

Google

RBA Design Discussion

PJM Reliability Backstop Procurement Workshop

February 25, 2026

Brian George



Google appreciates the ongoing robust discussion among stakeholders around RBA design and other market reforms being contemplated by PJM and the Board. This document reflects our current view on key RBA design elements, however, it is subject to change based on ongoing stakeholder discussion and feedback. This document does not represent an RBA proposal or endorsement of an RBA proposal. We welcome the opportunity to engage with any interested stakeholders to consider feedback, input, and alternative perspectives.

Current Thinking on Key RBA Design Elements

- **Target Quantity & Qualifying Load**

- Need to define scope of problem (expected shortfall & procurement target) to determine key design decisions.
- Include all load in identifying shortfall: difference between BRA-cleared supply and demand for DY.
- RBA should be a one-time tool used only in extreme situations; based on need in one DY (e.g., 2028/29).

- **Resource Eligibility & Selection Criteria**

- Looking at procurement target, is there even sufficient potential supply deliverable by June 1, 2028?
- Any / all new supply should be eligible (tech & fuel agnostic, includes uprates).
- Term should be sufficient to support new entry; reasonable to allow suppliers to compete on term.
- RBA price paid only to new capacity secured in RBA; resources act as price takers in subsequent BRAs.
- RBA offer price should reflect the cost of any network upgrades required to deliver new generation to load.

- **Who Buys & Who Pays**

- PJM should be the “buyer” for the RBA (can manage risk by specifying procurement target).
- Wholesale costs allocated across PJM; states allocate retail costs to the appropriate end-use customer class.
- Costs should only be incurred for the amount of capacity procured to cover the identified shortfall.

- **Procurement vs. Auction**

- Centralized auction structure is appropriate if a one-time, targeted procurement for RTO-level inadequacy.
- RBA should occur after BRA for simplicity and to avoid gaming concerns.

Eyes on the Prize: Aligning Incentives for New Supply

Properly aligned incentives across large loads, generators, LSEs, and others, will produce meaningful new supply in PJM. Large loads should have flexibility to procure supply and contribute to system resource adequacy.

- **BYONG**

- BYONG can be a healthy supplement to existing PJM markets; Google supports “N” in BYONG.
- Can add capacity if designed properly; need certainty in resource accreditation to spur investment.
- PJM should allow (encourage) large loads to bring a portfolio of resources to offset large load growth.
- BYONG is not uniformly an option across all PJM states.

- **Data Center Flexibility & Colocation**

- PJM’s DR rules should enable participation by any willing data center demand flexibility.
- Development of a permanent non-firm transmission service level for willing customers (not just colo).
- Compliance with FERC’s December Order will provide meaningful pathways for new generation.

- **Must be Confident in Growth Projections**

- Continued reforms to load forecasting can improve confidence in scale/pace of growth, leading to more targeted and “right sized” reforms to meaningfully and sustainably address the problem.
- Properly reflect updated large load tariffs that require financial security and commitment for new loads.
- Only verified large loads (demonstrated by financial commitment) should be included in BRA/RBA.
- Forecast must also reflect operational realities of large loads (e.g., ramp and utilization rates).

Last Resort Options Should Truly Be Last Resort

- **Connect-and-Manage (Pre-Emergency Curtailment)**

- Pathways and options for large loads to avoid curtailment must be in place (and accessible).
- Punitive measure that does not address core resource adequacy challenge (no new supply).
- Potential implications of curtailment are significant and have massive business and consumer impacts.
- Need clarity on terms of curtailment and process for directing curtailment.
- Large loads with existing firm ESAs should not be impacted.

Google appreciates PJM's continued work to integrate new large loads in a reliable and affordable manner. Discussion of all mechanisms needs to proceed concurrently and cannot proceed in silos. We will continue to be a partner as PJM considers these market design reforms.

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Q&A

briangeorge@google.com

