

Stakeholder Feedback on Reliability Backstop Procurement Survey Responses

Question 1	
Company Name	Please provide your thoughts on using the Critical Issue Fast Path (CIFP) process following the hiatus.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	No opinion on CIFP v 9.2(b)

Question 2	
Company Name	Please provide your thoughts on using the 9.2(b) process, providing notice and consultation, following the hiatus.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	No opinion on CFP v 9.2(b)

Question 3	
Company Name	Please provide any other thoughts on the stakeholder process following the hiatus.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	<ul style="list-style-type: none"> • PJM should ensure that any consultation with stakeholders that occurs during the hiatus period is inclusive of all stakeholder groups, including elected officials, regulators, environmental groups, and consumer advocates. • To the extent that PJM decides on specific “non-negotiable” aspects of the RBA, these should be justified and explained to the stakeholders. • Any open, “undecided” design components of the RBA should be open to stakeholder feedback with clear opportunities for input. In particular, we think the following elements should remain open to stakeholder feedback after the hiatus: <ul style="list-style-type: none"> o Procurement targets o Eligible buyers and sellers o Risk and cost allocation, including counterparty risk o Auction timing o Interactions with the Base Residual Auction and Connect & Manage

Question 4	
Company Name	Provide any feedback on the goals and principles for designing the Reliability Backstop process.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	<p>PPL reiterates its prior comments on this question. Additionally, regarding PJM's current thinking on the Procurement Model as reflected on slide 9 of its presentation from the March 5 meeting, why is PJM proposing to allocate costs to the zone/TO/EDC where the load is located as opposed to allocating costs on an LSE-by-LSE basis as envisioned by the White House/Governors Principles?</p> <p>In a restructured state with many LSEs procuring power for customers, has PJM considered how an EDC would pass these costs to other LSEs let alone ensure that wholesale procurement costs go to the correct LSE?</p> <p>Is PJM assuming that zone/TO/EDC are all the same entity?</p> <p>PPL questions PJM's use of TO on slide 9 of its March 5 presentation. When considering a backstop procurement framework, it is important to keep this concept separate from the existing transmission planning process used to determine and address network upgrade needs and solutions.</p> <p>Regarding PJM's statement that coordination with EDCs will be necessary to determining who the right buyers in a Reliability Backstop procurement will be, we suggest that deeper conversations between PJM and EDCs occur prior to PJM landing on a process would be productive to ensure EDCs are not put in a position of violating state-based customer data confidentiality requirements or agreements with large load customers.</p>
1. Rolling Hills Generating, LLC	<p>The board should ensure that the backstop procurement allows participation by new generation and verified uprates that were not previously committed in the RPM.</p> <p>All new and incremental UCAP that achieves commercial operation after implementation of the backstop procurement should be eligible to offer capacity into backstop procurement, provided that such capacity is not already committed through a prior BRA or IA and meets PJM's interconnection, deliverability, and Capacity Performance requirements.</p> <p>The backstop procurement should be designed and implemented in a manner that does not unnecessarily limit or restrict participation by new resources or uprates that were not previously offered or cleared in the Base Residual Auction.</p>
1. Natural Resources Defense Council	<p>While many are suggesting PJM run a limited, one time only RBA, we believe that PJM should take bold action now to resolve structural resource adequacy problems. A band-aid procurement will likely be outstripped by load growth even before the auction clears, fail to protect the public, and does little to address the many problems delaying new entry.</p> <p>These comments support a more comprehensive approach, where an ongoing RBA is structured to help resolve new entry barriers, give states and utilities tools to take responsibility for resource adequacy, and fully protect the public from the price impacts of new large loads.</p> <p>Satisfying the White House/Governors' principles to protect residential customers require several features in the RBA:</p> <ul style="list-style-type: none"> • The auction should be between willing buyers and sellers only. No costs or risk can be passed on to the pool. • Connect-and-manage load should be removed from the BRA. With this auction in place to provide a clear new entry price signal, the rationale for keeping connect-and-manage load in the BRA disappears. If connect and manage load stays in the BRA, consumers' bills will continue to increase because of data centers. • Market Participants not associated with large load should be able to buy capacity to meet anticipated needs. This is needed to prevent capacity prices from staying high indefinitely as new data centers consume all available new capacity. <p>The RBA will only be successful if it brings on genuinely new supply. The RBA must be designed to address the problems that are inhibiting new entry, including post-queue delays. To promote this:</p> <ul style="list-style-type: none"> • The RBA should integrate with queue cycles to avoid participation by speculative projects. • Commitments to deliver capacity by a specified date should be strict and the penalties for non-delivery high. This ensures developers offer responsibility and provides ample incentive to overcome siting and permitting challenges. • Any participation by 'avoided retirements creates an incentive for existing generation to claim it is planning to retire. That pushes out genuinely new capacity and reduces supply for native load. If avoided retirements are allowed, they will require strict oversight. • The auction should be open to any technology or size of new supply without restriction.

Question 5	
Company Name	Are there additional impacts, or feedback on identified impacts of a Reliability Backstop?
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	<p>PPL reiterates its prior survey comments to this question. We continue to believe that any framework adopted by PJM must recognize that not all LSEs are similarly situated and that implementation of an adopted framework must be feasible in both vertically-integrated and restructured states. The more certainty a framework adopted by PJM can provide related to the who, what and how much of a backstop procurement will facilitate effective allocation of cost to retail data center customers under state law. We also continue to have many questions related to how PJM will determine whether individual LSEs within the same zone/LDA are short for purpose of allocating any remaining costs.</p>
1. Rolling Hills Generating, LLC	<p>The Reliability Backstop should allow reasonable flexibility for new entry and uprate resources to reach commercial operation, without punitive consequences when delays occur outside the developer's control.</p> <p>Resources offering capacity into the backstop procurement as newly constructed generation or as incremental UCAP resulting from uprates should be required to make commercially reasonable best efforts to achieve commercial operation in time to provide capacity for the applicable delivery year.</p> <p>If a resource is unable to achieve commercial operation for the applicable delivery year due to factors outside the reasonable control of the resource owner, any associated penalty should be proportionate. Penalties should not be so severe that the risk of such delays discourages developers from pursuing new resources needed to address the reliability challenges the region is facing.</p>
1. Natural Resources Defense Council	<ul style="list-style-type: none"> Resources that clear that RBA should not be given a queue fast track. Instead, the backstop should integrate with queue cycles. The most reasonable time to hold backstop auctions is during the Decision Point III phase of each queue cycle, after applicants have a GIA but before the GIA signing deadline. This will allow sellers to form bids based on accurate price information, including the full cost of interconnection, and provide a price signal to aid decisions to move forward with a GIA or not.

Question 6	
Company Name	How far forward (in delivery years) should the Backstop look to address?
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	PPL reiterates its prior comments to this question
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	The auction should cover a period out to roughly current year + 15. But, both buyers and sellers should be able to make offers/bids that do not cover the entire period.

Question 7	
Company Name	How should the procurement targets be calculated and what party should be setting the targets?
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	<p>In addition to the prior comments provided by PPL to this question, has PJM considered how the large load addition request process will affect the inputs or cost assignment for the Reliability Backstop Procurement? For example, if PJM declines to include all or a portion of an EDCs large load addition request (considered firm by the EDC) for a forecast period covered by an RPM, will the portion of the load not included in the forecast be subject to a backstop procurement obligation? If so, is PJM concerned about the impacts of excluding EDC submitted load from the RPM forecast and then subjecting that same load to a backstop procurement with longer-term and potentially more expensive commitments?</p> <p>Would further discounting EDC large load addition requests result in BRA that does not include all Firm load additions push some load into "connect and manage" where it will be subject to curtailment prior to pre-emergency demand response?</p>
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	Procurement targets should be set by willing buyers, not by PJM. That said, buyers should include those who wish to procure for all load growth, not just large load growth. The procurement target is then simply the sum of buy bids.

Question 8	
Company Name	Should the backstop procurement be limited to large load or should all load growth be considered?
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	Both large loads and LSEs can purchase capacity in the RBA. LSEs that see possible capacity gaps can address load growth by buying capacity in the RBA, hopefully in coordination with their regulators. This reflects the increased responsibility for long-term resource planning that many states are now recognizing is necessary. This will also allow LSEs to buy capacity for all load growth, not just new large load growth.

Question 9	
Company Name	Please list any considerations for determining the Counterparty to the long-term contracts through the Reliability Backstop Procurement. (example: should this be the buyer (LSE) or PJM?)
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	<p>PJM should not take any actions that could result in risks being shifted to the public, rather than contained to the auction participants. To that end, PJM should not act as the financial counterparty in any way that could make non-participating ratepayers liable for costs, defaulted payments, or dissolution of a party.</p> <p>All that said, we think the pooled approach NRDC presented has advantages for risk management. But it's a means to an end. We wouldn't object to any workable counterparty approach as long as its not shifting costs or risks.</p>

Question 10		
Company Name	What criteria should be used to determine eligible supply for a Reliability Backstop Procurement? (Select all that apply.) - Selected Choice	What criteria should be used to determine eligible supply for a Reliability Backstop Procurement? (Select all that apply.) - Other - Text
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	Other	
1. Rolling Hills Generating, LLC	Upgrades, Surplus, Deferred Retirements, Imports (pseudo ties), Demand Response, Distributed Energy Resources (DER)	
1. Natural Resources Defense Council	Upgrades, Surplus, Deferred Retirements, Imports (pseudo ties), Demand Response, Distributed Energy Resources (DER), Other	Deferred retirements only with strict eligibility requirements as outlined in the NRDC proposal, offer mitigation, and provisions to end the contract early if the resource is no longer needed.

Question 11

Company Name	Please explain your position on term of contracts.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	Fairly open. We believe the most important aspect of contract term is flexibility on the start date. Resources that can be built quickly should be able to offer near-term capacity without excluding resources that are slower to build. (Taking this question broadly--it might not mean literal contracts but simply arrangements made under the governing documents with no additional paper)

Question 12	
Company Name	Are there willingness-to-pay considerations to resource selection? Please explain.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	Buyers can express willingness-to-pay through their bid price. Supply resources that offer more than the highest buyer is willing to pay won't be selected, ensuring efficient market outcomes.

Question 13	
Company Name	How should the Reliability Backstop process take into account deliverability and necessary system upgrades?
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	<p>The RBA should respect for deliverability in the same way as RPM, but should not create new constrained zones. Imports into constrained zones must be limited to retain enough import capacity for previously cleared RPM resources and to not create new constraints in near-future BRAs.</p> <p>System upgrades that are needed by resources clearing in the RBA could be considered in RTEP or funded through interconnection costs. However, the RBA should not be a way to transfer deliverability costs from new supply to load. Besides being unjustly discriminatory compared to how all other supply is treated, socializing network upgrade costs would risk selecting projects with uneconomically high network upgrade costs.</p>

Question 14	
Company Name	Should the backstop procurement be targeting September 2026? Please explain.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	No. We believe that the best time is in December 2026, during the Decision Point III phase of Transition Cycle 2. This will allow new supply resources to bid in with their full interconnection cost and construction timeline information, rather than inviting speculative supply projects that could increase risk and costs.

Question 15	
Company Name	Are there other considerations to the timing of the backstop? Please explain.
1. Louisville Gas and Electric Company/Kentucky Utilities Company 2. PPL Electric Utilities Corporation d/b/a PPL Utilities	N/A
1. Rolling Hills Generating, LLC	N/A
1. Natural Resources Defense Council	A critical part of this auction is that the cleared supply is actually delivered. If the auction is held in September, much of the new supply offered will be highly speculative. Aligning auction timing with queue cycles should greatly improve confidence in the projects selected.