Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Valley Forge Corporate Center
Eagleville, PA 19403
Phone: 610-271-8050
Fax: 610-271-8057

Monitoring Analytics

DATE: **February 24, 2026**
TO: **Reliability Backstop Workshop**
FROM: **IMM**
SUBJECT: **Proposed backstop auction design V2**

Given the current conditions in the PJM capacity market and the large forecasted data center demand, the preferred option for data centers adding load to the PJM system is for data centers to bring their own new generation. The bring your own new generation includes vertically integrated utilities and FRR entities that build new generation to meet data center loads in a way that does not affect capacity market clearing prices. For those data centers that do not bring their own new generation, PJM would run a backstop auction designed to meet data center load plus the required reserve margin to meet that load.

The details of the backstop auctions matter. The IMM proposes a different backstop auction in this Version 2 design. The goal is to incorporate market forces as much as possible, including choices by data centers and generation developers, and to minimize planning choices by PJM or others. PJM's draft proposed option 2 in the PJM February 18, 2026, Reliability Backstop Design Working Paper would be an extreme form of central planning with PJM running a procurement with specific objectives defined by PJM, including, among other things, technology, duration, CRF values, location, credit status, and fuel supply.

The IMM's Version 2 design is to run a full BRA design auction for data center load. This would include the LDA location and MW of each data center that participates, the LDA location and MW of proposed generation that participates, full PJM CETO/CETL parameters net of the impacts from the prior BRA and any resultant locational price separation. The product offered would be 15 year capacity at a maximum price equal to the nominal levelized equivalent of the current maximum VRR price. That equivalent, in $/MW-day, would be higher than the current offer cap because the product is 15 year levelized while the current cap is based on a 20 year levelized gross CONE net of net revenues. The net revenues would be explicitly incorporated. The actual annual capacity payments under the contracts would reflect actual net revenues. The contracts would be for total payments including energy and ancillary services net revenues and the cost of capacity.

In the backstop auction, the demand for capacity would be equal to specific demand for 15 year capacity from individual data centers, plus the required reserve margin for each data center. All data centers with demand greater than or equal to 5.0 MW would be included.

Sellers in this backstop auction would be new generation only. New generation would not include uprates to existing generation, uncleared capacity, repowered capacity, proposed retirements, demand side resources or relicensing.

PJM would first run the scheduled BRAs for each delivery year without the data center load in order to meet the organic load. For example, all forecast data center load included in the 2027/2028 BRA would be excluded from the 2028/2029 BRA. The backstop auction would be run soon after the 2028/2029 BRA.

Backstop auctions for data center load could be run in succession in 2026 for future delivery years, starting with 2028/2029 and continuing farther out if there is defined demand. Or backstop auctions could be run in subsequent years for successive delivery years for a defined number of years adequate to address the current high forecast data center demand for 2030 through 2035.

The backstop auction would result in cleared capacity by LDA. If offers are less than demand, the highest demand offers would clear. If demand is less than offers, the lowest offers would clear.

When the clearing process is complete and each generation offer is associated with an identified data center load, the generators and data center loads would enter into 15 year contracts that do not permit any cost or risk shifting to other non data center loads. The contracts would be a tariff defined standard contract. The data centers would be required to coordinate with the EDC where they are located. The rules governing the coordination would be subject to approval by appropriate state authorities. The EDCs are not the counterparty to the contracts and the EDCs and their other customers are not at risk for any contract related issues. The data center and the capacity seller would be the counterparties to the contracts.

When the bilateral contracts are final, the data center load plus the reserve margin and the corresponding capacity would be included in future BRAs as price takers.

Overview:

1. The proposed IMM V2 design does not impose data center costs or risks on other customers, consistent with the Principles defined by the National Energy Dominance Council and the PJM Governors.
2. The contracts that result from the IMM V2 design would be market commodities and could be traded, subject to approval by both parties.
3. Any design that limits the backstop auction to the supply "shortfall" would impose data center costs and risks on other customers because the forecast data center load is much larger than the shortfall and the shortfall is determined by subjective forecast decisions.
4. Any design that requires PJM or EDCs to be the counterparty to any contracts with data centers would impose data center costs and risks on other customers because they would have to pay for the contract in the event that a data center did not materialize.
5. Any design that is limited to a single backstop auction would impose the costs of future data center load additions on other customers.