EKPC Conceptual Proposals for Certain Backstop Elements

Offered for discussion

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Context

- EKPC prefers that PJM implement a backstop mechanism that relies on bilateral agreements to match data center capacity obligations with resources
- EKPC does not advocate for PJM's use of a centrally cleared mechanism to commit resources
- Recognizing that several alternatives under discussion include a clearing mechanism, EKPC offers suggestions for a workable implementation that (1)would reduce the uncertainty regarding the quantity of capacity procured, and (2) would reasonably allocate costs to cost-causers
- These suggestions likely will require states to take action to support. We believe the governors signed up to have their states take any necessary actions.
    - In the January 19, 2026, Statement of Principles, 13 state governors agreed to "Use their Authorities to Allocate Costs to Data Centers and Protect Residential Customers"
    - EKPC's suggestions are intended to ensure native load is protected and datacenter loads that have taken steps to secure capacity resources are protected from additional cost burden.

EKPC's proposal addresses quantity and cost allocation elements

Backstop: Procurement Quantity & Cost Allocation Elements

1

PJM Establishes Capacity Need

- TBD what DYs need to be included in the forecast to determine what portion of target IRM not satisfied with "existing" PJM capacity resources (generation and DR)
- **All LSEs serving large load included in Large Load Adjustments included in PJM's forecast must be identified**
  - Reliance on wires agreements alone is insufficient; must know who is committed to supplying energy and capacity needs. This should reduce "uncertainty" in the forecast.
  - States MUST act to enforce the requirement that an LSE be identified before the load is included in forecast. Note: retail choice states could determine data centers could be their own LSE if they comply with all other applicable regs/laws. Also could consider credit/collateral requirements
- The "normal" forecasting should capture "native/organic" load growth)

2

LSE Resource Check

- PJM assesses LSE resource plans – what currently is in-flight under state jurisdictional tariff/processes or the LSE's own business model (eg., muni/cooperative or other proactive LSE).
- **Principle:** don't interfere with or undermine processes in flight that are bringing capacity

3

Calculate Aggregate LSE Net Short Position

4

Set Backstop Procurement Quantity Target

(set to 98% of aggregate net LSE short position; recognizes forecast uncertainty; recognizes incentives for DR or other LSE actions to manage exposure)

5

Backstop Capacity is Procured

if centrally cleared, consider a budget constraint based on quad review VRR cap; Idea: limit CA energy crisis-like shenanigans

6

Cost allocation in Delivery Year based on Each LSE's Net Short Position

[obligation - resources = Net Short Position]

- If total Backstop Procurement Quantity Target is not procured, then allocate to ensure that data center short position is met first, with any remaining backstop capacity used to meet a portion of the native/organic load growth short position.
- Allocate cost to each group based on the LSE's net short position.

7

Determine Net Short Position for Settlement

- Identify/determine the backstop MW commitments assigned to Data Center versus native/organic load short positions *at time of procurement*.
- Track and assign costs directly to the LSEs serving the datacenter load that was targeted for procurement in each DY.
- Allocate the balance to LSE net short positions in proportion to their shortfall, as determined in each delivery year.

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Thank you and Questions

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