

Load Flexibility Participation in the “Reliability Backstop Procurement”

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Prepared by Stack Energy Consulting on Behalf
of Calibrant Energy, Mainspring Energy, Verrus,
and Voltus

Executive Summary

Large loads should be able to procure flexible load resources prior to and during the “Reliability Backstop Procurement”

The “Statement of Principles” from the National Energy Dominance Council and 13 Governors clearly contemplates the ability for data centers to self-procure new capacity or agree to be curtailable, without restrictions on the type of capacity

The magnitude and speed at which data centers wish to interconnect demands the eligibility of all resource types, especially ones that can come online quickly, less expensively, and that do not crowd the interconnection queue

The “Statement of Principles” Allows for Data Centers to Self-Procure All Forms of New Capacity or be Curtailable

Allocate Costs to Data Centers:

- Their size and the risks they pose to resource adequacy make today’s data centers unique. For this reason, 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. Any remaining costs should be allocated to LSEs based on their remaining net short positions.

PJM's Proposal to Exclude Load Management Discriminates Against Resources Based on Location

An identical technology (e.g. energy storage, gas) that is based in front-of-the-customer-meter would be eligible for participation, but could be banned if it is behind-the-customer-meter

Given that the technology behind the customer meter (e.g. storage, gas) requires less infrastructure and can enable the load to come on-line faster, it should also be eligible for participation

Examples of Load Flexibility under RBP



Large load contracts for non-export, on-site gen



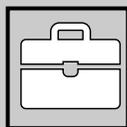
Large load contracts for off-site C&I load flexibility



Large load contracts for residential curtailment

PJM is a World Leader in Load Flexibility

Load Flexibility Must Continue To Be a “Tool in the Toolbox”



PJM has spent the past 20+ years developing, honing, and exporting to the world their load flexibility programs, including “Emergency Load Response Program,” (“ELRP”), “Price Responsive Demand,” (“PRD”) and the “Peak Shaving Adjustment” (“PSA”)



FERC and the Supreme Court have repeatedly recognized the value of demand response and directed full, non-discriminatory treatment in all wholesale markets



Load flexibility programs and the resource diversity they provide have benefited reliability, affordability and economic development in the PJM region

Load Flexibility
Can Be
Compatible with
Consumer
Advocates'
Proposal

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).

Process for Large Load Procurement

1

Large loads decide to procure new forms of capacity ahead of RBP or agree to be curtailable; procurement targets should reflect those agreements

2

MW from loads that have not self-procured or agreed to be curtailable are entered into Reliability Backstop Procurement

3

Any net short MWs are subject to “Connect and Manage” or bringing their own capacity if they wish to come online

Broad Stakeholder Recognition of the Need for Load Flexibility

- “For a 2027–2028 shortage, the only viable forms of capacity may be demand response, some batteries, or adding backup fuel to existing gas generators to drive up their ELCC...Large-scale gas is a 2030+ resource. In the interim, we can add demand response, batteries, or upgrade existing facilities. ”

- Paul Segal, CEO of LS Power, February 12, 2026, ([Catalyst](#) podcast with Shayle Kahn)

Broad Stakeholder Recognition of the Need for Load Flexibility

“Expand use of curtailable load resources and modernize interconnection policy. To strengthen grid reliability and expand capacity for AI and other flexible loads, FERC should allow more demand-side participation in wholesale markets and speed up interconnection for large loads that can curtail...”

- Letter from OpenAI to White House “Office of Science and Technology Policy,” October 27, 2025

Broad Stakeholder Recognition of the Need for Load Flexibility

- **“Faster grid access and less grid buildout:** Flexible data centers require less grid buildout, accessing reliable grid power faster and at lower cost. Developers control deployment of technologies overcoming grid constraints rather than waiting for grid buildout.
 - **Increased grid asset utilization:** Potentially lowers overall societal grid costs by tapping underutilized assets.
 - **Improved grid reliability:** Adds flexible demand options to improve grid resource adequacy and potentially provides frequency response, voltage support, and demand response services.”
- Electric Power Research Institute, [Strategies for Powering New Data Centers](#), November 24, 2025

PJM's Proposal Is Inconsistent with State "Bring Your Own Capacity" Efforts

- Example legislation from Illinois:

“The tariff shall allow hyperscale data center applicants to receive electric service on a firm basis for the portion of their requested load that is supported by new, deliverable BYO capacity.... "new" means a generating facility energized or a demand-side load reduction measure created after the effective date of this amendatory Act”



Next Steps

PJM should clarify that large loads can procure flexible load resources as part of the “Reliability Backstop Procurement” in addition to traditional bilaterals

Stakeholder discussion on whether PJM’s existing load flexibility programs (ELRP, PRD, PSA) are appropriate mechanisms for participation in the RBP, or whether a limited set of modifications are necessary

Appendix

Excluding Load Flexibility Would Lead to Unjust and Unreasonable Rates

- *EPSA v FERC*: “The FPA should not be read... to halt a practice that so evidently enables FERC to fulfill its statutory duties of holding down prices and enhancing reliability in the wholesale energy market.” (referring to demand response)
- Order 719 requires RTOs (like PJM) to accept bids from DR resources on a basis **comparable to any other resource**