



Powering Your Every Day.

Incentivizing Resource Adequacy

July 29, 2026



Current progress on solving the resource adequacy problem

Speeding up the generation development process through reforms under PJM's control:

- New Interconnection Queue process
- Reliability Resource Initiative
- Expedited Interconnection Track (sunsets 2027)

Making the investment environment more stable for generation developers:

- Reliability Backstop Procurement (to occur Sept. 2026)
- *Many issues are not within PJM's jurisdiction, such as permitting reforms and supply chain constraints*

Making plans for interim period when supply is not sufficient to meet demand needs:

- Connect and Manage framework

Key focus areas for the Powering Reliability Through Market Design Process

Incentives

Incentives to enter the market

- The capacity market is over-relied on by LSEs
 - Bilateral contracting
 - LE LLA Sufficiency Incentive
- The Energy and Ancillary Service markets
 - Bilateral contracting

Performance incentives

- Energy and Ancillary Services markets need to provide investment signals for generation revenues as well as price signals for LSEs taking on obligations to serve customers
- Mitigate uplift

Coordination

Remove barriers for new entry of generation and load

- Investment in generation
 - More transparency interconnection costs
 - Capacity auction structure (prompt and seasonal) and parameters (resetting VRR points, Reference Resource)
- Greater coordination between transmission, generation, and load
- Reliable service for load

Revisit Incentives

Investment

Load Entity (LE) Large Load Addition (LLA) Sufficiency Incentive

- Encourage LEs to contract for, or bring their own, new generation required to meet their incremental load growth/restructure the capacity market so that the Base *Residual* Auction functions as a residual auction rather than a centralized auction

We define a LE as all loads with resource adequacy (RA) requirements.
Examples of LEs:

- Electric Distribution Companies/Cooperatives
- Vertically integrated utilities in traditionally regulated states
- Competitive suppliers in restructured states
- Direct access wholesale loads
- Winners of default service auctions (Assessment would not be on the EDC that is the default service provider)

Encourage bilateral contracting in all PJM markets

- Hedge load's exposure to the pricing volatility needed to send market signals

Performance

Clear pricing so generation revenue and cost of serving load can be estimated and mitigate uplift

- Market products/services that reflect value of meeting operational needs to maintain system reliability
 - Reserve Certainty Senior Task Force
 - Possible enhancements to, or expansions of, Demand-Response

Load Entity Large Load Addition Sufficiency Incentive Concept

Incentivize Load Entities (LEs) to bring new capacity to serve Large Load Additions (LLAs)

Make the Base Residual Auction function as an RTO-wide *residual auction* by incentivizing load entities, through penalties, to procure new capacity or capacity-equivalent options to meet a portion of their incremental LLAs prior to the Delivery Year (DY).

LEs are responsible for making plans to meet their capacity needs to serve their LLAs MW quantity accepted in the official PJM load forecast for a Delivery Year.

LEs can meet their new LLAs obligation with a mix of the following:

- Portfolio of new capacity resources (self-built or bilaterally contracted). *An LE that contracts or builds capacity reserves a carryover option for capacity in future DYs.*
- Reactivation of retiring resources

The LE's LLA obligation can be reduced through capacity-equivalent options developed through the Powering Reliability Through Market Design initiative:

- Demand-side management products (reforms to Price Responsive Demand, more flexible DR options)
- Large Loads that BYONC
- Provisional Interconnection Service as capacity-equivalent

LE LLA Insufficiency Penalty

Assessment Timing: 30 days prior BRA, adjusted after the Third Incremental Auction (3IA)

Penalty: $\text{Point A of the VRR Curve} \times \text{Max}[0, [(0.7 * \text{LE MW UCAP new large load obligation}) - \text{LE MWs new UCAP and capacity-equivalent secured}]]$

Assessment: Each LE that has not secured capacity for 70 percent of their total new large load MW UCAP

Penalty Revenue Allocation: Pro-rata basis to RPM LEs, that did not have any LLAs or that secured 70 percent or more of their total new large loads, based on their daily unforced capacity obligation.

5-year transition period

Years 1-3

calculated, no assessment

Year 4

50 percent assessed

Year 5

100 percent assessed

Coordination

Greater coordination between transmission, generation, and load planning

How can generation needs of the RTO inform transmission planning?

Can a single model for planning be used?

Can timelines between bringing load and generation online be better aligned?

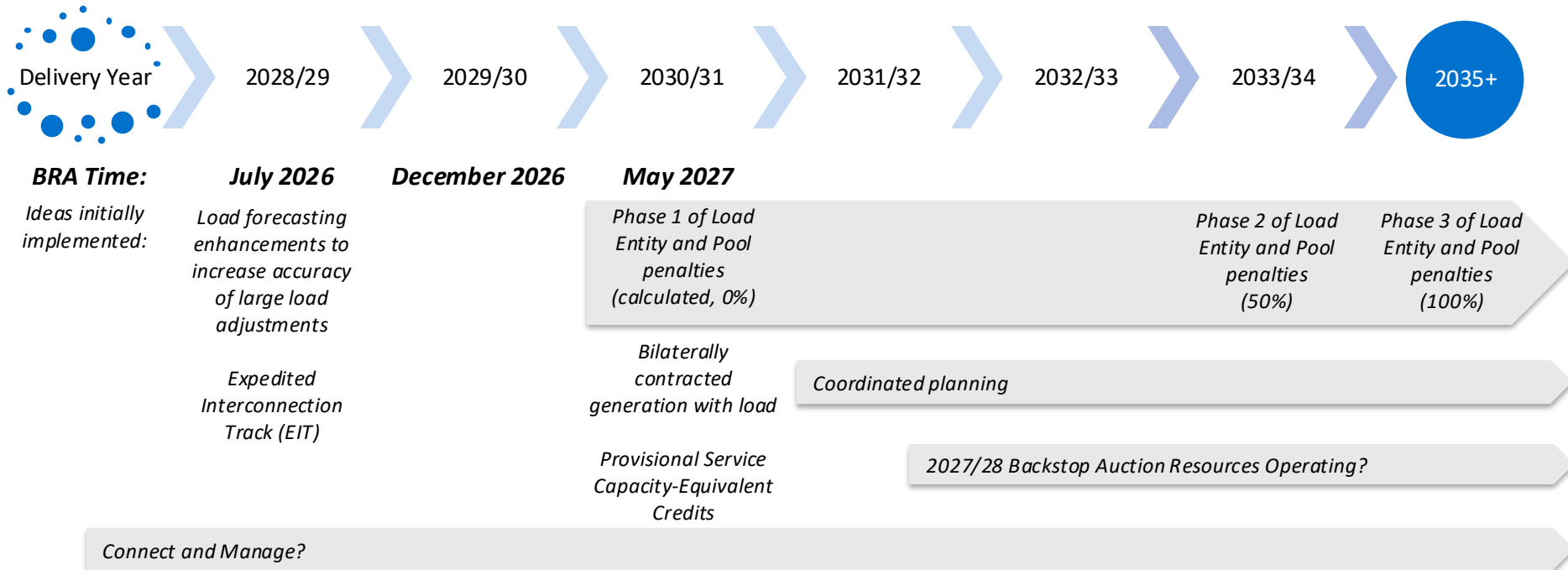
Consider re-purposing FERC-approved processes being used at other RTOs/ISOs

The processes listed below are for illustrative purposes only.

- SPP: *Consolidated Planning Process (CPP)* to integrate transmission planning with generation interconnection.
- SPP: *High Impact Large Load (HILL) Generation Assessment (HILLGA)* to study generation dedicated to serving a HILL in a separate, faster (90-day), serial study process.

Timeline

Near-term and long-term solutions with transitional periods



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