

Position of the Joint Consumer Advocates:

Delaware Division of the Public Advocate

Office of the Illinois Attorney General

Illinois Citizens Utility Board

Maryland Office of People’s Counsel

New Jersey Division of the Rate Counsel

Pennsylvania Office of Consumer Advocate

Regarding PJM’s Reliability Backstop Procurement for New Data Center Large Loads

March 11, 2026

Executive Summary

The Delaware Division of the Public Advocate, the Office of the Illinois Attorney General, the Illinois Citizens Utility Board, the Maryland Office of People’s Counsel, the New Jersey Division of the Rate Counsel, and the Pennsylvania Office of Consumer Advocate (collectively, the “Joint Consumer Advocates”) appreciate PJM’s organizing its series of workshops on the Reliability Backstop Procurement, its presentations regarding a possible PJM proposal, and accepting further written comments from stakeholders.

In summary:

- The White House, all the Governors of PJM states, and the nation’s largest AI companies and hyperscalers agree on the *Core Policy Direction: AI/hyperscaler companies will pay for the new generation needed to serve data center demand, not other ratepayers*. As stated in the Ratepayer Protection Pledge, with the growth of infrastructure and demand from AI/hyperscaler companies, “the American people should not be footing the bill for the benefit of private companies.” For PJM, this means that a Reliability Backstop Procurement should assign both costs and risk imposed by AI/hyperscaler companies to those companies, not PJM customers.
- However, PJM’s March 5 Presentation regarding its forthcoming Reliability Backstop Procurement proposal is ***inconsistent*** with this *Core Policy Direction* because PJM, not data centers, would determine the amount of new resources to be purchased and would assume the payment obligation. Based on PJM’s March 5 Presentation:

- Instead of determining the procurement target for new resource capacity through direct demand-side participation (i.e., buy-side bids), which was PJM’s strongly preferred option as of February 18, 2026, its March 5 Presentation is to set the target based, perhaps in part on buyers’ input and possibly the maximum amount of new capacity that PJM could procure in the next several years based on the Installed Margin market construct.
 - PJM, as the “counterparty,” then would assign the costs of the new capacity it believes should be purchased to transmission owners (TOs)/electric distribution companies (EDCs) where PJM believes new data centers may be located.
 - PJM as the administrator would then “rationally” allocate the costs of this procurement, presumably using its current capacity Locational Deliverability Area (LDA) framework, which naturally will assign either across Load Serving Entities (LSEs) or on a zonal basis, regardless of whether the LSE or zone serves data centers.
- PJM’s March 5 Presentation *does not* protect existing ratepayers from paying costs they did not cause – i.e., this cost of procurement of new generation to meet new data center load – nor does it protect existing ratepayers from the increasing risks of over procurement and associated stranded costs due to recent and ongoing macroeconomic conditions.
 - In PJM’s March 5 Presentation, it is unclear whether removing the new data center load from the future Base Residual Auction in coordination with implementing the Reliability Backstop Procurement could reduce the wholesale electricity costs borne by ratepayers.
 - PJM’s March 5 Presentation may delay the implementation of the Reliability Backstop Procurement beyond September 2026 because it requires PJM to determine – via an administrative, judgement-based process rather than a market-based approach using buy bids – whether data center projects plan to be curtailable or bring their own new generation, and potentially to determine the amount of new resources that could be developed in the next few years. Using demand-side bids avoids this needless, uncertain, and potentially controversial administrative process since potential buyers in the Reliability Backstop Procurement would submit financially binding bids.
 - Socializing the costs and allocating costs using the LDA framework, which naturally will assign either across LSEs or on a zonal basis, regardless of whether the LSE serves data centers creates a problem: even if an LSE does not serve a data center (e.g., the anticipated data center load does not materialize), it will be assigned costs of this procurement. PJM’s answer to this problem is that the states will sort out assignment. However, it is unclear what a state can do to sort out a bill to an LSE from PJM if there is no data center consumer served by the LSE causing the costs. If PJM moves forward with this proposal design, it

would disregard both the fundamental premise and the explicit language of the White House and Governors Statement of Principles: “PJM should **allocate the cost of any *new capacity*** procured through the aforementioned Reliability Backstop Auction **to load service entities (LSEs) with new data centers that have not self-procured new capacity or agreed to be curtailable.**”¹

- It is not rational or fair to expect an LSE to pay costs caused by data centers when it does not serve data centers and the assigned costs are unrelated to the LSE’s demand. This simply becomes an additional cost not caused by the LSE’s demand.
- In its forthcoming April 10 proposal, PJM can cure these defects by removing new data center load from future BRA auctions and setting the Reliability Backstop Procurement target based on direct demand participation consistent with multiple presentations and numerous comments made by stakeholders.
- The Joint Consumer Advocates support both the NRDC and PJM Independent Market Monitor proposals. This document also provides a proposal.

I. Introduction

PJM has undertaken extraordinary efforts to solicit and listen to stakeholder proposals and feedback, provide timely informational and educational materials, and present its evolving thinking on this critical topic. The Joint Consumer Advocates appreciate the opportunity to submit additional comments based on PJM’s March 5 Presentation regarding the Reliability Backstop Procurement.²

The Joint Consumer Advocates’ comments are organized in the following sections. Section II reviews the public policy direction for the Reliability Backstop Procurement. Section III reiterates the principles that the Reliability Backstop Procurement should satisfy. Section IV discusses where the Joint Consumer Advocates agree with PJM’s March 5 Presentation and how PJM’s thinking could be modified to be acceptable and consistent with the White House’s and Governors’ policy direction, AI company and hyperscaler pledges, and the principles of the Joint Consumer Advocates and many other PJM stakeholders. Section V provides an overall conclusion.

II. The Public Policy Direction Set for the Reliability Backstop Procurement

¹ White House and PJM Governors, Statement of Principles Regarding PJM, January 16, 2026, p. 1 (bold added, italics original).

² Rebecca Carroll, PJM, Reliability Backstop Procurement Stakeholder Summary & Status Update, Reliability Backstop Procurement Workshop, March 5, 2026.

The Reliability Backstop Procurement’s public policy direction is clearly and concisely laid out. On January 16, 2026, the White House and the PJM Governors issued a joint Statement of Principles Regarding PJM. The principle “Allocate Costs to Data Centers” stated the following:

“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.”³

The President of the United States publicly made clear the Administration’s position. In his 2026 State of the Union Address, he said:

“And many Americans are also concerned that energy demand from AI data centers could unfairly drive up their electric utility bills. Tonight, I’m pleased to announce that I have negotiated the new ratepayer protection pledge. You know what that is? We’re telling the major tech companies that they have the obligation to provide for their own power needs. They can build their own power plants as part of their factory, so that no one’s prices will go up and in many cases, prices of electricity will go down for the community, and very substantially then. This is a unique strategy never used in this country before. We have an old grid. It could never handle the kind of numbers, the amount of electricity that’s needed. So I’m telling them they can build their own plant, they’re going to produce their own electricity. It will ensure the company’s ability to get electricity, while at the same time lowering prices of electricity for you and could be very substantial.”⁴

On March 4, 2026, the White House held an event regarding the Ratepayer Protection Pledge signed by Amazon, Google, Meta, Microsoft, OpenAI, Oracle, and xAI. Its first provision is the following:

“ 1. Building, Bringing, or Buying New Power Supply

- **WHAT:** Companies will build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands, paying the full cost of those resources whether by building, or buying from, new or otherwise additive power plants. Where possible, these companies will also add more capacity that serves the broader public by increasing supply.

³ White House and PJM Governors, Statement of Principles Regarding PJM, January 16, 2026, p. 1.

⁴ The Associated Press, February 24, 2026, https://www.ottumwacourier.com/news/national_news/read-the-complete-transcript-of-trumps-2026-state-of-the-union/article_851aa104-dd4d-55bb-868d-3e5f9da10f58.html. Emphasis in original.

- **WHY:** This advances self-sufficiency and protects Americans from higher prices.”⁵

The White House-PJM Governors principles, the State of the Union, and the Ratepayer Protection Pledge individually and collectively make crystal clear that the rates of general ratepayers should not increase due to data center usage and may, in fact, decrease, and that data centers should pay for the generation they need. Furthermore, the White House wants “hyperscaler technology companies building data centers [to] pay for the associated power and infrastructure – whether they use it or not.”⁶

This cited portion of the pledge regarding building, bringing, or buying new power supply can be summarized as the *Core Policy Direction* expressed in the White House-PJM Governors Principles, the State of the Union, and the Ratepayer Protection Pledge:

“AI/hyperscaler companies will pay for the new generation needed to serve data center demand, not other ratepayers.”

AI/hyperscalers can back the pledge with their massive financial resources, which are well beyond those of other ratepayers, giving it further credibility. The market capitalizations and corporate debt ratings of the pledging companies are provided in Table 1.

Table 1: Companies that Signed the Ratepayer Protection Pledge, Their Market Capitalization, and Debt Ratings

Company	Market Capitalization	S&P Global Rating
Amazon	\$2.29 trillion	AA
Google	\$3.61 trillion	AA+
Meta	\$1.63 trillion	AA-
Microsoft	\$3.04 trillion	AAA
OpenAI (privately held)	\$730-840 billion	Not available
Oracle	\$439.5 billion	BBB
xAI	\$250 billion (part of SpaceX, combined value of \$1.25 trillion)	Not available

Note: Market capitalization and S&P Global Rating as of March 6, 2026.

The Reliability Backstop Procurement should be designed to implement the clear policy agreement among AI/hyperscaler companies, the PJM Governors, and the White House that the

⁵ The White House, Ratepayer Protection Pledge, March 4, 2026, <https://www.whitehouse.gov/articles/2026/03/ratepayer-protection-pledge/> (bold in original, underline added).

⁶ The White House, Fact Sheet: President Donald J. Trump Advances Energy Affordability with the Ratepayer Protection Pledge, March 4, 2026, <https://www.whitehouse.gov/fact-sheets/2026/03/fact-sheet-president-donald-j-trump-advances-energy-affordability-with-the-ratepayer-protection-pledge/>.

costs caused by these companies – including the cost of capacity -- must be paid by these companies and not by existing electricity users.

III. Consumer Advocate Principles for the Reliability Backstop Procurement

During the February 11, 2026 PJM Reliability Backstop Procurement Workshop, the Delaware Division of the Public Advocate, the Illinois Citizens Utility Board, the Office of the Illinois Attorney General, the Maryland Office of People’s Counsel, and the Pennsylvania Office of Consumer Advocate presented the following required elements for a Reliability Backstop Mechanism:

- “1. Demand: The amount of capacity procured on the Reliability Backstop Procurement should be based on buy offers on behalf [of] 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 Reliability Backstop Procurement.
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 Reliability Backstop Procurement 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).”⁷

These elements are entirely in line with the *Core Policy Direction*: the demand for new capacity is set by the data centers, sufficient supply to meet that demand must be new or additive, and companies pay the full costs of these new resources (including capacity reserve requirement credit and collateral requirements).

NRDC and the PJM Independent Market Monitor presented comprehensive Reliability Backstop Procurement proposals that the Joint Consumer Advocates could support. The Joint Consumer Advocates could also support a PJM proposal along the lines of PJM’s initial thinking and preferred option as presented in its February working paper.⁸ The Joint Consumer Advocates are open to a range of Reliability Backstop Procurement design components, such as the length of the procurement, whether the contract is only for capacity or also includes energy and ancillary

⁷ DPA, MD OPC, and PA OCA. Reliability Backstop Mechanism: Goals, Principles and Elements, February 17, 2026, p. 5.”

⁸ PJM, Reliability Backstop Design Working Paper, February 18, 2026.

services, and whether the contracts are between individual buyers and sellers selected in the Reliability Backstop Procurement or collectively between buyers and sellers (but not any other entities). Appendix A provides more details regarding the Joint Consumer Advocates’ proposal.

IV. PJM’s March 5 Presentation is Not Consistent with the White House, Governors, and AI Companies’ and Hyperscalers’ Policy Direction

The Joint Consumer Advocates appreciate that PJM has not finalized a proposal. It presented its March 5, 2026, update to stakeholders as a courtesy to aid them in their discussions. In this Section, the Joint Consumer Advocates discuss PJM’s materials on the Procurement Target and the Procurement Model (Figure 1).⁹ The two subsections that follow discuss the column in Figure 1 labeled “Current” and the rows labeled “Procurement Target” and “Procurement Model”.

	Initial	Current
Procurement Target	PJM previously presented two different options: <ul style="list-style-type: none"> • Buyer-determined • PJM-determined 	PJM-determined whereby PJM establishes a method to determine the quantity to be procured in the backstop and allows buyers to substitute this quantity based on their enhanced information. 1
Procurement Model	PJM previously presented two different options: <ul style="list-style-type: none"> • Bilateral Contracts • PJM as Administrator and Counterparty 	PJM acts as the Administrator and Counterparty by securing the forward commitment of supply and allocating costs back to the Zone/TO/EDC where the load is located. 2
Connect and Manage	PJM did not initially share any thoughts on the impact of the Reliability Backstop Procurement and the Connect & Manage initiative.	Large loads/data centers included in the Reliability Backstop Procurement will not be subject to Connect & Manage.

Figure 1: PJM’s March 5 Presentation

⁹ Rebecca Carroll, PJM, Reliability Backstop Procurement Stakeholder Summary & Status Update, Reliability Backstop Procurement Workshop, March 5, 2026, p. 9.

A. Reliability Backstop Procurement Target for New Capacity

This section comments on the text that is at the intersection of the “Procurement Target” row and the “Current” column, labeled Box 1 in Figure 1.

1. PJM Setting the Procurement Target Shifts Costs and Risks to General Ratepayers

PJM’s initial preferred position in February was that the procurement target would be “buyer determined,” also referred to as “direct demand-side participation.” It wrote the following:

“To determine the actual quantity to buy, PJM strongly prefers direct demand-side participation to inform both the quantity and willingness to pay. PJM currently envisions a system-wide cap on the willingness to pay that should be informed by those entities purchasing capacity as part of this process. PJM can propose a cap on the willingness to pay but would do so without knowledge of how the purchasers in this Reliability Backstop Procurement balance affordability and reliability. Input is needed from stakeholders to strike a reasonable balance.

Regarding quantity, stakeholders who are directly involved in the large load nomination process may be the best suited to determine the quantity of capacity to purchase given the uncertainty around the level of large load additions. PJM is still determining exactly who that entity is but it could be one of the following: large load/data centers directly, EDCs, LSEs, Transmission Owners or others that have otherwise not procured sufficient capacity to meet their needs, consistent with the forecast, for the delivery years to be covered in the respective stage of the procurement.”¹⁰

PJM’s initial direct demand-side participation position is consistent with the economic concept of revealed preferences – the formal term for a long-standing observation – which states that the demand for goods or services should be based on consumers actual purchasing activities.¹¹ The buy bids submitted by large loads in a financially binding procurement process reveal the actual demand for new capacity for large loads, not administrative forecasts, and the willingness to pay for that demand. By following the concept of revealed preferences, PJM could mitigate the stranded costs associated with “ghost load.”

¹⁰ PJM, Reliability Backstop Design Working Paper, February 18, 2026, p. 3. The paper makes clear that demand-side participation is preferable to PJM setting the procurement target (p. 3): “Alternatively, PJM can determine the MW target for procurement based on PJM’s most up-to-date load projections and allow updates to that quantity from the buyers in this procurement. As stated previously, this is not the preferred approach but is an implementable one.”

¹¹ Paul Samuelson (1938), A Note on the Pure Theory of Consumer Behaviour, *Economica*, 5(17), 61-71. Adam Smith observed the complement of revealed preferences: “A very poor man may be said in some sense to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as the commodity can never be brought to market in order to satisfy it.” *The Wealth of Nations*, Book I, Chapter 7, 1776.

Direct demand-side participation offers other advantages beyond providing a more accurate picture of data center demand. Direct demand-side participation also establishes the counterparties for the new resources that are procured. This avoids other PJM members and, therefore, other ratepayers from becoming counterparties and bearing the substantial credit and collateral obligations potentially emerging from 15-year procurement for dozens of gigawatts (GW).

PJM's March 5 Presentation does "allow buyers to substitute this quantity [PJM's forecast] based upon their enhanced information." It is unclear how this "substitution" would occur and be implemented. Presumably the PJM administrative forecast could be changed because some data centers are willing to be curtailed, have bilateral contracts or are building new capacity to cover their load and capacity reserves. There are two ways to interpret this "buyers' substitution" statement.

One interpretation is that buyers may replace PJM's forecast with the amount they would like to procure via the Reliability Backstop Procurement. If this interpretation is correct, then PJM should just set the procurement target based on direct demand bids by buyers. A second interpretation is that PJM has discretion on whether to accept or modify the buyers' input on quantity, perhaps based on discussions with TOs and LSEs. If this is correct, then PJM is opening the door for lobbying over quantity and creating the risk of over- or under-procuring new resources in aggregate or at the wrong locations, or both, even if the aggregate level is correct. If buyers' input is overridden by TO and LSE input, then data centers may not participate in the Reliability Backstop Procurement due to their preferences being overridden.

PJM should not move away from its initial plan for direct demand-side participation or buy bids. In PJM's March 5 Presentation, however, buyers may still inform PJM that they do not need new capacity procured through the Reliability Backstop Procurement. Having PJM override buyer preferences is inconsistent with the Reliability Backstop Procurement's goal, which is *not* to procure new capacity that is not needed, but to procure the *needed* new capacity at the necessary grid locations.¹²

The preferred way to ensure appropriate participation in the Reliability Backstop Procurement is for PJM to make clear to data centers how they can procure new capacity to avoid curtailment as part of connect and manage. If data centers understand all the options available to them and their associated implications, they can make an informed business decision about whether to "build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands, paying the full cost of those resources whether by building, or buying from, new or otherwise additive power plants."¹³

¹² See PJM Manual 18, Section 5.10, at page 159, which states that the Reliability Backstop is "based on specific triggers that signal a need for a **targeted solution**" (emphasis added).

¹³ Ratepayer Protection Pledge, para. 1, (emphasis in the original).

Perhaps behind PJM’s March 5 Presentation that it should set the Reliability Backstop Procurement’s target, informed by buyers, is that the forecast for new data centers is so large, it would be almost impossible for the Reliability Backstop Procurement to over-procure new resources. There is, however, a real possibility of over forecasting new data centers due to an AI downturn, macroeconomic conditions, or forecast errors regarding the amount and locations of new data centers.¹⁴

Under PJM’s March 5 Presentation, PJM’s administrative procurement target, however, may not be restricted to new data center load. PJM has indicated that it may decide that it wants to attract “the most amount of [new capacity resource] MWs in the next couple of delivery years.”¹⁵ If PJM were to set the procurement target based on anticipated new capacity resources rather than on data center demand, it would be charging general ratepayers, not data centers, for new capacity, which is contrary to the *Core Policy Direction* set by the White House, the Governors of PJM states, and the Ratepayer Protection Pledge. This additional procurement is also inconsistent with returning to fundamental market conditions.

There are two practical concerns with PJM making adjustments based on conversations with buyers rather than using direct demand-side bids. First, PJM must go out and identify all potential buyers of new data center capacity and assess whether each buyer plans to bring its own new generation or is willing to be curtailed. There is no guarantee that PJM will identify all these potential buyers and correctly assess their intentions, particularly by September 2026, the date PJM wants to initiate the Reliability Backstop Procurement. Moreover, it is not sufficient for PJM to carry out these discussions; it must do so in a manner that is transparent, just and reasonable, given that these discussions will determine the amount of new capacity PJM procures and how those costs are assigned. Similarly, if PJM bases its procurement target on “the most amount of [new capacity resource] MWs in the next couple of delivery years,” it must devise and execute a

¹⁴ “Electric utilities face the prospect of stranded assets if there is an AI bubble burst while they build to meet the projected AI demand.” (Llewellyn King, Many Believe the AI Bubble Will Burst, Affecting Electric Utilities, Forbes, September 29, 2025, available at <https://www.forbes.com/sites/llewellynking/2025/09/29/many-believe-the-ai-bubble-will-burst-affecting-electric-utilities/>.) Furthermore, recent international events, their associated macroeconomic uncertainty, and rises in oil and natural gas prices that may continue for a sustained period should provide PJM with a cautionary note when setting its procurement target based on forecasts instead of direct demand participation. Even before the recently initiated conflict with Iran, PJM adjusted downward its 2027 load forecast by 4 GW and its 2028 load forecast by 4.4 GW (Dive Brief, PJM trims near-term load forecast on stricter data center vetting, economic outlook, January 15, 2026 available at <https://www.utilitydive.com/news/pjm-interconnection-load-forecast-data-centers/809717/>.) Historically, the introduction of new, society changing technologies such as AI, and other causes have resulted in boom and bust cycles, including tulips (1630s), South Sea Bubble (1711-1720), Mississippi Bubble (1717-1720), shipping canals (1790s), railroads (1840s), the Great Depression (1929-1939), real estate (Japan 1980s, U.S. and Ireland, early 2000s), telecommunications (late 1990s), Dot-com Bubble (late 1990s through 2001), Asian Financial Crisis (1997-98), and cryptocurrency (2021-2022).

¹⁵ Rebecca Carroll, PJM, Reliability Backstop Procurement Stakeholder Summary & Status Update, Reliability Backstop Procurement Workshop, March 5, 2026, p. 10.

methodology to make this new capacity assessment by September 2026 just and reasonable and proportional to the need.

Furthermore, the potential buyers that PJM identifies may engage in gaming, that is, provide PJM with inaccurate or self-serving information that advances their own business interests. Either PJM must naively assume what it is told is correct or somehow assess the veracity of the information it is provided. In either case, PJM cannot be sure how accurate the information is and, therefore, how accurate its procurement target is. In contrast, relying on financially binding bids subject to market power monitoring and mitigation is less likely to result in inefficient market outcomes than relying upon inaccurate or self-serving information.

Second, PJM's March 5 Presentation may delay the ability to implement the Reliability Backstop Procurement by September 2026 because it requires PJM to determine whether data center projects will be curtailed or bring their own generation, and potentially to determine the amount of new resources that could be developed in the next few years. Using demand-side bids avoids this needless administrative process since potential buyers in the Reliability Backstop Procurement submit financially binding bids.

Related to the Reliability Backstop Procurement discussion but also to large loads more generally, PJM should consider establishing a registry for large loads so that it can identify these entities for reliability planning and operations, transmission planning, and administering the Base Residual Auction and the Reliability Backstop Procurement. Such a registry would ensure that PJM knows for each large load the capacity and connect and manage status and their changes over time.

PJM's March 5 Presentation included using Electricity Service Agreements (ESAs) (also known as transmission services agreements (TSAs) or construction services agreement (CSAs) (collectively, ESAs)), to identify data center large load. However, use of ESAs is not sufficient to establish a registry or to know which of the three capacity options a data center has selected: (1) bilateral contracting for new generation, (2) backstop procurement for new generation, or (3) connect and manage. During the stakeholder meetings, the Data Center Coalition raised a fair point that the data centers need to know which rules will apply and how to make the decisions regarding these three options. However, ESAs in retail choice states only represent wires-related costs and would not reveal the capacity choice of the data center. Additionally, retail choice ESAs can represent very speculative load. Not all states have robust large load tariffs that place the data centers with existing ESAs on the hook for significant obligations, making it easier to walk away. And where data centers are on the hook for high interconnection costs, that will pale in comparison to the cost of their share of 15-year capacity deals.

2. A Broad Range of Stakeholders Oppose PJM Setting the Procurement Target

Multiple proposals presented during PJM Reliability Backstop Procurement workshops recognized the importance of direct demand bids that are financially binding to prevent forecast errors and to appropriately assign costs and risks to designated counterparties. See Table 2.

Table 2: Stakeholder Proposals that Support Direct Demand Participation to Protect General Ratepayers From Cost Shifting and Risks

Stakeholder Proposal	Stated Position
MD-PA-DE Ratepayers, February 17, 2026	“The amount of capacity procured on the Reliability Backstop Procurement should be based on buy offers on behalf [of] AI Data Centers.” (p. 5)
NRDC, February 25, 2026	<p>“The [Reliability Backstop Procurement] must protect ratepayers from:</p> <ul style="list-style-type: none"> • Direct costs associated with new supply to serve large loads • The risk of stranded assets or private defaults” • “PJM should never assign costs for [Reliability Backstop Procurement] transactions to non-participating load.” • “The [Reliability Backstop Procurement] should not transfer forecast or project risk to the public through PJM” (p. 4) <p>“To protect ratepayers, the [Reliability Backstop Procurement] will match voluntary buyers and sellers.</p> <ul style="list-style-type: none"> • PJM will not purchase capacity. • Procurement target is simply the amount of buy bids placed in the auction.” (p. 6)
Old Dominion Electric Cooperative (ODEC), February 24, 2026	<p><u>“Design Component Addition for Proposals that have ‘PJM As the Counterparty’</u></p> <ul style="list-style-type: none"> • Large loads subscribing to the Reliability Backstop Procurement would need to financially commit to the full capacity amount. This requirement would hold for new large loads becoming LSEs and for existing LSEs that are procuring capacity directly/behalf of a large load.

Stakeholder Proposal	Stated Position
	<ul style="list-style-type: none"> • PJM’s Risk Management Group will develop collateral requirements in advance of the Reliability Backstop Procurement. • If any of the LSEs default on the obligation to pay for the Reliability Backstop Procurement capacity commitments, PJM will collect these default amounts exclusively from the parties that participated in this Reliability Backstop Procurement process (i.e. both generators and loads) based on its pro-rata share of its obligated absolute dollar amount of transactions in the Reliability Backstop Auction Process.” (p. 5)
East Kentucky Power Cooperative (EKPC), February 24, 2025	“EKPC prefers that PJM implement a backstop mechanism that relies on bilateral agreements to match data center capacity obligations with resources” (p. 2)
Monitoring Analytics, PJM Independent Market Monitor, February 24, 2026	<p>“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.” (p. 1)</p> <p>“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.” (p. 2)</p> <p>“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.” (p. 2)</p>

In addition to the five stakeholder proposals advocating direct demand participation, numerous survey responses from other stakeholders also supported this position or its equivalent. Table 3 provides these selected responses.

Table 3: Additional Stakeholder Support for Direct Demand Participation to Protect General Ratepayers From Cost Shifting and Risks

<p>NJ BPU: “Data centers should be the ones to set the [Reliability Backstop Procurement] procurement demand curve, including the target quantity and the price. Data centers should pay for the generation up to where they no longer find it financially worthwhile. Absent a paired generation source, data centers should be subject to curtailment under Connect and Manage and removed from the general capacity auction stack. By having data centers set their participation and willingness to pay, concerns about uncertain load forecasts are addressed. Doing so also minimizes the risk that existing ratepayers will bear costs due to stranded assets or underbuilt resources.”</p>
<p>Calibrant Energy: “Load "buy bids" should determine procurement targets. Load bids are a natural way to discipline forecasts to ensure that these procurements are right sized to load which is mature enough to make investments to achieve capacity service.”</p>
<p>NRG Business Marketing LLC, Midwest Generation, LLC, Helix Ironwood, LLC, Enerwise Global Technologies, LLC, NRG Curtailment Solutions, Inc., and Reliant Energy Northeast LLC:</p> <p>“We strongly encourage the procurement target be determined by large load (or LSEs on their behalf) offers to purchase capacity sufficient to meet their load.”</p>
<p>NJ Division of Rate Counsel: “The procurement targets should be based on voluntary load side bids, and not on the entire shortfall. Voluntary load side bids could come from data centers, Load-Serving Entities, or wholesale customers. The load that takes on the risk should then be allowed to address that risk as it sees fit. The only requirement should be that costs caused by new large load should not be allocated to other end users. A different approach, such as basing procurement targets on the entire shortfall, would require imposing the cost of procured resources on parties that have not agreed to bear those costs, such as other end use customers. This would be a clear violation of the cost causation principle and is unacceptable.”</p>

Note: Based on PJM survey results posted February 13, 2026, Question 4: How should the procurement targets be calculated and what party should be setting the targets? Does not include survey responses by entities making proposals listed in Table 2.

B. Reliability Backstop Procurement Model of New Capacity

This section comments on the text that intersects the “Procurement Target” row and the “Current” column, Box 2 in Figure 1, which states “PJM’s refined thinking is that PJM acts as the Administrator and Counterparty by securing the forward commitment of supply and allocating costs back to the Zone/TO/EDC where the load is located.”

This statement is fraught with concerns. First, PJM is not in any meaningful sense the “counterparty.” When PJM is the counterparty, PJM members, not PJM, are liable. Second, PJM, as the Administrator and “Counterparty,” risks that the costs of new resources, including the costs of credit, collateral, and associated risks, procured in the Reliability Backstop Procurement are borne by entities that are not data centers, which is contrary to the *Core Policy Direction*. As PJM has acknowledged during the Reliability Backstop Procurement workshops, the Transmission Owner (TO) or Electric Distribution Company (EDC) in a particular zone that PJM may assign the Reliability Backstop Procurement costs to may not be the LSE for the data centers for which PJM is procuring new capacity.¹⁶

It is worth describing in some detail the mechanics of PJM’s cost allocation to TOs/EDCs using a specific example. Suppose that in September 2026, PJM sets a reliability procurement target for the PPL zone of 5 GW of new data center to come online in 2030. As of September 2026, there may not be an LSE with a contract for 5 GW of data center load. Moreover, if PJM decides that it wants to attract “the most amount of MWs in the next couple of delivery years,”¹⁷ then the 5 GW may not even be actual data center load, but an estimate of the amount of new capacity PJM believes it may be able to procure.

What happens if, in September 2026, no LSE is willing to purchase the 5 GW of new capacity for 15 years? Does PJM become the buyer on behalf of all its members for this 5 GW? Does PJM make the EDC or LSE the buyer or counterparty? If PJM identifies the LSE where the 5 GW of data centers will be served, will the new capacity be allocated to that LSE? How and when does PJM transfer the financial obligation (i.e., the capacity payments) to pay for the backstop capacity to the LSE?

It is critical that PJM, in its April 10 proposal, explicitly states who the buyer is at every point in time, from awarding the procurement contract in the Reliability Backstop Procurement, during construction of the new capacity resource, and up to 15 years of operations. In addition, PJM must include what happens if the buyer goes out of business or does not materialize. The developer of the new capacity resource needs to know who the buyer is and its credit rating to obtain financing to develop its capacity resource. PJM’s credit and collateral department needs to know to whom they assign and verify the additional credit and collateral obligations. PJM

¹⁶ The PJM educational session on how cost allocation occurs with the Base Residual Auction identified a gap between new load and the assignment of the associated capacity purchase (Patric Bruno, PJM, Overview of PJM Cost Allocation, February 25, 2026). From this presentation (p. 3): “EDCs are responsible for allocating prior summer weather normalized peak load of zone to customers and determining obligation peak loads (typically based on 5 CPs.” The problem occurs when a new large load is connected. Its capacity obligation could be assigned to LSEs that do not serve it, and not to the large load’s actual LSE. Under existing PJM policies, LSEs that do not serve data centers may be held liable for data centers that default. According to PJM’s *Credit Overview & Supplement to the PJM Credit Risk Management Policy* (July 2025, p. 4): “If a defaulting Participant is serving load, PJM may initiate a process to transfer load back to the provider of last resort.”

¹⁷ Rebecca Carroll, PJM, Reliability Backstop Procurement Stakeholder Summary & Status Update, Reliability Backstop Procurement Workshop, March 5, 2026, p. 10.

members need to know how to meet their credit and collateral requirements. If PJM wants to swap the payments for new capacity resources for a guaranteed payment, presumably the entity on the other side of this swap would want to know who the buyer is.

It is also critical that PJM, in its April 10 proposal, explicitly calculate the additional credit and collateral requirement for its proposed procurement target, which PJM members are allocated those additional costs, and how those obligations and cost allocations change over time, from awarding the Reliability Backstop Procurement contracts through to the end of the contract's term. These credit and collateral requirements may be substantial and necessitate major modifications to PJM's core documents.

V. Conclusion

The Joint Consumer Advocates are committed to working with PJM and its stakeholders in advancing a Reliability Backstop Procurement that is consistent with federal and state policy and backed by the pledges of the country's leading AI/hyperscalers to “build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands, paying the full cost of those resources whether by building, or buying from, new or otherwise additive power plants” and to “pay for all new power delivery infrastructure upgrades required to service their data centers, including adequate network upgrade costs to ensure that these expenses are not passed on to the ordinary household.”¹⁸

The Joint Consumer Advocates have made clear the principles that a Reliability Backstop Procurement must satisfy. The Joint Consumer Advocates have also provided a more detailed Reliability Backstop Procurement proposal, identifying the design elements it must have and which of those have some flexibility.

PJM's March 5 Presentation is inconsistent with the White House, Governors of PJM States, and industry pledges that AI/hyperscaler companies – not other ratepayers – will pay for the new generation needed to serve data center demand. Instead, PJM's March 5 Presentation shifts the costs of the Reliability Backstop Procurement, including the costs of collateral and credit, and the real possibility of stranded investments to general ratepayers, which violates the principle of cost causation and is opposed by consumer representatives and many other PJM stakeholders.

PJM's March 5 Presentation to set the Reliability Backstop Procurement target based on a PJM administratively set forecast, perhaps modified based on discussions with buyers and PJM's estimate of the amount of new capacity that can be procured in the next couple of years, opens the door for erroneous information, gaming behavior by market participants, and potential delays

¹⁸ Ratepayer Protection Pledge at para. 1 & 2 (emphasis in original).

while PJM develops the methods and procedures to assess submitted information and to estimate future available capacity resources.

The quickest path to a successful Reliability Backstop Procurement is for PJM to return to its initial preferred position from February, in which direct demand-side participation (i.e., demand-side bids) informs the amount of new capacity procured by the Reliability Backstop Procurement. PJM can take additional steps to enhance the success of the Reliability Backstop Procurement by implementing direct demand-side participation, removing data center loads from the base residual auction to put downward pressure on capacity prices for general ratepayers, and by providing clear pathways for data centers and their LSEs to bring new resources to PJM via self-supply, engaging in bilateral contracts, or co-locating with generation to avoid curtailment.

Appendix: Joint Consumer Advocates Proposal

The Joint Consumer Advocates support a Reliability Backstop Procurement that is based on the following principles and is generally consistent with the PJM Independent Market Monitor's proposal (version 2) and NRDC's proposal:

1. Affordability – the Reliability Backstop Procurement caps costs in the near term and reduces capacity costs over time for non-large load ratepayers
 - a. Extension of the existing price collar for two more delivery years
 - b. Removal of new large load from the Base Residual Auction (BRA)
2. Cost Allocation – assign all the costs of supplying new capacity in the Reliability Backstop Procurement to the selected large loads
 - a. The amount of capacity procured by the Reliability Backstop Procurement is determined by direct demand bids by large loads
 - b. Large loads contract with new capacity suppliers
3. New Capacity Resources – capacity resources in the Reliability Backstop Procurement must be new
 - a. Connect and manage provides the incentive for large load customers to bring their own capacity, including by participating in the Reliability Backstop Procurement
4. Credit and Collateral Costs and Risks – these costs and risk must be borne by the large loads and new capacity resources selected in the Reliability Backstop Procurement and not by other PJM members
 - a. Individual contracts between selected large loads and new capacity resources
 - b. Possible pooling of selected large loads and new capacity may be considered but only if there is no risk of other PJM members paying for defaults (NRDC)
5. Workability – the Reliability Backstop Procurement must be able to be quickly implemented and procure new capacity resources
 - a. Capacity must be deliverable to the appropriate location
 - b. Procurement mechanism – multiple procurement mechanisms may achieve the above principles
 - c. Contract length – the length of the contract for new resources should be set based on the input of potential buyers and sellers in the Reliability Backstop Procurement