Definition of Co-Located Load vs. BTMG and Potential Changes to Support FERC Compliance Requirements

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Co-Located definition (PJM compliance filing 1/20/26):

Co-Located Load is end-use customer load that is physically connected to the facilities of an existing or planned Generating Facility on the Project Developer's side of the Point of Change in Ownership to the Transmission Provider's Transmission System.

Take Away:

The generator in the co-location arrangement must be a generator that has come through the queue and has a signed Generation Interconnection Agreement (or is a valid project in the interconnection queue).

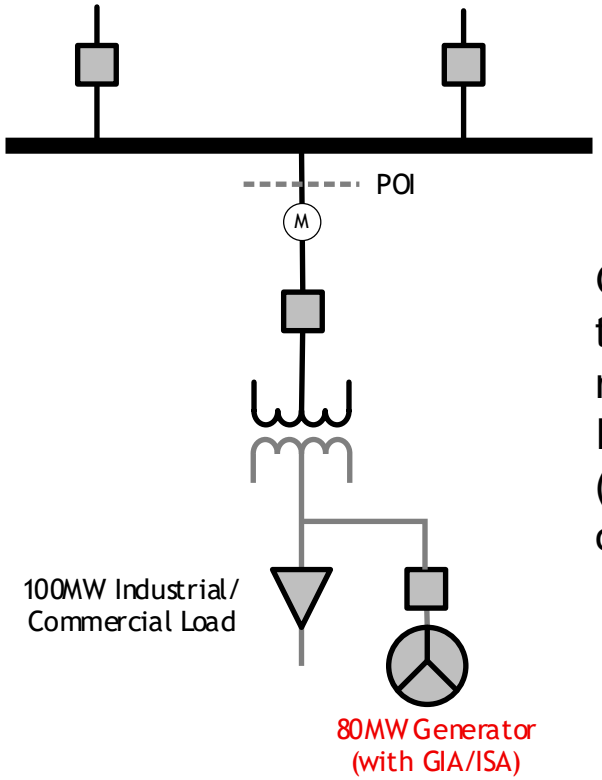
Load with a behind-the-meter generator that has not gone through the interconnection queue ***cannot*** participate as Co-Located Load.

From the PJM Tariff:

"Generating Facilities" shall mean the Interconnection Customer's device for the production and/or storage for later injection of electricity identified in the Interconnection Request but shall not include the Interconnection Customer's Interconnection Facilities.

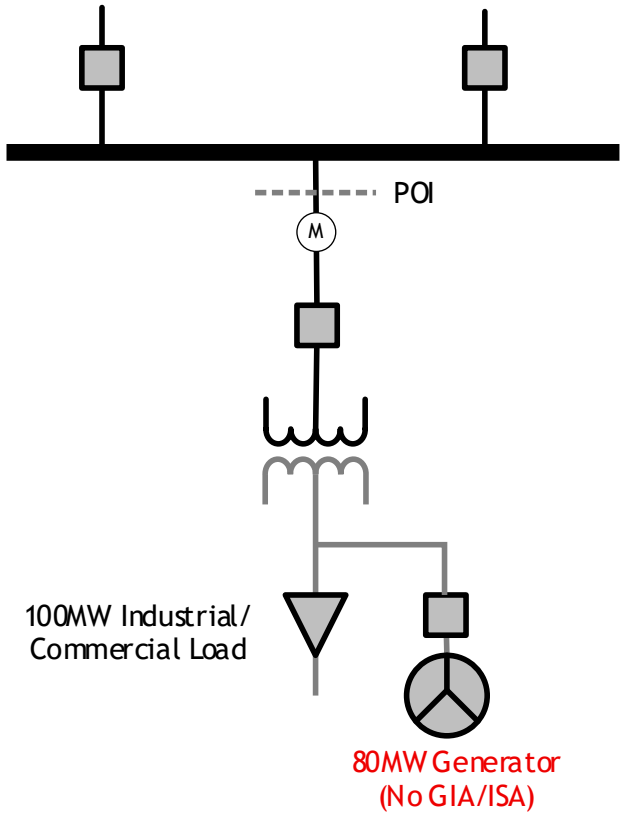
Example: Co-Located Load vs. BTMG Generation

Configuration Type
Co-Located Load



Generator has gone thru the queue and may have Capacity Injection Rights (CIRs) or be Energy only.

Configuration Type
Behind the Meter Generation



Generator has not gone thru the queue.

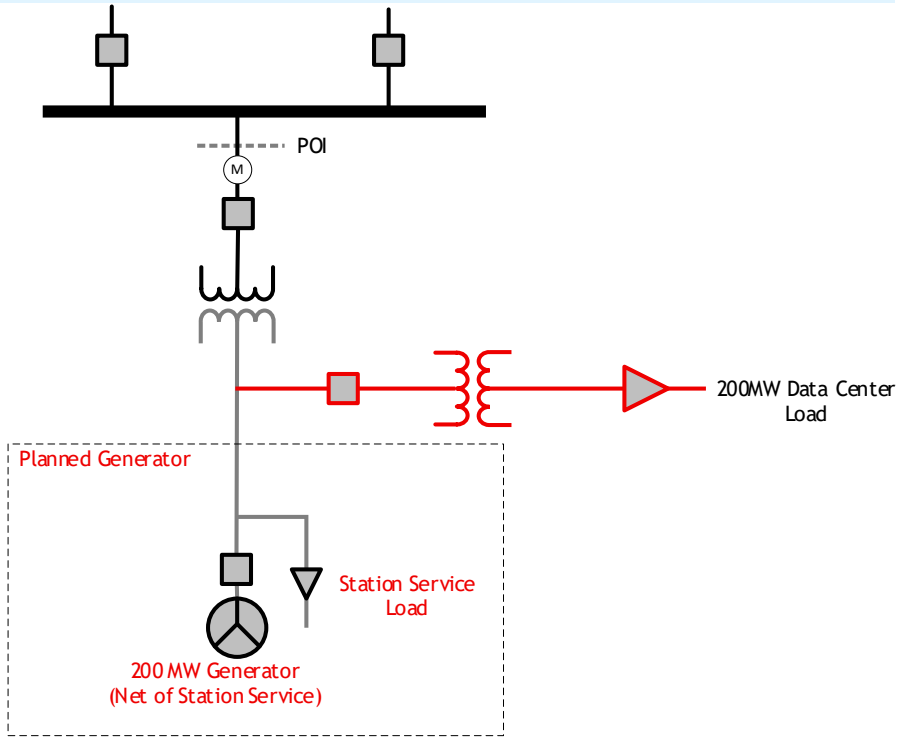
Further Interpretation of the Definition of Co-Located Load

- Does it matter whether the generator or load interconnected first when deciding if the load qualifies as Co-Located Load?
  - No, as long as the generation and load are on the same side of the "Point of Change in Ownership" to the Transmission System, and the generator has gone (or is going) through the queue, the load is Co-Located Load
  - The size of the generator is immaterial to whether the load qualifies as Co-Located Load.
- Examples that qualify as Co-Located Load:
  - New data center that Bring Your Own New Generation (BYONG). The load interconnects first, and the BYONG is still planned.
  - Existing data center taking network service, which later adds generation (that goes through the queue) at the site.
  - Existing smaller load with a generator that is partially in front of the meter / partially behind the meter (e.g. an industrial with a smaller generator that occasionally sells to the market)

From the PJM Tariff:

"Point of Change in Ownership" shall mean the point, as set forth in Schedule B of the Generation Interconnection Agreement, where the Project Developer's Interconnection Facilities connect to the Transmission Owner's Interconnection Facilities.

This is depicted as POI in the diagrams in this deck.



Current Definition of BTMG

Behind the Meter Generation (BTMG) shall refer to a generation unit that **delivers energy to load without using the Transmission System or any distribution facilities** (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Generation Capacity Resource; or (ii) in an hour, any portion of the output of such generating unit that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

Take Away:

Without further clarification, generation in Co-Located Load arrangements can be interpreted to fall under the BTMG definition too as long as it isn't a capacity resource or injecting onto the grid.

Proposed Changes to the Definition of BTMG

The definition of BTMG for retail BTMG should be revised for the following:

- Remove the possibility of a load availing itself of both the BTMG netting and Co-Located Load rule sets (which would allow some netting for Co-Located Loads taking network service)
  - Revision to the definition to indicate that BTMG doesn't include Co-Located Load may be sufficient.
- Include a threshold as required by FERC

Comparison of Available Options
(assuming BTMG definition is updated to exclude Co-Located Load)

Co-Located Load Options:

- Full Network Service
- Interim Network Service (on a temporary basis)
- Firm Contract Demand Service
- Non-Firm Contract Demand Service

If not taking full network service:

- Load has the opportunity to reduce transmission and capacity costs through use of Contract Demand Service (CDS)
    - It only pays for the portion of load they believe they will need to be served from the grid
    - The generation continues to net against load for the purposes of transmission, capacity and energy
- The generator serving the load must delist as a Capacity Resource and relinquish its CIRs

Potential Options for load with retail BTMG: PJM seeks feedback on these options.

- Full Network Service with limited netting
    - Reduces capacity and transmission obligations only for the amount of load below the BTMG netting threshold
    - Reduces energy obligations for the full amount of the BTMG output

    For Load in excess of the BTMG Netting threshold:
    - No opportunity to reduce transmission obligation
    - Generation must go through the queue and gain CIRs to financially offset capacity costs
        - The generation resource then assumes the other obligations of a capacity resource (must offer, performance obligations)
    - Recommend to allow energy netting above threshold (same as NRBTMG)
- Full Network Service with netting – All or Nothing
    - Only BTMG generation that is < threshold is allow to net. All generation > threshold is ineligible for netting.
    - For example, if threshold is 200 MWs, a generator that is 300 MWs is not available for Any netting.

Key Decisions on the Threshold for Retail BTMG Netting

- PJM recommendations pending survey and additional stakeholder feedback
  - Threshold = 200 MWs
    - The higher threshold decreases the probability that existing BTMG will be unavailable and thus exacerbating resource adequacy concerns.
  - All or nothing: If generation exceeds the threshold, no BTMG netting is available for the entire amount of load.
  - Netting threshold does not apply to load used in energy settlements. It only applies to load used in capacity and transmission cost allocation. This aligns with the NRBTMG rules where netting above the threshold is allowed for energy.
  - Enhance visibility into retail BTMG and revisit threshold at a later date.

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Definition of Co-Located Load vs. BTMG

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