposal separately from its backstop procurement proposal, so that each proposal can be judged on its own merits, and that measures to address the capacity shortfall can proceed.

The Need for Long-Term Resource Adequacy Protection

As the Joint Stakeholders have consistently stated throughout this process, it is critical that any backstop procurement design minimize the risk to overall resource adequacy and the potential that it creates the need for future backstop procurements. Backstop procurements undermine the value of competitive markets, locking in potentially higher costs while shifting risk from asset owners to ratepayers—contrary to the central promise of competitive markets. To the extent PJM forges ahead with its backstop procurement, its design must minimize the impact on the overall capacity market.

Keeping these principles in mind will also provide PJM, stakeholders, and states with competitively-driven least costs and the most flexibility when considering future resource adequacy constructs as outlined in PJM's white paper, *Powering Reliability Through Market Design*. In other words, we don't want solutions to today's challenges to limit tomorrow's possibilities.

To accomplish this goal, the BRA should remain the primary vehicle for resource entry in the PJM footprint. Resource entry will require stable price signals in the capacity market. For example, nearly all of the 220 GW in Cycle 1 should look to capacity market price signals, not backstop auction results, in determining whether to move forward with development. Similarly, it is critical that the backstop procurement process does not crowd out at-risk existing resources and thus create a new version of the problem it is designed to address. Keeping existing resources online is not a zero-cost option. In PJM, there are more than 36 GW of resources greater than 50 years old. These are resources that are one major mechanical issue away from retirement and may require price signals similar to those that incent new entry in order to stay online and to continue to serve ratepayers.

In other words, without a healthy capacity market, new resources, including those that will serve the existing native load, will not come online and existing resources, especially those that serve the existing native load, will retire or leave the PJM market. As a result, additional backstop procurements will be needed to fill the resource adequacy gap. Each additional backstop procurement will signal to new resources that they should wait until a backstop procurement to enter the market and will signal to existing resources that they are not valued and should leave the market. These future backstop procurements will not be driven by large load growth alone, and their costs and risks will not be borne solely by large loads, but also shouldered by existing native ratepayers. The cost and risk-reducing benefits of a competitive market structure will be lost.

Long-Term Resource Adequacy Mechanism

To avoid this outcome, and ensure new resources continue to enter the PJM market and needed existing resources do not leave PJM or retire altogether, undermining long-term resource adequacy, the Joint Stakeholders urge PJM to adopt the following addition to its proposal:

- Remove the RBP generation from the BRA and remove the lower of (a) the actual large load that is in the BRA Planning Parameters and (b) the load that was forecast as the basis for the RBP.

- This resource adequacy protection mechanism will sunset when the last RBP commitment expires (Delivery Year 2042/43).

Long-Term Resource Adequacy Mechanism Scenarios

To consider the impact of the Long-Term Resource Adequacy Mechanism proposal, please consider three scenarios that all start with a backstop procurement of 10,000 MW based on expected load growth of 10,000 MW.

Scenario One: 10,000 MW of new large load materializes

- 10,000 MW of load and generation are held out of the BRA
- Existing load and generation are in the same position as they would be in if no new large load had materialized

Scenario Two: 12,000 MW of new load materializes

- 10,000 MW of load and generation are held out of the BRA
- BRA price reflects only the incremental 2,000 MW of load that was not addressed through the RBP, recognizing incremental generation may enter to respond to the capacity price signal and additional 2,000 MW will be procured in the BRA, transitioning back to normal BRA operation after the one-time RBP

Scenario Three: Only 5,000 MW of new load materializes

- 5,000 MW of load and 10,000 MW of generation are not included in the BRA
- Existing load is in the same position as if no new large load had materialized; long-term resource adequacy is preserved because existing generation is not displaced by excess RBP resources; the additional 5,000 MW that exceeds the actual load still operates in the Delivery Year in energy market

The Joint Stakeholders appreciate the collective exchange of ideas with other stakeholders and PJM throughout the CIFP process and will continue to work with PJM and stakeholders to refine and support proposals that ensure the success of the backstop procurement in addressing near-term resource adequacy challenges while returning to market fundamentals that ensure long-term resource adequacy through vibrant, competitive markets that provide accurate prince signals to support resource entry and exit.