OPC
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State of Maryland

Reliability Backstop Mechanism

Goals, Principles, and Elements

DPA
DELAWARE DIVISION OF THE PUBLIC ADVOCATE

PENNSYLVANIA OFFICE OF
CONSUMER ADVOCATE

White House and Governors Statement of Principles

- Provide revenue certainty to new generation.
- Protect residential customers from capacity price increases.
- Allocate costs to data centers.
- Improve load forecasting.
- Accelerate ongoing generator interconnection studies.
- Return PJM to market fundamentals.
- Governors agree to use their authorities to allocate costs to data centers and protect residential customers.

Goals

Goals stated by PJM

- Grid reliability / Getting UCAP built
  - Revenue certainty via long-term contracts
  - Accelerated interconnection
- Transitional Process
  - Prevent premature retirements
  - Transition to market reforms

Additional Goals to be Included

- Protect Residential Customers
  - Stranded investment risk assigned to AI Data Centers
  - Allocate costs to AI Data Centers

Principles

"Their size and the risks they pose to resource adequacy make today's data centers unique…PJM should allocate the cost of any new capacity procured through the aforementioned Reliability Backstop Auction to load serving entities (LSEs) with new data centers that have not self-procured new capacity or agreed to be curtailable."

PJM Principles

- Stakeholder engagement
- Simple and narrow process
- Clear and transparent procurement requests
- Review and evaluation of deliverability and risk management
- Actionable results with performance expectations

Additional Principles to be Included

- Resources procured must be **new**
- Risk/Cost follows the AI Data Centers
  - The AI Data Center driving the backstop procurement should carry all responsibility, either directly or via LSE
- Voluntary procurement
  - AI Data Centers can self-procure, agree to be curtailable, or take on backstop commitments

Required Elements of a Reliability Backstop Procurement (RBP)

1. Demand: The amount of capacity procured on the RBP should be based on buy offers on behalf AI Data Centers.
2. Supply: Capacity procured must be new and deliverable.
3. Cost Assignment: All of the costs of the procurement will be paid by the load serving entities who receive obligations from the RBP.
4. Service Conditions: A large load customer cannot be added to the system after June 1, 2028, unless:
   A. Its load serving entity has an obligation from an RBP to cover its AI Data Center load plus a reserve margin;
   B. The AI Data Center load brings sufficient new capacity to meet its load plus a reserve margin; or
   C. The AI Data Center load is subject to curtailment before pre-emergency DR consistent with Board's "connect and manage" concept.
5. Assurance: There will need to be adequate credit and collateral requirements for both the load serving entity and the capacity suppliers (subject to pre-screen).

New and Deliverable

- New: RPM eligible but cannot have cleared in previous RPM auction
  - Only new portion of facilities subject to uprates or expansion
  - Retiring resources are not new. Some allowance for reactivation
  - Fuel-switching resources are not new
- Colocation: Does not replace *new* capacity obligation
- Deliverable: Developer takes on associated risks same as other capacity resources

Additional Detail

- Process: Auction or matching acceptable so long as costs and risks are assigned to AI Data Centers.
- Transition: Open to one or more RBP. Criteria will need to be developed if there is a sequence of auctions.
- RBP contract term: 10-20 years