



Acting with Urgency and Discipline: A Practical Reliability Backstop Framework

PJM Reliability Backstop Workshop

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Shared Goals – Reliability, Economic Growth, and Cost Responsibility

- Ensure reliability in the face of rapidly growing demand
- Foster continued economic growth across the PJM region
- Ensure load pays for the power and infrastructure needed to serve them
- Maintain market stability and investor confidence

Support for a Backstop Auction

- Support White House, NEDC, and Governors' interest in a backstop auction
- Recognition of reliability challenges tied to load growth
- Appreciation for stakeholder proposals aimed at accelerating new supply
- Shared urgency to bring new generation online

Act with Urgency — But Avoid Rushing Fundamental Reform

- Many intriguing proposals raise fundamental market design questions
- Fundamental changes should not be rushed
- A near-term solution must be:
 - Manageable
 - Implementable by 2026
 - Limited in scope
- Broader market reforms should begin immediately in parallel

A Practical Near-Term Reliability Backstop Auction

- PJM serves as the counterparty
- Initial Delivery Year COD limited to:
 - 2028/29 (based on known & measurable shortfall)
 - Potential limited slippage into 2029/30 DY
 - Procurement quantity tied to demonstrable reliability need
 - Limited scope to ensure timely FERC filing and implementation

What Should NOT Be Included in a Near-Term RBA

- Shifting from RTO-wide adequacy to LSE-by-LSE adequacy
- PJM evaluating retail customer contracting arrangements
- Moving PJM outside the role of counterparty
- Major cost allocation restructuring
- Long-term commitments based on uncertain long-range forecasts

Forecasting and Long-Term Commitments

- Current load forecasts are improving but still evolving
- Long-term procurement requires high forecast certainty
- Support continued improvements to PJM forecasting methodology
- Revisit longer-term quantity-setting once forecasting is more mature or use long-term forecast for transmission planning only and not for PJM to carry capacity market risk of that forecast being off.

Begin Broader Wholesale Market Reform Now

- Urge PJM, the Board, and stakeholders to initiate broader reform discussions immediately
- Explore evolution toward:
 - Greater LSE responsibility rather than PJM responsible for hedging load
 - A more prompt, residual PJM backstop market
- Align incentives so incremental load bears appropriate risk with clear pathway for that load to manage that risk
- Preserve strong market signals for existing generation

Recommended Approach: Near Term Stability, Long-Term Reform

Near Term (Implementable by 2026):

- Narrow RBA
- PJM as counterparty
- Delivery Year 2028/29 (limited scope)
- Retail cost allocation left to the states

Parallel Path:

- Launch comprehensive market design reform process
- Evaluate LSE-based frameworks
- Assess long-term forecasting improvements
- Develop durable wholesale market structure

Reliability Without Unintended Consequences

- Shared commitment to reliability and growth
- Urgency with discipline
- Narrow near-term solution
- Thoughtful long-term reform

Thank you



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