



Avoiding RMRs in PJM

Solution Package for Alternatives to RMRs

Presented by Illinois CUB, NRDC, Maryland OPC, Sierra Club, and Roselle LLP

Deactivation Enhancements Senior Task Force

January 13, 2026

Overarching Goals



1. Avoid or reduce reliability must-run arrangements (RMRs) by evaluating cost-effective alternatives, including generation, while maintaining reliability.
2. Evaluate potential future reliability risks caused by deactivations.
3. Develop tools for PJM and states to enhance planning and avoid RMRs.
4. Balance economic decision-making for deactivating generators with reliability & cost-effective alternatives for RMRs.

Value proposition of our solution options

- Gives PJM **additional reliability tools** by allowing for a cost-effective, competitive solution to the reliability problem. If there is no workable alternative, the RMR goes forward.
- Allows states and PJM to **get ahead of reliability issues** due to state law deactivations.
- Improves certainty for planning by relying on **known** deactivations and state laws, not speculative ones.
- Allows more technologies and generators to **compete** to resolve the reliability issue.
- **Workable** with PJM's existing rules.

Process Overview

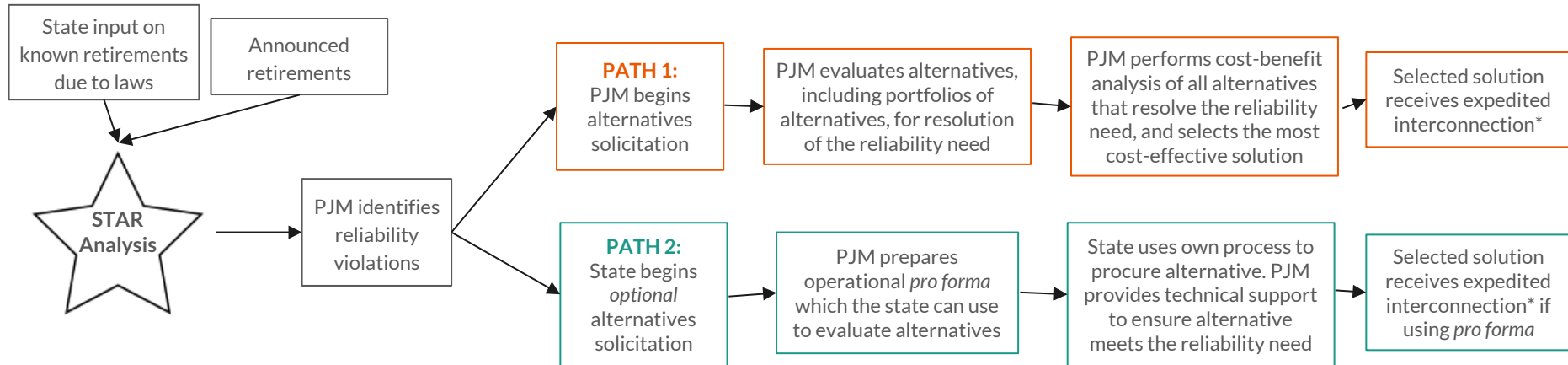


1. PJM evaluates retirements for reliability issues quarterly.
2. If reliability violations are identified, two paths for alternatives solicitation:
 - a. **PATH 1: Reliability issue is due to generator with a deactivation notice:** PJM conducts an alternatives solicitation.
 - b. **PATH 2: Reliability issue is not due to a deactivation notice, but due to state law:** PJM assists the state with an alternatives solicitation.
3. Selected alternative solutions must satisfy the reliability need, come in-service by a specified date, and be more cost-effective than an RMR. Alternative solutions:
 - a. Could include generation, transmission (including storage as a transmission asset), and advanced transmission technologies. Includes portfolios.
 - b. Are permitted a limited expedited interconnection study process to ensure timely in-service date (see slide 10)

To allow time for this solicitation, we believe deactivation notice period must be extended to 2 years.

Process Overview

Deactivation notice timeline extended to 2 years.



Details to be clarified in February meeting



- Role of existing resource and handoff to alternative solution
- Expedited interconnection/generator replacement process

Matrix Updates

Compensation for alternative solutions



Alternative generators can bid cost-of-service payments based on their assessment of necessary out of market payments *in addition to* market revenues. PJM must select most cost-effective bid, so there will be competitive pressure to keep costs low. The IMM will review the selected resource.

Row 29, item 4d: Operational requirements for selected alternative solutions

Status quo, with one deviation. PJM to specify operational requirements that a selected alternative solution agrees to comply with, similar to an RMR agreement. Such operational requirements to apply until the immediate need transmission solution is constructed and enters into operation. After the reliability need is resolved, unlike an RMR resource, the alternative solution is eligible to participate in the markets once it ceases receiving any **cost recovery associated with its role as an RMR alternative RMR-payments**.

Row 37, item 5: Cost recovery for selected alternative resource solutions

If necessary for selected least-cost alternative resource(s), same cost allocation requirements to apply as would under an RMR Agreement, with IMM review. Otherwise, alternative resource(s) will recover costs as market participants.

Row 43, Item 8: Rules for disposition of interim alternative solutions if/when the permanent solution is in place

As specified in 4d, alternative solutions are eligible to participate in the market after the reliability need is solved and any **cost recovery associated with its role as an RMR alternative RMR-payments** cease.

PJM-provided information & definition of “Qualified Applicants”

Row 20, Item 3a: Minimum criteria for an alternative solution that fully satisfies the reliability need

Status quo criteria to be modified to allow for consideration that a portfolio of solutions may satisfy reliability needs.

In the event that a requested deactivation will cause a reliability violation likely leading to an RMR, PJM will provide its definition of the minimum criteria for an alternatives solution that fully satisfies the reliability need caused by the deactivating unit, including:

- (1) Maximum and minimum size thresholds (in MWs) for alternative resources;
- (2) Location of potential interconnection points that would be electrically near enough to appreciable address the issue;
- (3) Operational requirements and specific energy or ancillary services that the alternative resource must provide included an estimated duration for which those services would be required (in hours);
- (4) A description of the seasonal conditions in which the services would be requested (e.g. “extreme winter, 3am conditions” or “light summer, 2pm conditions”)
- (4) Any other information PJM staff deems necessary.

In order to run a successful solicitation, PJM will also provide:

- (1) Estimated total and annual cost of the potential RMR (with review by the IMM);
- (2) Estimated in-service date of the Immediate Needs transmission solution;
- (3) Announced retirement date of the deactivating unit;
- (4) Any other information PJM staff deems necessary.

Applicants that meet these conditions in their application will be deemed “Qualified Applicants.”

Eligibility of “Qualified Applicants”



Row 23, item 3d: Eligibility rules for submission of an alternative solution

All resources eligible to submit proposed alternative solutions, including ATTs, ~~storage as a transmission asset~~, demand response, storage, generation, and transmission solutions.

Qualified Applicants must provide in their application:

- (1) Project size, in MWs and MWhs (as applicable)
- (2) Project location
- (3) Documentation of ability to address reliability need, as defined by PJM (details in 3a)
- (4) Estimation of total project costs, including any costs that will require Cost of Service arrangements and cannot otherwise be recovered via market revenues (potentially by creating a standard template for fair comparison across applicants)
- (5) Estimated in-service date
- (6) Any documentation, as available, that provides evidence of the feasibility for the project to meet its estimated in-service date, including:
 - A. Interconnection Study or Interconnection Agreement
 - B. Major equipment ordered or available
 - C. Final design packages
 - D. Permitting or ROW documentation
 - E. Creditworthiness of developer including successful project development history
- (7) Any other information PJM staff deems necessary and stipulates in the RFP

PJM Selection Process



Row 29, item 4b: Selection criteria among viable alternative solutions

PJM to select the least-cost alternative (including a portfolio of resources) that resolves the reliability need and is capable (factoring in the fast-track interconnection process, as applicable) of entering into operation in time to realize the benefits of avoiding the RMR.

PJM will evaluate Qualified Applicants, with IMM review, using the following conditions. Qualified Applicants must:

- (1) Be more cost-effective compared to the estimated cost of the RMR over the estimated duration of the reliability need (i.e, until the Immediate Needs transmission solution is in-service), and
- (2) Partially or completely address identified reliability needs.

If a single applicant does not satisfy conditions (1) and (2), PJM will evaluate portfolios of applicants. If no single applicant or portfolio of applicants satisfy condition (1) and condition (2), PJM will not proceed with any applicants.

If multiple single or portfolios of applicants satisfy condition (1) and (2), PJM will proceed to subsequent conditions to evaluate and select the best possible alternative(s). PJM may further evaluate qualified applicants by:

- (3) In-service date (including reduced interconnection study timeline, if appropriate), and
- (4) Any applicable state laws or regulations
- (5) Any other reasonable criteria that PJM develops.

Questions?



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