UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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PJM Interconnection, L.L.C.	)	**Docket No. ER26-3380-000**
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MOTION FOR LEAVE TO ANSWER AND ANSWER OF PJM INTERCONNECTION, L.L.C.

PJM Interconnection, L.L.C. ("PJM"), pursuant to Federal Energy Regulatory Commission ("Commission" or "FERC") Rules of Practice and Procedure 212 and 213,[1] submits this Motion for Leave to Answer[2] and Answer ("Answer") to comments and protests filed in response to PJM's proposal, filed July 31, 2026 ("July 31 Filing"),[3] revising its Open Access Transmission Tariff ("Tariff") and the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region ("RAA")[4] to establish the Reliability Backstop Procurement ("RBP") in order to address resource adequacy concerns stemming from large loads ("RBP proposal"). The RBP proposal is one part of a multi-

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[1] 18 C.F.R. §§ 385.212, 385.213.

[2] Although Commission Rule 213(a)(2) does not generally permit answers to protests, the Commission permits answers for good cause shown, such as when an answer contributes to a more accurate and complete record or provides useful information that assists the Commission's deliberative process. This answer will aid the Commission's decision-making process by providing responses to the various comments and protests filed in response to PJM's filings in this docket. PJM therefore asks that the Commission accept this Answer. *See, e.g.*, *PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,073, at P 13 (2023) ("We accept the answers of J-Power [USA Development Co., Ltd.], [PJM Power Providers Group], PJM, Public Interest Entities, and the [Independent] Market Monitor [for PJM] because they have provided information that assisted us in our decision-making process."); *N.Y. State Pub. Serv. Comm'n v. N.Y. Indep. Sys. Operator, Inc.*, 158 FERC ¶ 61,137, at P 29 (2017) ("We will accept the Companies' and the Complainants' answers because they have provided information that assisted us in our decision-making process."), *order granting in part & denying in part reh'g & clarification*, 170 FERC ¶ 61,120, *order on clarification*, 171 FERC ¶ 61,114 (2020); *Colonial Pipeline Co*., 157 FERC ¶ 61,173, at P 23 (2016) ("In the instant case, the Commission will accept the Protestors' Answers and Colonial [Pipeline Co.]'s Answer because they have provided information that assisted us in our decision-making process.").

[3] *PJM Interconnection, L.L.C.*, Reliability Backstop Procurement to Address Resource Adequacy Concerns Stemming from Large Loads of PJM Interconnection, L.L.C., Docket No. ER26-3380-000 (July 31, 2026).

[4] Capitalized terms not otherwise defined herein have the meaning as defined in the July 31 Filing, Tariff, RAA, Amended and Restated Operating Agreement of PJM ("Operating Agreement"), and Consolidated Transmission Owners Agreement ("CTOA").

pronged, ongoing effort by PJM to respond to the challenges stemming from the influx of large loads into the PJM Region,[5] and also just one part of a multi-pronged implementation of the Statement of Principles Regarding PJM issued on January 16, 2026, by the National Energy Dominance Council ("NEDC") and the 13 governors of the PJM states.[6]

As discussed below, none of the protests, limited protests, comments, requests for clarification, or answers submitted in this matter[7] undermine the fact that PJM's RBP proposal is a just and reasonable and not unduly discriminatory or preferential means to procure capacity through a one-time backstop procurement. This proposal addresses the influx of large loads while maintaining resource adequacy, reliability, and affordability in a manner that respects the divide between state and federal authorities and avoids disrupting existing commercial arrangements.[8] Indeed, numerous PJM stakeholders and state commissions, representing a diverse range of interests, expressed general support for the RBP proposal.[9] For the reasons set forth below and in PJM's July 31 Filing, the RBP

[5] David E. Mills, PJM Board of Managers Chair, *Board Decisional Letter on Critical Issue Fast Path - Large Load Additions*, PJM Board of Managers (Jan. 16, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf [https://perma.cc/P57T-ZXYJ].

[6] *Statement of Principles Regarding PJM*, National Energy Dominance Council, 1 (Jan. 16, 2026), https://www.energy.gov/documents/statement-principles-regarding-pjm [https://perma.cc/35HJ-W56E] ("NEDC/PJM Governors' Principles"). The PJM state governor signatories are the governors of the 13 states of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia.

[7] *See* Appendix A, Protests, Limited Protests, Comments, and Requests for Clarification attached hereto.

[8] While PJM's Answer does not address every argument raised by intervenors, silence on any argument should not be deemed as acceptance of the arguments raised.

[9] *See, e.g.*, NJ BPU Comments at 7; Ohio FEA Comments at 6; OPSI Comments at 4; NRG Limited Protest at 2; DCC Comments at 2-3; Equinix Comments at 4; Base Power Comments at 1; PPL Limited Protest and Request for Clarification at 1.

proposal should be accepted, and made effective, no later than September 29, 2026, as requested.[10]

I. ANSWER

A. The RBP Proposal Is a Measured and Timely Response that Received Support from a Diverse Set of Stakeholders and Reflects the Fruits of PJM's Ongoing Efforts to Engage with Stakeholders.

The RBP proposal was constructed with an eye toward how to best serve the needs of the PJM Region, while also supporting PJM's core mission of maintaining the reliability of the electric power grid to keep the lights on for 67 million people across 13 states and the District of Columbia. The RBP proposal addresses the "Herculean challenge"[11] presented by the recent resource adequacy shortfalls in the PJM Region, while simultaneously:

- maintaining resource adequacy, reliability, and affordability;
- respecting the divide between state and federal authorities through a carefully constructed cooperative federalism framework;
- avoiding disruption to existing commercial arrangements;
- supporting a concurrent bilateral contracting pathway; and
- remaining consistent with the NEDC/PJM Governors' Principles.

Despite the complexity of the challenges and the numerous considerations that PJM was required to account for and balance, the RBP proposal garnered broad support from a diverse set of intervenors.[12] In addition, even after the July 31 Filing, PJM continued to

[10] The RBP procurement window will open if and when a Commission order accepts PJM's proposed RBP framework. To the extent the RBP framework is accepted by September 29, 2026, and absent significant revisions or developments, PJM intends to open the procurement window on September 30, 2026.

[11] NOVEC Protest at 4 (The Herculean challenge is "[t]he success, then, of the RBP relies on the coordination of a multidimensional amalgam of state regulatory commissions, legislatures, governors, local governments, and utilities across thirteen states and the District of Columbia.").

[12] *See, e.g.*, Equinix Comments at 1-2, 18; OPSI Comments at 1-3; Ohio FEA Comments at 1-3, 6; Vistra Protest at 1-2; ICC Comments at 1-3; NRG Limited Protest at 1-3; SMECO Comments at 1-2; AEU Comments at 1-2; CPV Comments at 1-2; NJ BPU Comments at 1-3; PIOs Limited Protest at 1-3, 9; PPL

actively engage with intervenors, and this Answer reflects several proposed clarifications and/or adjustments to the RBP proposal, which represent the fruits of PJM's ongoing stakeholder engagement. Furthermore, PJM has been providing states with additional guidance on how PJM and states will coordinate to implement the RBP proposal, while states have worked towards developing, or further developing, applicable rules to account for cost allocation of RBP Resources to retail load. Together, PJM and the states are continuing to work in tandem towards the shared goal of ensuring the orderly, transparent, and timely execution of the proposed RBP.

1. The RBP proposal received significant support from a diverse set of intervenors.

The RBP proposal received comments of general support for the RBP proposal from a diverse set of stakeholders[13] including, but not limited to:

Limited Protest and Request for Clarification at 1; Google Comments at 1, 8; DCC Comments at 2-3; Amazon Comments at 2; AEP Limited Protest at 2; Dominion Partial Protest and Comments at 2.

[13] *See, e.g.*, Equinix Comments at 1-2, 18; OPSI Comments at 1-3; Ohio FEA Comments at 1-3, 6; Vistra Protest at 1-2; ICC Comments at 1-3; NRG Limited Protest at 1-3; SMECO Comments at 1-2; AEU Comments at 1-2; CPV Comments at 1-2; NJ BPU Comments at 1-3; PIOs Limited Protest at 1-3, 9; PPL Limited Protest and Request for Clarification at 1; Google Comments at 1; DCC Comments at 2-3; Amazon Comments at 2; AEP Limited Protest at 2; Dominion Partial Protest and Comments at 2.

- **State public utility and advocacy groups**: the Organization of PJM States, Inc. ("OPSI"),[14] the Ohio's Office of the Federal Energy Advocate ("Ohio FEA"),[15] and the NJ BPU;[16]

- **Transmission Owners**: PPL Electric Utilities Corporation ("PPL")[17] and Dominion Energy Services, Inc. ("Dominion");[18]

- **Suppliers of capacity, developers, and trade groups representing them**: Advanced Energy United ("Advanced Energy United" or "AEU"),[19] Solar

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[14] OPSI Comments at 1 (The following OPSI members support OPSI's comments in support of PJM's July 31 Filing: the Delaware Public Service Commission, Public Service Commission of the District of Columbia, Illinois Commerce Commission ("ICC"), Indiana Utility Regulatory Commission, Kentucky Public Service Commission, Maryland Public Service Commission, Michigan Public Service Commission, New Jersey Board of Public Utilities ("NJ BPU"), North Carolina Utilities Commission, Public Utilities Commission of Ohio, Pennsylvania Public Utility Commission, Tennessee Public Utility Commission, and Virginia State Corporation Commission); *see also id.* ("OPSI supports the filing because the proposed revisions strengthen regional resource adequacy while appropriately recognizing that implementation will require complementary state action to ensure that RBP costs are allocated to the appropriate retail loads.").

[15] Ohio FEA Comments at 3 ("The Ohio FEA supports the filing."); *id.* at 6 ("PJM's RBP is a timely effort to address reliability concerns caused by significant data center load growth in the region. We urge the Commission to approve the filing to secure long-term capacity commitments from new resources to meet escalating demand and to mitigate any compounding effect on PJM's energy and capacity markets or other ratepayers.").

[16] NJ BPU Comments at 1 ("[T]he Board overall supports PJM's proposal. . . . [T]he Board supports the Tariff revisions to add the targeted one-time procurement RBP starting in 2026 . . . ."); *id.* at 3 ("The Board supports PJM's proposed Tariff revisions to conduct this backstop before waiting for an additional BRA to clear short. The Board also supports assigning the costs of this procurement to zones in proportion to their expected large load additions. This is necessary to ensure large loads can be made responsible for the costs, while recognizing that states have ultimate authority over retail cost allocations."); *id.* at 7 ("[T]the Board ultimately supports PJM's RBP proposal and the Board recommends approving it so PJM can run the central procurement in 2026.").

[17] PPL Limited Protest and Request for Clarification at 1 (PPL "is generally supportive of the [RBP] Filing.").

[18] Dominion Partial Protest and Comments at 3 ("Dominion generally supports the RBP as a one-time procurement to bring the PJM region to a more stable state of resource adequacy and pave the way for holistic market design reforms that will support the infrastructure needed to reliably serve load growth in the region. . . . The PJM region must address near-term deficiencies to begin focusing on the long-term solution, which is why Dominion Energy supports the RBP.").

[19] AEU Comments at 1 ("[Advanced Energy] United generally supports PJM's July 31, 2026, filing as the best available solution to address the pressing challenge of rapid load growth and slow resource entry in a manner that avoids putting even greater cost burden on existing customers not contributing to the resource adequacy shortfall."); *id.* at 28 ("[Advanced Energy] United accepts PJM's proposed [RBP] as a necessary tool to address the extraordinary challenges facing the region.").

Energy Industries Association ("SEIA"),[20] CPV Power Holdings, LP ("CPV"),[21] and Base Power, Inc. ("Base Power");[22]

- **Load Serving Entities ("LSE")**: NRG Companies ("NRG");[23]
- **Public Interest Organizations ("PIO")**: Sierra Club and Natural Resources Defense Council;[24] and
- **Large Loads:** Data Center Coalition ("DCC"),[25] Google LLC ("Google"),[26] and Equinix Inc. ("Equinix").[27]

Furthermore, a subset of the supporting intervenors—ranging from state public utility commissions to end-use customers—expressly urge the Commission to accept the

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[20] SEIA Comments at 1 ("SEIA does not oppose the RBP Proposal."); *id.* at 13 ("SEIA supports PJM's effort to address the resource adequacy shortfall on an expedited basis and appreciates the opportunity to provide these comments.").

[21] CPV Comments at 1 ("CPV supports the RBP Proposal and believes it is a critical step toward restoring resource adequacy in the PJM region.").

[22] Base Power Comments at 1 ("Base [Power] supports the RBP and the overall structure of the proposed auction."); *id.* at 3 ("Base [Power] supports PJM's RBP proposal and appreciates PJM's positive engagement with stakeholders on the peak-shaving opt-out structure.").

[23] NRG includes the following subsidiaries of NRG Energy, Inc.: NRG Business Marketing LLC; Aspen Gen Funding, LLC; Direct Energy Business, LLC; Doswell Limited Partnership; Energy Plus Holdings LLC; Enerwise Global Technologies, LLC d/b/a CPower; Green Mountain Energy Company; Helix Ironwood, LLC; Independence Energy Group LLC; LSP University Park, LLC; Midwest Generation LLC; NRG Curtailment Solutions, Inc.; Reliant Energy Northeast LLC; Riverside Generating Company, LLC; Stream Energy Pennsylvania, LLC; University Park Energy, LLC; and XOOM Energy, LLC. NRG Limited Protest at 1 n.3; *see also id.* at 1 ("The NRG Companies are supportive of the RBP concept . . . ."); *id.* at 3 ("[T]he NRG Companies generally support PJM's RBP proposal as a necessary 'stop-gap solution[]' to fill the reliability gap." (second alteration in original) (footnote omitted)).

[24] PIOs Limited Protest at 10 ("PIOs generally support PJM's Reliability Backstop Procurement proposal . . . . ."); *id.* at 1 ("PIOs urge the Commission to approve PJM's RBP Filing with a modification . . . .").

[25] DCC Comments at 2 ("Given the urgency of PJM's resource adequacy challenge, DCC supports moving forward with the RBP as a limited, one-time backstop."); *id.* at 8 ("DCC supports the Commission's acceptance of PJM's proposed [RBP] as a limited, one-time measure to address the immediate resource adequacy shortfall.").

[26] Google Comments at 1 ("Google commends PJM for taking steps to ensure reliability, which must remain its first priority."); *id.* at 8 ("Google recognizes that RBP may be a reasonable response to the current resource adequacy shortfall . . . .").

[27] Equinix Comments at 1-2 ("Equinix supports the adoption of the RBP on the timeline proposed by PJM. It is an urgent and necessary mechanism which, if applied as intended as a one-time backstop, can help support much-needed near-term stability for both market and reliability conditions."); *id.* at 4 ("Equinix supports PJM's RBP approach as a one-time response to a severe resource adequacy shortfall posing a near-term threat to reliability. Equinix urges the Commission to accept the RBP on PJM's proposed timeline . . . ."); *id.* at 18 ("Equinix supports the [RBP] as a one-time mechanism and urges the Commission to accept it so that the procurement window may open as scheduled.").

RBP proposal, particularly as the challenges posed by large-load growth require decisive action.[28]

The RBP proposal is, at bottom, a balanced and a middle ground approach. This fact is borne out again and again by the totality of the protests and comments filed in the above-captioned docket, which reflect that, on nearly every major issue, intervenors have filed critiques from different sides of that issue. Perhaps the most readily apparent example is the intervenor responses to the proposed $555/megawatt ("MW")-day Unforced Capacity ("UCAP") cap on the maximum willingness to pay—some intervenors assert that the cap is too low, while others claim that it is too high. As CPV appropriately and accurately states in its filed comments:

> The RBP is a necessary and timely response to [PJM's] growing resource adequacy challenge . . . . The RBP Proposal combines feedback from the diverse group of parties that participated in the [Critical Issue Fast Path ("CIFP")] to yield an overall package that aims to protect ratepayer interests while still providing the decisive action that the moment calls for.[29]

[28] NJ BPU Comments at 7 ("[T]he Board ultimately supports PJM's RBP proposal and the Board recommends approving it so PJM can run the central procurement in 2026."); Ohio FEA Comments at 6 (The Ohio FEA urges "the Commission to approve the filing to secure long-term capacity commitments from new resources to meet escalating demand and to mitigate any compounding effect on PJM's energy and capacity markets or other ratepayers."); OPSI Comments at 4 ("OPSI respectfully encourages the Commission to accept PJM's proposed Tariff and RAA revisions and permit PJM to implement the RBP while continuing to pursue related reforms necessary to address the challenges posed by large-load growth."); DCC Comments at 2-3 (DCC "urges the Commission to accept PJM's filing."); Equinix Comments at 4 ("Equinix urges the Commission to accept the RBP on PJM's proposed timeline while making limited, discrete modifications and clarifications . . . ."); *see also* PIOs Limited Protest at 1 ("PIOs urge the Commission to approve PJM's RBP Filing with a modification . . . ."); NRG Limited Protest at 2 ("[T]he NRG Companies respectfully urge the Commission to accept the July 31 Filing subject to the modifications proposed . . . .").

[29] CPV Comments at 1-2; *id.* at 3 ("CPV respectfully urges [with one limited clarification,] the Commission to act by, and accept the RBP Proposal and Tariff changes subject to a compliance filing effective, September 29, 2026, as PJM requested." (citing to July 31 Filing, Transmittal at 2-4)).

2. PJM has continued to engage with the stakeholder community and is amenable to several clarifications and adjustments to the RBP proposal that have been proposed by intervenors.

PJM appreciates the active engagement of its stakeholders on the RBP proposal and the constructive feedback from the stakeholder community. PJM agrees with Base Power, as well as other intervenors, that the RBP proposal has been shaped and informed by PJM's "positive and constructive engagement with stakeholders" during and following the CIFP, in spite of the "compressed timeline."[30]

In fact, since the July 31 Filing, PJM has continued to engage with its stakeholders and answer questions about the implementation of the RBP proposal. After conducting three post-CIFP workshops to discuss and answer questions concerning RBP implementation details,[31] and carefully considering comments, protests, requests for clarification, and answers filed in the above-captioned docket, PJM responds, in this Answer, to feedback from intervenors, and provides certain requested clarifications to the RBP proposal. In several instances, as PJM discusses, below, PJM is amenable to discrete

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[30] Base Power Comments at 1; *see also* PPL Limited Protest and Request for Clarification at 1 ("PPL Electric greatly appreciates the engagement of the [PJM] stakeholder community and the work of the PJM Board and staff in acting to address the capacity deficiencies arising from the 2027/2028 and 2028/2029 Reliability Pricing Model ("RPM") Auctions[.]"); Calibrant Request for Clarification at 2 ("Calibrant [Energy] is appreciative of PJM's engagement during the stakeholder process . . . ."); AEU Comments at 25 ("[Advanced Energy] United commends PJM's engagement, through the Critical Issue Fast Path process and otherwise."); PJMICC Comments at 2 (PJM Industrial Customer Coalition "wishes to express appreciation to PJM's Board, Staff, and stakeholders for the intensive communication and collaboration over the past many months leading up to the RBP Proposal.").

[31] *July 31, 2026 Post CIFP Workshop – Technical Overview Agenda*, PJM Interconnection, L.L.C. (July 31, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260731/20260731-agenda.pdf [https://perma.cc/2V6H-8CBZ]; *August 10, 2026 Post CIFP Workshop – RBP Window Information and Manual Page Turn Agenda*, PJM Interconnection, L.L.C. (Aug. 10, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260810/20260810-agenda.pdf [https://perma.cc/9BZY-SX66]; *August 28, 2026 Post CIFP Workshop – Technical Overview Agenda*, PJM Interconnection, L.L.C. (Aug. 28, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260828/20260828-agenda.pdf [https://perma.cc/6BMJ-CEUB].

adjustments to incorporate intervenors' suggestions into the RBP proposal in a compliance filing if so ordered by the Commission.[32]

That said, PJM recognizes that, to the extent any of the intervenors' suggestions are adopted, they must be implemented without undermining other key aspects of a proposal that seeks "to balance urgency with market principles."[33] PJM is appreciative of the feedback and collaboration from intervenors and highlights some of PJM's responses, in this Answer, to questions raised by intervenors:

- PJM responds to requests to clarify the role of Electric Distributors in the RBP (Answer, Part I.B);
- PJM responds to requests to clarify proposed Tariff, Attachment DD, section 18.1(d), the opt-out provisions for Electric Distributor zone/areas that address their capacity needs through peak shaving adjustment programs that are codified in state law and that also meet the requirements of Tariff, Attachment DD-2 (Answer, Part I.E.1);
- PJM responds to the request to clarify the scope of contractual instruments that PJM deems functionally equivalent to and serving the same evidentiary purpose as electric and transmission service agreements (Answer, Part I.E.2);
- PJM responds to the request for clarification that, for purposes of the Qualifying RBP Offset UCAP MW, incremental new generation or storage resource behind a previously registered end-use location should be permitted to be used to decrement the RBP procurement target; PJM is amendable to updating the proposed Tariff, Attachment DD, section 18.2(b)(vi) as described below (Answer, Part I.E.2);
- PJM responds to the request for clarification with respect to behind-the-meter generation projects and whether such projects are eligible to provide

[32] The Commission has exercised its discretion to permit changes to tariff language identified by the filing party in an FPA section 205 proceeding "meant to clarify . . . existing tariff provisions, eliminate certain inconsistencies, and correct typographical and other errors" subject to a compliance filing implementing such revisions. *Cal. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,140, at P 1 (2011); *id.* PP 13-14, 42-43 (accepting changes to tariff language identified by the California Independent System Operator Corporation ("CAISO") in its answer where CAISO agreed with intervenors that changes to the tariff would be consistent with CAISO's intentions and CAISO indicated that it was willing to correct the error; accepting other tariff revisions correcting typographical and other errors).

[33] SEIA Comments at 2.

capacity as demand response as either Qualifying RBP Offset UCAP or as RBP Resources (Answer, Part I.E.2);

- PJM responds to requests for clarification of, and would be amenable to CPV's suggested redlines to, Tariff, Attachment DD, section 18.5(f)(i)(2), clarifying the RBP gating-criteria provision requiring generation resources to provide evidence of 100% site control for each Generating Facility for a term of at least three years (Answer, Part I.F.5); and
- PJM provides additional clarity concerning when collateral requirements need to be posted and how much would need to be posted in a given Delivery Year (Answer, Part I.J.2).

B. The Role of Electric Distributors in the RBP Is Appropriately Tailored.

Several intervenors requested clarifications concerning the role of Electric Distributors in the RBP, and a subset of those intervenors furthermore suggest that the RBP proposal exceeds the scope of Electric Distributors' traditional roles, which are largely administrative in nature.[34] PJM submits that the RBP relies on Electric Distributors to play an increased reporting and coordination role, but not to exceed the scope of their traditional roles.

First, EKPC alleges that "PJM shifts a significant responsibility and considerable degree of discretion to Electric Distributors."[35] Similarly, Southern Maryland Electric Cooperative, Inc. ("SMECO") claims that the role of Electric Distributors in the RBP is overly expansive and exceeds the language in the PJM's Operating Agreement, section 11.3.3(h) to provide PJM with accounting, customer tracking, load forecasting, and other data.[36] But, by SMECO's own account, the RBP proposal calls for Electric Distributors to report information and act as a go-between—roles that are fundamentally harmonious with the existing role that Electric Distributors have played in PJM. More specifically, as

[34] *See, e.g.*, SMECO Comments at 3-7; AEP Limited Protest at 30-32; EKPC Protest at 35-41.

[35] EKPC Protest at 36.

[36] SMECO Comments at 4-5.

SMECO explains, the RBP proposal requires that Electric Distributors: (1) *communicate* opt-out request[s] and provide supporting materials to PJM; (2) *report* capacity offsets and provide supporting evidence to PJM; (3) *report* state/RERRA-determined allocation; (4) *report* information that feeds the Electric Distributor zone/area allocation of the RBP procurement Target and LSE daily formula; (5) *provide inputs* that impact LSE collateral.[37]

Second, EKPC asserts that PJM's RBP proposal improperly requires "Electric Distributors to effectively set allocation inputs for a Commission-jurisdictional charge. The allocation of these inputs impacts cost allocation and credit requirements."[38] These "allocation inputs" are, indeed, inputs to PJM forecasts that Electric Distributors already provide. Ultimately, it is PJM, and, where applicable, PJM states[39]/Relevant Electric Retail Regulatory Authority ("RERRA")—*not the Electric Distributors supplying the underlying inputs*—that will ultimately determine how such inputs inform cost allocation and credit requirements.

Third, SMECO's claim that PJM has called on Electric Distributors to "develop and provide distribution-impact studies for RBP [Distributed Energy Resources ("DER")] Aggregation Resources" misconstrues the proposed Tariff language, which states that RBP Sell Offers from RBP Demand Resources ("DR") and RBP DER Capacity Aggregation Resources ("DR/DER") must be accompanied by applicable Electric Distributor requirements.[40] PJM is not imposing, through the RBP proposal, requirements on Electric

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[37] *Id.*

[38] EKPC Protest at 35.

[39] The PJM states are: Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

[40] Proposed Tariff, Attachment DD, sections 18.5(f)(i)(12), 18.5(f)(i)(13).

Distributors to develop new or additional studies or requirements.[41] While Electric Distributors are, pursuant to the RBP proposal, expected to actively participate in the RBP by reporting information and serving as one conduit through which information flows, the role or function of Electric Distributors is not effectively changing.

Fourth, as described in the July 31 Filing, Electric Distributors perform a reporting or administrative role in the RBP and, as American Electric Power Service Corporation ("AEP") correctly notes, do not (to the extent that the same entity or subsidiary thereof does not occupy another role such as LSE) ultimately bear responsibility for RBP Charges. Finally, PJM directs intervenors to the August 28, 2026 Post-CIFP presentation, which addresses RBP implementation and execution details, including the various roles and responsibilities of PJM, Electric Distributors, Transmission Owners, LSEs, states, RERRAs, large loads, and other entities in the RBP.[42]

C. Nothing in Intervenors' Protests, Comments Call into Question the Justness and Reasonableness of PJM's Proposal to Establish an RBP Procurement Target Based on the Observed PJM Region Reliability Requirement Shortfall.

In July, the PJM Board of Managers ("PJM Board") concluded that, in light of the deteriorating resource adequacy conditions in the PJM Region, "a voluntary subscription framework would not provide sufficient assurance that capacity equal to the identified near-term shortfall would actually be procured[,]"[43] and ultimately directed PJM to file an

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[41] SMECO Comments at 4-5.

[42] PJM Staff, *Reliability Backstop Procurement Execution*, PJM interconnection, L.L.C., 5-6 (Aug. 28, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260828/20260828-item-01---reliability-backstop-procurement-execution---pjm-presentation.pdf [https://perma.cc/WX4T-UB8T] ("August 28, 2026 RBP Execution Presentation").

[43] Paula Conboy, Chair, PJM Board of Managers, *Board Decisional Letter on Critical Issue Fast Path – Reliability Backstop Procurement and Connect and Manage*, PJM Interconnection, L.L.C., 1 (July 27, 2026), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260727-board-

RBP proposal that would procure for the identified near-term shortfall of 6,831.3 MW (UCAP) of PJM's Regional Transmission Organization ("RTO") Reliability Requirement.

Several protestors assert that, rather than procuring for the observed, near-term shortfall of 6,831.3 MW (UCAP), the RBP should be based on the Joint Electric Distribution Companies and DCC RBP proposal ("Coalition RBP Proposal"), which is centered on a voluntary, subscription-based procurement wherein LSEs would voluntarily opt in to the procurement on behalf of their large load customers rather than being allocated costs by PJM.[44] It is worth noting, however, that DCC—an author of the Coalition RBP Proposal—was not among them. In fact, DCC filed in support of and urged the Commission to accept PJM's RBP proposal, while acknowledging that the RBP proposal filed by PJM on July 31 "is not the framework DCC proposed." According to DCC, "[g]iven the urgency of PJM's resource adequacy challenge, DCC supports moving forward with the RBP as a limited, one-time backstop[,]" particularly as "the filed proposal incorporates several important elements of the [Coalition RBP Proposal]."[45]

The Initial RBP Target of 6,831.3 MW (UCAP) represents a measured approach to addressing an urgent challenge that reflects careful consideration of many competing interests, as well as the role of the RBP as just one stop-gap measure in the context of more holistic, permanent solutions to the capacity market challenges that PJM faces today. In accordance with the NEDC/PJM Governors' Principles, PJM is on a path toward returning

decisional-letter-on-cifp-reliability-backstop-procurement-and-connect-and-manage.pdf [https://perma.cc/V9Z7-83AH].

[44] *See, e.g.*, JCA Protest at 30-32; EKPC Protest at 8-9, NOVEC Protest at 25, NYU Institute Comments at 23.

[45] DCC Comments at 2. Likewise, intervenor Exelon Corporation, an Electric Distributor and one of the authors of the Coalition RBP Proposal, did not file comments or protests in response to the July 31 Filing. *PJM Interconnection, L.L.C.*, Motion to Intervene of Exelon Corporation, Docket No. ER26-3380-000 (Aug. 4, 2026).

to market fundamentals as soon as possible.[46] In the meantime, the RBP proposal is just one piece of a multi-pronged response that is still in progress. The RBP proposal is not a one-stop solution to all the challenges in PJM's capacity market.

The RBP proposal will address the immediate capacity shortfall by procuring supply that is capable of coming online quickly, has a high level of certainty of being built, and can dependably provide capacity through the 2042/2043 Delivery Year, while PJM simultaneously works toward "reform[ing] the capacity market to ensure long-term viability and prevent consumers from bearing excessive ongoing costs[.]"[47] In other words, it will kick-start the ongoing process of working towards addressing capacity shortfalls.

As Dominion's protest and comments state, "[t]he RBP is not an answer to PJM's resource adequacy problem but is a necessary stop-gap solution to stabilize the region and allow for a more holistic review of the markets."[48] The procurement target reflects the fact that the RBP is intended to be a bridge, not a permanent, long-term solution.

1. Where LSEs have, in recent history, not independently procured sufficient capacity despite forecasted demand growth, there is good reason to find that a voluntary, subscription-based procurement will not ensure sufficient capacity to cover the shortfall.

Support for an RBP based on a voluntary, subscription-based or opt-in model, in essence, supports more of the status quo, even when the status quo has not been working. In PJM, it has long been the case that LSEs, and/or large loads served by those LSEs, may voluntarily enter into bilateral arrangements with suppliers of new capacity, without

[46] NEDC/PJM Governors' Principles at 1.

[47] *Id.*

[48] Dominion Partial Protest and Comments at 3.

intervention from PJM. This avenue for procuring capacity was open to the relevant parties long before the last two Base Residual Auctions ("BRA") cleared short and, in fact, the ability to bilaterally contract for capacity even predates the advent of the RPM. Nevertheless, the fact of the matter remains, voluntary arrangements for new capacity have not met that demand, and such arrangements have only just begun to gain traction as the projected September date for the RBP nears. Only in recent months, spurred by recent market conditions, along with this RBP proposal featuring a specific procurement target and PJM's separate interim resource adequacy service ("IRAS") proposal, have parties, including LSEs and/or the large loads they serve, begun to actively express greater interest in entering into agreements for meaningful amounts of new capacity that would even make a dent in the shortfall.[49]

In fact, despite the longstanding ability of LSEs, and/or the large loads served by LSEs, and suppliers of capacity, to enter into voluntary arrangements for new capacity, PJM cleared short of the PJM Region Reliability Requirement in the 2028/2029 BRA for a second consecutive year.[50] More specifically, the 2028/2029 BRA cleared 6,831.3 MW short of the RTO Reliability Requirement,[51] up from the 6,516.6 MW shortfall observed

[49] Anna Flávia Rochas, *PJM capacity market woes spur activity bilateral power deals*, Reuters (Aug, 25, 2026), https://www.reuters.com/business/energy/pjm-capacity-market-woes-spur-activity-bilateral-power-deals--reeii-2026-08-26/; *PSEG offers large load supply proposals in PJM's bilateral contracting process*, Utility Dive (Aug. 5, 2026), https://www.utilitydive.com/news/pseg-data-center-pjm-bilateral-contract-reliability/827045/ [https://perma.cc/FLF3-MSLY]. Furthermore, entering into such bilateral arrangements may ultimately insulate parties from the recently proposed IRAS mechanism, if that mechanism is accepted by the Commission.

[50] July 31 Filing, Transmittal Letter at 7 (citing *2028/2029 Base Residual Auction Report*, PJM Interconnection, L.L.C., 3 (July 14, 2026), https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2028-2029/2028-2029-bra-results-report.pdf [https://perma.cc/A53K-TXXY] ("2028/2029 BRA Report")).

[51] 2028/2029 BRA Report at 3.

in the 2027/2028 BRA.[52] The 2028/2029 BRA attracted *less* new capacity, even as the reliability requirement grew from 146,105 MW to 152,400 MW (UCAP).

In January 2026, the NEDC/PJM Governors' Principles implicitly recognized the need for a procurement target, as it would certainly not have been necessary to call for a reliability backstop auction to be held no later than September 2026 in the first place, were LSEs, the large loads they serve, and suppliers of new capacity already *voluntarily* entering into arrangements for capacity in quantities sufficient to address the shortfall. Furthermore, although PJM originally proposed a longer bilateral contracting period prior to the commencement of the RBP auction, for the reasons outlined above, PJM's instant proposal is cognizant of the NEDC/PJM Governors' Principles requesting a backstop auction by no later than September 2026.

Moreover, the facts do not support intervenors' suggestions that a voluntary, subscription-based model would adequately cover the capacity shortfall. Thus, the PJM Board reasonably concluded, based on those facts, that a voluntary, subscription-based framework would not procure sufficient new capacity to meet demand and, in fact, would be highly likely to fail to cover that shortfall.[53]

In its protest, Northern Virginia Electric Cooperative, Inc. ("NOVEC") counters that "even if [a voluntary, subscription-based model] procured less than the total shortfall, that should not be considered a failure when considered in the context of the" Coalition RBP Proposal.[54] But accepting such a counterargument would effectively contradict the

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[52] *2027/2028 Base Residual Auction Report*, PJM Interconnection, L.L.C., 3 (Dec. 17, 2025), https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2027-2028/2027-2028-bra-report.pdf [https://perma.cc/TA3Y-95AX].

[53] July 31 Filing, Transmittal Letter at 21-22.

[54] NOVEC Protest at 25.

fundamental core reliability goal of the RBP to acquire the capacity shortfall the region is already expected to experience due, in part, to individual, voluntary business decisions of contracting sellers and buyers of capacity.

2. The procurement target represents a conservative approach based on known, measurable, and observable metrics, which PJM has shown to be just and reasonable.

A number of intervenors assert that the procurement target may over procure for capacity or has not been fully supported.[55] The Initial RBP Target is based on a known, measurable, and readily observable capacity shortfall that is not in dispute. Compared to the recent resource adequacy forecasts projections, a 6,831.3 MW procurement target is conservative. In fact, as explained in the July 31 Filing, "the primary purpose of the RBP Target is to determine how much UCAP MW is needed to meet the reliability requirement shortfall *without over-procuring*."[56]

Indeed, as the Commission recently noted in a June 2026 order to show cause, "[w]hile we are encouraged by the implementation of [the RBP and other] processes to ensure resource adequacy and faster interconnection and ongoing stakeholder discussions, we remain concerned that these efforts *may fall short* in light of generator retirements and tightening supply conditions."[57]

First, PJM, the North American Electric Reliability Corporation ("NERC"), and other industry experts on the matter project that the capacity shortfall in the next 10 years will be on an order of magnitude of four to nine times the 6,831.3 MW shortfall. PJM's 2025 Long-Term Load Forecast projects a peak load growth of 32 gigawatts ("GW") from

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[55] *See, e.g.*, NYU Institute Comments at 23-25; ODEC Comments at 5.

[56] July 31 Filing, Transmittal Letter at 52.

[57] *PJM Interconnection, L.L.C.*, 195 FERC ¶ 61,211, at P 103 (2026) (emphasis added).

2024 to 2030, with all but 2 GW coming from data centers. The summer peak is expected to reach 222 GW by 2036. The PJM Board has warned that new large load demand could rise by about 70 GW by 2038, even as roughly 15 GW of generation has retired in the PJM footprint since 2022. Similarly, NERC's 2026 forecast predicts "high"[58] capacity risk by 2029. In this context, the approximately 6.8 GW procurement target is absorbed many times over.

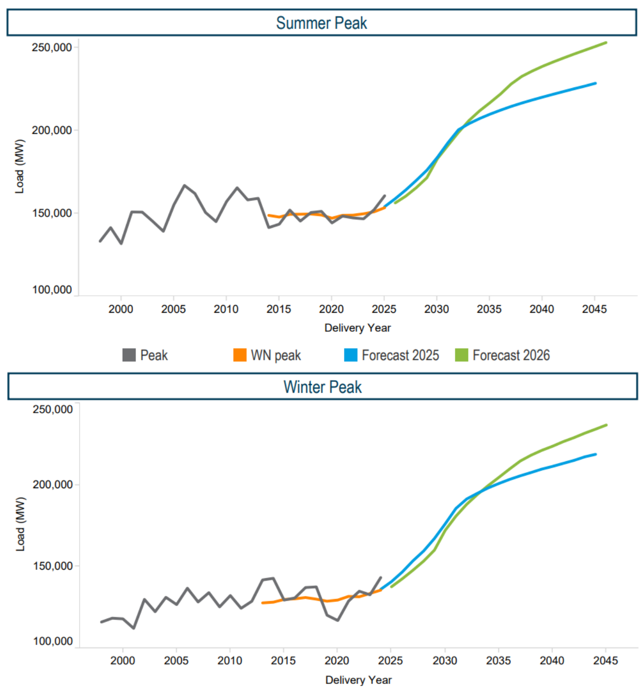
Second, because the procurement target is deliberately conservative, despite assertions by some intervenors to the contrary, recent downward adjustments to near-term forecasted large load demand do *not* suggest that the need for new capacity has eroded to the point that 6,831.3 MW (UCAP) of new capacity risks overstating the target. To the extent that forecasted large load demand may be adjusted down, the expected increase in demand over the foreseeable future still far exceeds 6,831.3 MW. Additionally, while the procurement target is based on the BRA shortfall for the 2028/2029 Delivery Year, the RBP will procure resources with in-service dates up until the 2032/2033 Delivery Year. Allowing procurement of capacity beyond the initial 2028/2029 Delivery Year decreases the risk of over procurement.

Third, the 6,831.3 MW shortfall is in and of itself already adjusted to reflect recent improvements to PJM's forecasting methods.[59] The 6,831.3 MW figure already incorporates forecast updates and improved vetting of requested adjustments for data

[58] *2025 Long-Term Reliability Assessment*, North American Electric Reliability Corporation, 8 (Jan. 2026), https://www.nerc.com/globalassets/our-work/assessments/nerc_ltra_2025.pdf [https://perma.cc/BSH7-7ALZ]; *id.* at 12 ("An assessment area is determined as High Risk when established resource adequacy targets or requirements are not met or when probabilistic or deterministic energy analyses find that planned resources produce shortfalls resulting in unserved energy or load loss exceeding criteria for baseline resource adequacy.").

[59] *PJM's Updated 20-Year Forecast Continues To See Significant Load-Term Load Growth*, PJM Inside Lines (Jan. 14, 2026), https://insidelines.pjm.com/pjms-updated-20-year-forecast-continues-to-see-significant-long-term-load-growth/ [https://perma.cc/W3UY-F9HE].

centers and large loads including, for example, an updated load forecast for summer 2026 that predicted a drop in peak electricity use attributed to large loads (-0.7%), compared to the PJM 2025 Long-Term Load Forecast Report.[60] Nevertheless, as the Summer Peak and Winter Peak graphs from PJM's 2026 Load Forecast Report makes clear, while slight downward adjustments from the 2025 forecast were made to reflect the updated 2026 Summer and Winter Peak forecasts,[61] PJM continues to expect significant and unprecedented growth, largely arising from large load demand.



Fourth, the RBP proposal permits the initial 6,831.3 MW target to be further adjusted down to reflect additional new capacity brought on to serve new load and certain opt-outs. Once additional new capacity and opt-outs are accounted for, the Final RBP Target will be lower than the Initial RBP Target of 6,831.3 MW. In other words, while the

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[60] *See id.*

[61] PJM Resource Adequacy Planning Department, *2026 PJM Load Forecast Report*, PJM Interconnection, L.L.C., 9 (Jan. 14, 2026), https://www.pjm.com/-/media/DotCom/library/reports-notices/load-forecast/2026-load-report.pdf [https://perma.cc/6BPF-LJYA].

initial procurement target is a fixed, known quantity set by the recent 2028/2029 Delivery Year BRA results, the final procurement target provides the flexibility to reduce that initial shortfall through Qualifying RBP Offset UCAP MW or opt-outs. This means that rather than being required to affirmatively opt in to the RBP, as would be the case under a voluntary, subscription-based model, PJM's RBP proposal preserves opportunities to opt out. Thus, once reductions for Qualifying RBP Offset UCAP MW and opt-outs are accounted for, the Final RBP Target will be lower than the Initial RBP Target of 6,831.3 MW.

The risk of over-procurement is therefore highly unlikely based on the facts and circumstances that PJM faces today, as well as the design of the proposed RBP Target. Furthermore, PJM proposes to procure for the known and measurable shortfall reflected in the 2028/2029 BRA in recognition that the value is not in dispute and that the RBP is not intended to be the one and only solution to the resource adequacy challenges facing the PJM Region today.

3. The procurement target need not contain a locational requirement.

Some protestors assert that the procurement target should include a locational requirement, and/or account for the needs of specific LSEs and/or large loads.[62] Calls to develop a more granular RBP procurement target are misguided.

As PJM's July 31 Filing notes, requiring more granularity by including locational parameters or requiring subsequent, periodic adjustments to the target only risks skewing results. Importantly, inclusion of a speculative locational parameter at this point would ignore the fact that:

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[62] *See, e.g.*, EKPC Protest at 31-33; JCA Protest at 28-29.

> PJM's interconnection process ensures the initial deliverability of new capacity to the RTO. Going forward, the PJM Regional Transmission Expansion Plan ("RTEP") process annually studies and addresses any transmission upgrades needed to ensure the ongoing deliverability of capacity resources. Load deliverability is also assessed as part of the RTEP process, which will identify transmission needs as load patterns change.[63]

In short, inclusion of a speculative 15-year forward locational capacity requirement would simply ignore actual PJM's system topology during the term of the RBP commitment. Such an approach disregards the role of PJM's interconnection and planning process, which studies deliverability of capacity resources to load throughout the PJM Region based on actual system locational needs.[64]

Additional granularity or updates are also unnecessary in light of the role of the RBP as a stop-gap solution that procures for the RTO-wide shortfall while PJM simultaneously continues to make progress on a broader, holistic review of its capacity market, the RPM, to identify durable, more permanent solutions to concerns stemming from large load additions.[65] This ongoing holistic review is in line with the NEDC/PJM Governors' Principles, which urged PJM to "embark on a stakeholder process to reform the capacity market to ensure long-term viability and prevent consumers from bearing excessive ongoing costs," with an ultimate goal of returning PJM to market fundamentals.[66] The Initial RBP Target of 6,831.3 MW is a conservative and a rough

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[63] July 31 Filing, Affidavit of Ms. Danielle Croop on Behalf of PJM Interconnection, L.L.C. (Attachment C) ¶ 9 ("Croop Aff.").

[64] *Id.* ¶ 9.

[65] *See Powering Reliability Through Market Design: Addressing Rising Demand and Constrained Supply, and Stimulating Investment to Support Durable Reliability* (May 9, 2026), https://www.pjm.com/-/media/DotCom/library/reports-notices/special-reports/2026/20260506-powering-reliability-through-market-design.pdf [https://perma.cc/3W8Z-M4TQ].

[66] NEDC/PJM Governors' Principles at 1; *see also CIFP Reliability Backstop Procurement – PJM Proposal*, PJM Interconnection, L.L.C., 1 (June 11, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260611/20260611-item-04a---pjm-reliability-backstop-proposal---post-meeting-

estimate; it is not intended to identify, with exacting precision, the full scope each PJM zone/area's capacity needs and, indeed, as noted above, guards against over-procurement. The Commission has never required procurement targets, particularly where they are specifically designed to be conservative, to be calculated with exacting precision or continuously adjusted to reflect updated information.[67]

D. RBP Offsets Should Neither Be Expanded to Include Additional Types of Capacity nor Revised to Account for Subsequent Reductions in Demand.

A number of intervenors critique the proposed parameters for Qualifying RBP Offset UCAP MW, arguing that Qualifying RBP Offset UCAP MW should be expanded to permit additional capacity to be decremented from the Initial RBP Target or otherwise allow for adjustments. The parameters for Qualifying RBP UCAP MW were thoroughly supported in the July 31 Filing.[68] As noted above, the Commission has never required procurement targets to be calculated with exacting precision or continuously updated to be just and reasonable.

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materials.pdf [https://perma.cc/X7T7-5RPB] ("2026 PJM CIFP Proposal") (providing background on stakeholder engagement).

[67] *See, e.g.*, *PJM Interconnection, L.L.C.*, 128 FERC ¶ 61,157, at P 77 (2009) (denying intervenor proposal "that [Interruptible Load for Reliability] capacity be determined prior to the third incremental auction so that this last auction would adjust total capacity procured such that PJM ultimately procured the targeted amount of capacity." Noting that "[t]his argument, however, does not go to the question of whether PJM's proposal in this case is just and reasonable. It is true that there may be more than one just and reasonable means of accommodating short lead-time resources in PJM's auctions, and in determining whether to accept PJM's filing, the Commission must only determine that PJM's proposed solution is just and reasonable, not that it is superior to other possible solutions. Interruptible Intervenors have not demonstrated that PJM's proposal is unjust and unreasonable, and we therefore reject their request for rehearing." (footnotes omitted)); *see also Midcontinent Indep. Sys. Operator, Inc.*, 189 FERC ¶ 61,108 (2024) (accepting proposed Target MW Value, a projected new interconnection MW quantity enabled by the Joint Targeted Interconnection Queue Portfolio identified by the RTOs, which was a conservative estimation of the appropriate amount of generation to participate in the Joint Targeted Interconnection Queue Portfolio without risking oversubscription), *order on reh'g*, 191 FERC ¶ 61,231 (2025), *appeals appending sub nom. Ark. Pub. Serv. Comm'n v. FERC*, Nos. 25-60127, et al. (5th Cir. Mar. 17, 2025).

[68] July 31 Filing, Transmittal Letter at 35-44.

1. PJM correctly concluded that only new capacity should be eligible to serve as Qualifying RBP Offset UCAP MW and decremented accordingly from the RBP procurement target.

Some intervenors suggest that not decrementing existing capacity, already secured through existing bilateral arrangements with large loads from the RBP procurement target—either by treating that existing capacity as Qualifying RBP Offset UCAP MW or through an opt-out provision—risks "disrupting existing commercial arrangements."[69] As one intervenor observes, "[t]his does not account for new load that has entered into a bilateral [Power Purchase Agreement ("PPA")] with an existing generation resource."[70]

First, the entire premise that not decrementing the RBP procurement target by the amount of capacity associated with an "*existing* generation resource" that has entered into a bilateral PPA with new load would "disrupt" existing commercial arrangements is specious at best. Whether the RBP procurement target is reduced by the capacity represented in such bilateral PPAs has no direct bearing on the commercial arrangement itself. The RBP does not abrogate, interfere with, or disrupt the agreement.

Second, the purpose of the RBP is to procure *new* capacity provided by *new* generation resources and other capacity resources. There has been insufficient *new* capacity to match the demand created by new load that has been coming online at a pace and quantity that has never been matched before. As OPSI notes, this approach "helps ensure that bilateral offsets and RBP procurements result in a genuine increase in regional capacity rather than simply shifting existing commitments among procurement mechanisms."[71] The fact that *new* load has contracted with an *existing* generation resource

[69] *See, e.g.*, Talen Request for Clarification at 4; Amazon Comments at 3.

[70] *Id.* at 4.

[71] OPSI Comments at 3.

simply means that the existing generation resource is no longer serving existing load. The shortfall thus remains—a shortfall that would not have existed without the demand created by large loads. Indeed, the existing resources Amazon Energy LLC ("Amazon") refers to in its comments[72] were already accounted for in the supply curve for the 2028/2029 BRA, which factored into the 6,831.3 MW shortfall the initial RBP procurement target is looking to procure. Allowing such existing generation to offset this target would simply not contribute to closing the shortfall.

Thus, far from "double charging large loads for capacity," requiring Qualifying RBP Offset UCAP MW to be new capacity matched with new load ensures that an already conservative Initial RBP Target is only decremented to account for *new* capacity and that new load does not simply protect itself from allocation of RBP Charges by purchasing existing capacity resources and leaving fewer available resources for residential and existing commercial customers.

To be deemed new capacity that may serve as Qualifying RBP Offset UCAP MW, capacity must have neither previously received a commitment in the RPM nor been previously committed in a Fixed Resource Requirement (FRR") plan, as of the beginning of the RBP, which is anticipated to occur in or around September 2026.[73] Existing capacity that is already the subject of bilateral contracts is not new capacity, even where that capacity has entered into bilateral contracts with new load.

[72] Amazon Comments at 3.

[73] July 31 Filing, proposed Tariff, Attachment DD, section 18.2(a).

2. *A just and reasonable RBP proposal does not require PJM to decrement the Initial RBP Target to account for near-term reductions in forecasted demand.*

Several intervenors suggest that the RBP procurement target should be further adjusted to account for withdrawals of prospective large load during the RBP procurement window. According to those intervenors, the quantity of withdrawn demand should be decremented from the Region-wide RBP Target.[74] But even if there have been some withdrawals of prospective large loads—as reflected in the slight reduction in large load demand captured in the most recent PJM load forecast, that forecast nevertheless continues to predict steep, exponential load growth in demand. Thus, a just and reasonable RBP proposal need not further decrement the RBP procurement target to account for specific, recent large load withdrawals.

E. *PJM Addresses Several Intervenor Requests for Clarification to the Proposed Opt-Outs.*

1. *PJM is providing several clarifications to the peak shaving adjustment opt-out in response to requests from intervenors.*

Base Power, NJ BPU, and Advanced Energy United request clarifications concerning the proposed opt-out for Electric Distributor zone/areas that address their capacity needs through peak shaving adjustments. PJM addresses those requests below.

First, both NJ BPU and Base Power request clarification about timing of electing the opt out for qualifying peak shaving adjustment programs.[75] PJM confirms that the submission of the full peak shaving adjustment plans would not be needed at the time of an election to opt out of the RBP. Specifically, peak shaving adjustment plans for the 2028/2029 Third Incremental Auction can be submitted as late as September 2027 in

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[74] *See, e.g.*, OPSI Comments at 3-4; JCA Protest at 10-12.

[75] NJ BPU Comments at 6-7; Base Power Comments at 2, 6-8.

accordance with the existing rules specified in Tariff, Attachment DD-2.[76] PJM will simply require an Electric Distributor that elects to opt out of the RBP that a peak shaving adjustment plan will be submitted in accordance with the requirements set forth in Tariff, Attachment DD-2 at the time it makes the opt-out request, which will be due within three weeks from the commencement of the RBP (i.e., if the RBP commences September 30, the requests would be due by October 21).

Base Power also requests that PJM clarify "that the peak shaving decrement is not discounted and will have a 1:1 ratio; in other words, every 1 MW of peak-shaving identified by an Electric Distributor will result in 1 MW decremented from the Initial RBP Target, with no adjustments."[77] PJM also confirms that every MW of peak-shaving adjustment, converted into UCAP terms, to opt out of RBP will be used to offset the final RBP procurement target on a 1:1 ratio. This approach also accommodates state policy in the course of determining the appropriate Final RBP Target. Third, Base Power suggests that the proposed Tariff language, Attachment DD, section 18.1(d) should be revised to remove the words "up to" from the proposed language:

> The Initial RBP Target shall be further decremented, if requested by an Electric Distributor, by up to the associated MW quantity of load that participates in a peak shaving adjustment program where such Electric Distributor's zone/area addresses their capacity needs through peak shaving adjustment programs that are codified in state law and that also meet the requirements of Tariff, Attachment DD-2.[78]

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[76] Tariff, Attachment DD-2 ("Peak Shaving Adjustment plan shall be submitted to the Office of the Interconnection no later than 10 Business Days prior to September 30 to be effective for the next PJM load forecast update").

[77] Base Power Comments at 2.

[78] July 31 Filing, proposed Tariff, Attachment DD, section 18.1(d).

PJM does not believe that the "up to" language should be removed from the proposed Tariff provision. The words "up to" signify that PJM may, to the extent the associated MW quantity of load participating in a peak shaving adjustment program does not meet the requirements of the opt-out, determine not to decrement the RBP procurement target by that quantity of MW. It is also possible that an additional party already has a bilateral agreement which would offset the target, thus requiring less peak shaving adjustment to meet the total target. Without the words "up to" in the proposed Tariff language, there could be confusion as to where to credit the additional non required reduction against the RBP procurement target.

Lastly, Advanced Energy United raises concerns that "a load that successfully qualifies for the RBP opt-out [through participation in a qualifying peak shaving adjustment program] could nonetheless find itself subject to IRAS curtailment."[79] Advanced Energy United raises this concern in response to the statement, in the July 31 Filing, that "'even if the Electric Distributor zone/area qualifies for and receives an opt-out from the RBP, the load in that zone/area may be subject to load reduction under the forthcoming proposal to implement an IRAS.'"[80] To the extent that peak shaving adjustment interacts with IRAS, such issues are outside the scope of this proceeding and will be separately addressed in the IRAS proceeding in Docket No. ER26-3515-000.

2. Clarification regarding evidence required to satisfy Qualifying RBP Offset UCAP MW requirements set forth in proposed Tariff, Attachment DD, section 18.2.

Several intervenors seek clarifications regarding the evidence that may support Qualifying RBP Offset UCAP MW. First, Tract Holding Company I, LLC ("Tract") seeks

[79] AEU Comments at 6.

[80] *Id.* (quoting July 31 Filing, Transmittal Letter at 46).

clarification with respect to the requirement that Qualifying RBP Offset UCAP MW be accompanied by an "executed electric service agreement or transmission service agreement."[81] According to Tract, other "functionally equivalent agreements that serve the same evidentiary purpose as electric and transmission service agreements" should satisfy the evidentiary requirements for Qualifying RBP Offset UCAP MW.[82] Tract notes, for example, that new load customers may:

> have executed transmission security agreements, construction letters of authorization, or similar agreements have undertaken binding contractual and financial commitments functionally equivalent to those assumed under standard electric service or transmission service agreements. In each case, the customer has demonstrated a genuine, non-speculative commitment to achieve commercial operation within a defined timeframe; the sole relevant distinction lies in the particular contractual instrument through which that commitment has been formalized.[83]

PJM agrees that it is the binding nature of contractual agreements that supports a non-speculative commitment to achieve commercial operation within a defined timeframe, not the format in which the contractual instrument has been formalized. PJM clarifies that, in the implementation of this proposed Tariff provision, it will also consider contractual instruments that PJM deems functionally equivalent to and serving the same evidentiary purpose as electric and transmission service agreements.

Second, Calibrant Energy requests clarification with respect to whether behind-the-meter generation projects are eligible to provide capacity as demand response either as Qualifying RBP Offset UCAP or as RBP Resources.[84] For reasons discussed above and in

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[81] July 31 Filing, proposed Tariff, Attachment DD, section 18.2(c).

[82] Tract Request for Clarification or Limited Protest at 4.

[83] *Id.* at 9.

[84] Calibrant Request for Clarification at 2.

the July 31 Filing, decrements to the RBP procurement target based on Qualifying RBP Offset UCAP MW account for recent *new* capacity matched to *new* load. Likewise, as previously discussed, PJM's requirements and gating criteria for RBP Resources requires resources to meet stringent requirements to be eligible to receive potential rewards in the procurement and price certainty up to a term of 15 years. To be clear, the eligibility requirements for Qualifying RBP Offset UCAP and RBP Resources are not the same. To the extent that generation provides capacity meeting the qualifications set forth in either proposed Tariff, Attachment DD, section 18.2(c), to provide Qualifying RBP Offset UCAP MW, or the qualifications in proposed Tariff, Attachment DD, section 18.5, to serve as RBP Resources, that capacity can be said to contribute to addressing the resource adequacy shortfall.

Third, Voltus requests clarification that, for purposes of the Qualifying RBP Offset UCAP MW, incremental capacity comprised of new generation or storage resource behind a previously registered end-use location should be permitted to be used to decrement the RBP procurement target.[85] PJM agrees with Voltus that such an approach "hews closely to language PJM has used later in the proposed tariff while defining RBP resource eligibility."[86] To that end, PJM is amendable to updating the proposed Tariff, Attachment DD, section 18.2(b)(vi) as follows:

> (vi) Planned Demand Resource or Planned DER Capacity Aggregation Resources, as described in the RAA, Schedule 6 and Schedule 6.2, <u>where such incremental capacity are not reliant on locations which previously provided capacity unless such previous location represents additional capacity resulting from an investment in new generation or new storage resources at that location.</u>

[85] Voltus Comments at 9.

[86] *Id.*

3. *PJM understands that ODEC's rates are not subject to regulation of the Virginia State Corporation Commission.*

Old Dominion Electric Cooperative ("ODEC") raises concerns that, as an electric cooperative with member distribution cooperatives in Virginia—a state in which "electric cooperatives operate under a regulatory framework that includes oversight of rates and services by the Virginia State Corporation Commission"[87]—ODEC and its member distribution cooperatives may not qualify for the opt-out applicable to "Electric Distributor's zone/area has rates that are not regulated by the states and is unable to address cost allocation associated with capacity procured in the backstop."[88] ODEC, in its comments, notes that it "believes the opt-out was intended to provide a reasonable safeguard for smaller utilities, including electric cooperatives and municipal utilities, that could face disproportionate exposure to Reliability Backstop Procurement obligations."[89]

As PJM described in the July 31 Filing, this narrow opt-out was designed to address a limited regulatory gap faced by cooperatives and municipal utilities whose rates are not regulated by the states.[90] To the extent that cooperatives and municipal utilities' rates are not governed by a state regulatory authority that would be responsible for addressing the potential reallocation of RBP Costs to either large loads or other zone/areas within the state, there is risk that those cooperatives and municipal utilities' customers would be at risk of absorbing the costs of an "overbuy" if a particular large load fails to materialize.[91] Thus, the proposed opt out should appropriately be limited only to those Electric Distributors that

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[87] ODEC Comments at 7.

[88] July 31 Filing, proposed Tariff, Attachment DD, section 18.1(d).

[89] ODEC Comments at 8.

[90] July 31 Filing, Transmittal Letter at 45.

[91] *Id.*

are not regulated by the state. To the extent that "ODEC is the LSE for its member cooperatives" and "ODEC is not subject to rate regulation by state commissions,"[92] ODEC would qualify as an Electric Distributor that is not subject to regulation by the state and may elect to opt out of the RBP.

F. PJM's Procurement Process Is Just and Reasonable.

Several protests challenge aspects of PJM's proposed procurement process under the RBP. Specifically, those protests assert that the proposal to procure RBP Resources for a fixed term of up to 15 years is too long, the $555/MW-day (UCAP) cap on the maximum willingness to pay is too low, too high, or should not exist, and/or that the procurement, presently targeted to take place at the end of September 2026, should be delayed. None of these arguments undermine the justness and reasonableness of PJM's RBP proposal.

1. Procuring RBP Resources for a fixed term of up to 15 years is just and reasonable and not unduly discriminatory or preferential.

Some intervenors assert that the RBP proposal is unjust and unreasonable, because the RBP aims to obtain commitments of new RBP UCAP MW from RBP Resources for a fixed term of up to 15 years—starting as early as the 2028/2029 Delivery Year and ending with the 2042/2043 Delivery Year, with commitment terms of RBP Resources scheduled to commence service after the 2028/2029 Delivery Year shortened by a commensurate number of years and ending in the 2042/2043 Delivery Year.

As noted in the July 31 Filing, the fixed, maximum 15-Delivery Year term is informed by the NEDC/PJM Governors' Principles, which expressly sought "15-year price

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[92] ODEC Comments at 9.

certainty for *new* capacity resources[]"[93] to provide "[r]evenue [c]ertainty to [n]ew [g]eneration[.]"[94] Nevertheless several intervenors assert that procuring for a fixed term of up to 15 years is unjust and unreasonable.[95] Those arguments are without merit.

According to the Joint Consumer Advocates ("JCA"), procuring RBP Resources through a central procurement for a fixed 15-year term, ending in the 2042/2043 Delivery Year, is internally inconsistent with PJM's assertion that Qualifying RBP Offset UCAP MW, which may decrement the RBP procurement target, may be supported by bilateral arrangements for new capacity resources for terms as short as five years.[96]

The JCA's protest draws a false equivalence, erroneously comparing the requirement that bilateral arrangements supporting Qualifying RBP Offset UCAP MW contract for a minimum of five Delivery Years, with the requirement that resources procured through the RBP offer commitments for RBP UCAP MW for a fixed period of 15 Delivery Years. Bilateral arrangements for new capacity are distinguishable from the RBP procurement mechanism. Parties that enter into bilateral arrangements are neither similarly situated to the suppliers that voluntarily submit offers in the RBP, with PJMSettlement as the counterparty to such offers, nor to the LSEs and large loads that are ultimately allocated cost responsibility for RBP UCAP MW.

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[93] NEDC/PJM Governors' Principles at 1; *see also* Tariff, Attachment DD, section 16.4(a) ("The Reliability Backstop Auction shall obtain commitments of additional Generation Capacity Resources (or, as applicable, additional Base Load Generation Resources) for a term of up to fifteen (15) Delivery Years.").

[94] NEDC/PJM Governors' Principles at 1.

[95] *See, e.g.*, JCA Protest at 14; ICC Comments at 4; AEP Limited Protest at 6, 28-30; Blue Ridge Comments at 3.

[96] JCA Protest at 14 ("The [proposed RBP] design defeats itself by requiring the purchase of longer-term resources while constraining the participation of shorter-term resources that could better align with the identified need. . . . [T]he proposed RBP design includes provisions that undercut the notion that fifteen years of payments are needed to address the shortfall.").

First, there is broad consensus among intervenors that the preferred method of meeting the resource adequacy shortfall is through bilateral arrangements between LSEs, and/or the end-use customers (i.e., the ratepayers) they serve, and suppliers of new capacity.[97] Bilateral arrangements are privately negotiated business deals and, within the limits of the law, parties to such arrangements may freely negotiate the terms. Parties voluntarily enter into these bilateral arrangements, to which PJM is not a signatory. Furthermore, the five Delivery Year minimum is a term required of bilateral arrangements that support Qualifying RBP Offset UCAP MW, *not* a minimum term required of all bilateral arrangements for new capacity. Thus, the five-year minimum term requirement does not prohibit parties from entering into bilateral arrangements for new capacity with shorter terms. Those arrangements would not, however, support Qualifying RBP Offset UCAP MW.

Second, as PJM explained in its July 31 Filing, "a five-year term is not so lengthy as to undermine the flexibility needed for commercial contracting or to pose a significant barrier to eligibility for Qualifying RBP Offset UCAP MW . . . ."[98] Bilateral arrangements remain the preferred approach to meeting the resource adequacy shortfall. Establishing less stringent terms for Qualifying RBP Offset UCAP MW encourages parties to voluntarily enter into bilateral arrangements and, thus, decrement the RBP procurement target and reduce the quantity of UCAP MW that would otherwise be subject to the more interventionist RBP framework. Thus, in concluding that the minimum term for bilateral arrangements supporting Qualifying RBP Offset UCAP MW should be five Delivery

[97] *See, e.g.*, DCC Comments at 2; NJ BPU Comments at 2-3; OPSI Comments at 3; Dominion Partial Protest and Comments at 4.

[98] July 31 Filing, Transmittal Letter at 39-40.

Years, PJM sought to ensure stability and certainty that new capacity would be developed through the arrangements without dampening parties' willingness to enter into bilateral arrangements.

Third, as PJM explained in its July 31 Filing, "bilateral agreements may not need to be longer than five years to develop new capacity."[99] For a bilateral arrangement, the end of a minimum five-year term does not necessarily suggest that the buyers in the arrangement will no longer be responsible for paying for the new capacity. Rather, it suggests that, after a minimum five Delivery Year term, parties may seek to transfer or renegotiate the terms of its bilateral arrangements. This, too, is a feature of the flexibility afforded business arrangements, which require little to no intervention from PJM.

Fourth, procurement through the RBP, on the other hand, is a significant, one-time intervention in which PJMSettlement would serve as a counterparty that procures RBP Resources on behalf of LSEs. In other words, under the RBP, PJM would step in and serve as the counterparty that procures supply on behalf of load.

Fifth, the RBP is only necessary where independent contracting, self-supply, and other private arrangements have not proven sufficient to meet the shortfall. Indeed, where parties are unable to procure, or decide not to procure, sufficient capacity for themselves by entering into bilateral arrangements, PJM is taking this one-time action by stepping in through the RBP. As noted above, bilateral arrangements entered into independently by contracting parties is the preferred and more straightforward pathway to meeting the capacity shortfall.

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[99] *Id.* at 40.

Sixth, where bilateral arrangements have failed to attract sufficient new capacity to meet new demand, a procurement that offers a fixed term of up to 15 Delivery Years is one aspect of the RBP intended to attract new supply. The 15-year term provides price certainty through the 2042/2043 Delivery Year, in keeping with the NEDC/PJM Governors' Principles.[100] Furthermore, as the NJ BPU observes, "a price commitment of up to 15 years for qualified new supply resources, will also help attract new supply resources."[101] Similarly, the Ohio FEA notes that procuring "long-term capacity for a fixed term of up to 15 years" will "incent new resources to address the capacity shortfall."[102] In other words, the 15-year term is intended to motivate supply to participate in meeting the procurement shortfall in a timely manner where other measures have failed.

The JCA asserts, "it is also unduly discriminatory to require some ratepayers to pay for fifteen-year procurements when other ratepayers are insulated from RBP charges due to exemptions or bilateral/self-supply arrangements of only five years."[103] But ratepayers can choose. The fact that such a choice gives rise to different results does not amount to evidence of undue discrimination.

To be clear, the ratepayers at the center of this issue are large loads, which have pledged to build, bring, or buy their own energy supply and which, for all intents and purposes, will be responsible for the costs associated with procuring RBP Resources. These ratepayers are sophisticated parties that have, by their own terms, "consistently maintained that the most durable solution to PJM's resource adequacy challenge is to

[100] NEDC/PJM Governors' Principles at 1.

[101] NJ BPU Comments at 3.

[102] Ohio FEA Comments at 5.

[103] JCA Protest at 17.

enable customers adding significant new demand to bring new supply with them."[104] To meet their capacity needs, these ratepayers may enter into bilateral arrangements, which are inherently more flexible, including with respect to the length of the term required to support Qualifying RBP Offset UCAP MW, and which can be used to decrement the procurement target of the zone/area in which that ratepayer is located. On the other hand, these ratepayers may elect to not act and to thus allow PJM to procure on behalf of the LSE that serves them. If ratepayers choose the latter, they face payments for RBP Resources for the fixed term of up to 15 Delivery Years. Each choice presents different results and consequences. Those differences are not evidence of undue discrimination against similarly situated ratepayers but rather the outcomes of decisions made by ratepayers who have elected to be situated differently.

2. The $555/MW-day (UCAP) cap on the maximum willingness to pay in a pay-as-bid procurement is neither too high nor too low.

PJM has proposed that the levelized procurement cost of all selected RBP Sell Offers not exceed a maximum willingness to pay of $555/MW-day UCAP, on a MW-weighted average basis over all Delivery Years of the RBP.[105] In other words, under the pay-as-bid structure, some RBP Resources may be paid more, while others may be paid less than the proposed $555/MW-day (UCAP) cap.

As the Commission order accepting the inputs arising from the latest Periodic Review recognizes, PJM is required to submit a Periodic Review of inputs to the RPM, including Point 1 on the Variable Resource Requirement ("VRR") curve, which establishes

[104] DCC Comments at 2.

[105] July 31 Filing, proposed Tariff, Attachment DD, section 18.5(f)(ii).

the price cap, at least every four years.[106] For 2028/2029 Delivery Year BRA, the uncollared price cap, i.e., Point 1 on the VRR curve, of $555/MW-day (UCAP) was accepted by the Commission earlier this year pursuant to the Commission order finding PJM's Periodic Review of certain variables and inputs to the RPM to be just and reasonable.[107] Neither the Commission nor PJM's Tariff requires that PJM continuously update its Periodic Review to reflect changing conditions.

Some intervenors filed protests and comments asserting that the proposed $555/MW-day (UCAP) cap on the maximum willingness to pay is unjust and unreasonable either because the cap is too high or too low. For example, Ohio Consumers' Counsel ("OCC") argues that $555/MW-day (UCAP) is unjust and unreasonable as it is "significantly higher than the clearing price in the 2028/2029 auction of $325/MW-day price cap, which also reflects the scarcity conditions in that auction."[108] JCA likewise argues that $555/MW-day (UCAP) is too high, because the "15-year price certainty reduces supplier risk and eases financing . . . the willingness to pay for a 15-year commitment—and the price that resources should be willing to accept, if guaranteed for 15 years—should be substantially less than the corresponding amounts for a one-year commitment."[109] The Independent Market Monitor for PJM ("IMM") asserts that the $555/MW-day cap is a year

[106] *PJM Interconnection, L.L.C.*, 194 FERC ¶ 61,049, at P 44 (citing Tariff, Attachment DD, sections 5.10(a)(i)-(iii)), *order addressing arguments raised on reh'g*, 196 FERC ¶ 61,007 (2026).

[107] *Id.* PP 44-45.

[108] OCC Protest at 8.

[109] JCA Protest at 25-28; *see* IMM Protest at 27-28.

out-of-date, and updating the cap to account for 2026 forwards would result in a lower cap of $473/MW-day (UCAP).[110]

On the other hand, other filed protests and comments argue that the proposed $555/MW-day (UCAP) cap on the maximum willingness to pay is too low. E-Cubed Policy Associates, L.L.C. ("E-Cubed") protests that the proposed $555/MW-day UCAP volume weighted average price constraint "is not compensatory even under PJM's assumptions" and as a result, "PJM will have trouble attracting capacity to offset any portion of the 6,831.3 MW UCAP shortfall."[111] NRG asserts that the RBP should not incorporate any cap at all as doing so "necessarily increases the risk that the RBP will clear short, because if the cap binds, PJM will not procure the full RBP target."[112] In the alternative, according to NRG, if the Commission is unwilling to accept an RBP with no cap, the Commission should accept a soft cap of $866/MW-day, which NRG's expert witness, John R Morris, asserts to be "a level reflecting a more current estimate of the reference [Combustion Turbine's ("CT") Cost of New Entry ("CONE")] and an energy and ancillary services offset."[113]

Notably, no entity that would ultimately be responsible for paying the RBP Charges (e.g., DCC, Google, and Amazon) raised concerns with the proposed level of the cap on the maximum willingness to pay set at $555/MW-day (UCAP).

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[110] IMM Protest at 28 ("If forwards are 24 percent higher, EAS is higher, and point A of the VRR Curve = max[(1.15 x Gross CONE - 0.75 x Net E&AS) or (0.2 x Gross CONE)] is $473/MW-Day UCAP, not $555/MW-Day UCAP." (citing *id.*, Attachment A (Technical Appendix) at 1).

[111] E-Cubed Protest at 2.

[112] NRG Limited Protest at 6 (citing *id.*, Affidavit of John R. Morris on Behalf of NRG Energy, Inc. (Attachment A) ¶ 10 ("Morris Aff.")).

[113] NRG Limited Protest at 10.

Moreover, the fact that some protests and comments argue that the cap is too high, while others claim it is too low, is not indicative of a flaw in the RBP proposal. Rather, it is an outgrowth of PJM's concerted effort to strike an appropriate balance and find a middle-ground that is just and reasonable and not unduly discriminatory or preferential.[114] Indeed, even intervenors purporting to simply update the revised cap to account for more current data propose vastly different figures—from the $473/MW-day cap proposed by the IMM, to the $866/MW-day cap calculated by NRG. Somewhere around the middle sits the $555/MW-day cap proposed by PJM, based on PJM's latest, Commission-approved Periodic Review.

As the July 31 Filing explains, limiting the maximum willingness to pay with a price cap is necessary. The RBP is not disciplined by direct buy bids that explicitly express willingness to pay and, as Ms. Danielle Croop attests, "it is not reasonable to assume that load should be obligated to pay an unlimited amount for supply. As with other PJM procurement mechanisms, an upper bound helps."[115] Furthermore, as Ms. Croop attests, a cap in the context of a procurement in which PJM is not receiving direct buy bids strikes an appropriate balance between reliability needs and customer cost protections.[116] Simultaneously, while imposing a cap, the cap remains flexible, as it is based on a levelized MW-weighted average basis over all Delivery Years of the RBP. Thus, under the proposal, some RBP Resources may be paid more, while others may be paid less.

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[114] Furthermore, "[u]nder section 205 of the [Federal Power Act ("FPA")], the Commission's inquiry is limited to whether the rates proposed by a utility are just and reasonable, and the Commission need not determine whether a proposed rate schedule is more or less reasonable than alternative rate designs." *ISO New Eng. Inc.*, 173 FERC ¶ 61,204, at P 34 (2020) (citing *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984)).

[115] July 31 Filing, Croop Aff. ¶ 26.

[116] *Id.* ¶ 27.

PJM agrees with JCA that a 15-year term creates revenue certainty for supply resources and can generally reduce financial and development risk and may improve financing opportunities through lower capital costs or more favorable financing terms. Thus, even if $555/MW-day (UCAP) were lower than the reference CT's CONE and an energy and ancillary services offset—which, according to the results of the Periodic Review, it is not—the 15-year term provides valuable revenue certainty that mitigates concerns that costs have risen since the Periodic Review. Indeed, it is notable that while a handful of suppliers argued against the proposed level of the cap for the maximum willingness to pay, other suppliers did not raise such concerns.[117]

3. *PJM has appropriately narrowed the types of capacity resources that are eligible to participate as RBP Resources.*

Several comments and protests suggest that the categories of resources that are eligible to serve as RBP Resources should be expanded, and/or that an asymmetry between applicable eligibility requirements for Qualifying RBP Offset UCAP MW and RBP Resources should be resolved in favor of more inclusive requirements. The different requirements established for both Qualifying RBP Offset UCAP MW and RBP Resources were thoroughly debated during the CIFP process, are well considered and, for reasons set forth in the July 31 Filing,[118] have been shown to be just and reasonable.

First, Constellation Energy Generation, LLC ("Constellation") suggests that the new Maximum Facility Output requirement should be removed from the requirements to qualify as RBP Resources set forth in proposed Tariff, Attachment DD,

[117] *See generally* CPV Comments.

[118] July 31 Filing, Transmittal Letter at 52-54.

section18.5(b)(i),[119] permitting generation resources "[c]omposed of new Installed Capacity and new Maximum Facility Output" to qualify as RBP Resources. Constellation opines that the "relevant attribute from a resource adequacy perspective is the new Capacity Interconnection Rights."[120] To qualify as RBP Resources, the RBP proposal requires generation resources to be composed of new Installed Capacity—i.e., new nameplate capacity, new Maximum Facility Output, i.e., the addition of new MW that may be physically injected at a point of interconnection, *and* new Capacity Interconnection Rights, i.e., new deliverable and accredited MW. These requirements ensure new capacity resources that are eligible to serve as RBP Resources meet stringent standards before receiving 15 years of price certainty through the RBP.

Second, other intervenors suggest that capacity provided through Surplus Interconnection Service ("SIS") should be eligible to qualify as RBP Resources. As described in the July 31 Filing, PJM recognized that, unlike resources providing Qualifying RBP Offset UCAP MW, RBP Resources will have longer-term commitments and price certainty and therefore deliberately proposed comparatively more restrictive criteria for RBP Resources.[121] Furthermore, as explained in the July 31 Filing and supported by the accompanying affidavit of Ms. Croop, PJM expressly walked through the reasoning behind excluding Surplus Interconnection Service, which do not have any independent rights on the PJM system, from qualifying as RBP Resources.[122] Notwithstanding the foregoing,

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[119] Constellation Limited Protest at 2.

[120] *Id.* at 14.

[121] July 31 Filing, Transmittal Letter at 52.

[122] *Id.* at 53-54 (citing *id.*, Croop Aff. ¶ 20).

PJM is actively addressing the alleged barriers to market participation of resources through SIS generally through the markets and implementation committee.[123]

4. *The proposed gating criteria are appropriately tailored to limit the RBP to new capacity resources with a high likelihood of coming online.*

Several protests raise concerns that the gating criteria are too stringent and will unnecessarily narrow the pool of potential supply that may participate in the RBP. With respect to gating criteria applicable to Annual DR/DER in particular, some assert that the criteria are so stringent as to be prohibitive,[124] while others assert that they are so lax as to permit speculative DR/DER to participate in the RBP.[125] Others would have the gating criteria effectively expand the role of DR/DER in meeting the capacity shortfall.[126]

First, in the July 31 Filing, PJM explained that "PJM will provide sellers the opportunity to cure any PJM-identified deficiencies. Sellers will have five calendar days, or up to the close of the bid submission window, to cure."[127] PJM anticipates working hand-in-hand with capacity resources, including DR/DER to determine how deficiencies may be cured.

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[123] Furthermore, to the extent that Advanced Energy United urges PJM to address barriers to SIS, this is outside the scope of this proceeding and PJM notes that it is currently in the middle of working on this issue through the appropriate stakeholder processes. *See Issue Charge: Hybrid Resources Market Model Selection*, PJM Interconnection, L.L.C. (Sep. 9, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mic/2026/20260909/20260909-item-01-2---hybrid-resources-market-model-selection---issue--charge---redline.pdf [https://perma.cc/RC5N-2VS5] (endorsed); *Issue Charge: Hybrid Resources Market Model Selection*, PJM Interconnection, L.L.C. (Aug. 5, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mic/2026/20260805/20260805-item-04-2---hybrid-resources-market-model-selection---issue-charge.pdf?_sp=243e40e4-936b-413a-b202-fb1b0b43f9c0.1788453807495 [https://perma.cc/B22R-DDFJ]; *Market Implementation Committee Draft Minutes*, PJM Interconnection, L.L.C. (Aug. 5, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mic/2026/20260909/20260909-draft-minutes---mic---852026.pdf [https://perma.cc/5XYH-8ZRG].

[124] Voltus Comments at 11.

[125] FirstEnergy Comments and Protest at 21.

[126] AEU Comments at 17.

[127] July 31 Filing, Transmittal Letter at 72 (citing *id.*, proposed Tariff, Attachment DD, section 18.5(f)(i)).

Second, PJM has deliberately tailored the gating criteria applicable to generation resources and battery storage, and to DR/DER. In each case, the gating criteria require that the respective resources provide sufficient evidence to provide PJM with assurances that the resources are highly likely to be fully developed and successful, as opposed to speculative and, in accordance with the purpose of the RBP, come online in relatively short order to meet the identified capacity shortfall through the 15-Delivery Year term.

Voltus asserts that the requirements on DR/DER "will function as a fence, not a gate, with the result that few if any demand-side resources will actually offer, subverting PJM's intention to afford demand-side developers an opportunity to secure long-term price certainty to enable broad and deep new investment in behind-the-meter assets."[128] More specifically, according to Voltus, the requirement on DR/DER to provide "'[*e*]*xecuted* customer agreements or *binding* commitments covering the proposed RBP UCAP MW commitment'"[129] is overly stringent, particularly as generation/storage resources are not required to provide evidence of final investments and commitments.

The difference in the gating criteria for generation/storage resources and DR/DER is by design. It is the outgrowth of PJM's recognition that generation/storage resources are tied to physical assets. For such resources, once there is "steel in the ground," it becomes costly for such assets to exit the market early—i.e., prior to the completion of the 15-Delivery Year term.

By contrast, DR/DER is, by nature, contracts or agreements. DR/DER contracts and agreements are not inherently tied to one dedicated asset. In addition, there are

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[128] Voltus Comments at 3.

[129] Voltus Comments at 11 (alteration in original) (quoting July 31 Filing, proposed Tariff, Attachment DD, section 18.5(f)(i)(10)).

near-zero sunk costs associated with exiting the market or re-entering it, year-to-year. In other words, by design, DR/DER may enter and exit the market year-to-year based on economic and other business decisions. Indeed, the ability for DR/DER to easily enter and exit the market is one reason why, as Advanced Energy United notes, one significant role that DR/DER plays in the RBP proposal is to serve as a "bridge mechanism pending the availability of generation or storage capacity not yet in service."[130] On the other hand, in recognition of the fact that DR/DER is, in effect, represented by binding and executed contracts or agreements, the gating criteria need not, contrary to another protestor's claim, provide evidence of "deployed enabling infrastructure[.]"[131]

Finally, an RBP commitment for DR/DER is ultimately with the Curtailment Service Provider or DER Aggregator and not tied to one particular physical asset. RBP is designed to not allow for replacement of RBP Resources. Only the committed RBP Resource is eligible for RBP payments. Requiring evidence that the DR/DER locations are contracted for 15 years ensures parity with generation/battery storage resources that participate in RBP. The requirement ultimately provides PJM confidence that DR/DER serving as RBP Resources will actually be available for the term of the RBP commitment. In short, PJM's proposed gating criteria are well considered, balanced, and just and reasonable.

5. PJM is amenable to CPV's suggested revision to the Site Control requirement set forth in the gating criteria provisions, proposed Tariff, Attachment DD, section 18.5(f)(i)(2).

CPV submitted comments seeking clarification with respect to the gating criteria requiring that Generating Facilities provide evidence of 100% site control. First, CPV

[130] AEU Comments at 16.

[131] FirstEnergy Comments and Protest at 21.

suggests that, rather than requiring evidence of 100% site control for each Generating Facility "for a term of at least three years from the date of submission of the Application," PJM should clarify the proposed Tariff language by instead requiring that the minimum three-year period start from the date of the RBP Sell Offer, i.e., the date of the seller's submission of the offer.[132] PJM recognizes that the term "Application," may be ambiguous and cause confusion. Therefore, PJM is amenable to CPV's suggestion that the three-year site control requirement begin from the date when sellers submit their RBP Sell Offer. As drafted in the proposed Tariff language, PJM intended the term Application to refer to the date of the RBP Sell Offer.

Second, CPV observes that projects with active interconnection queue positions are already required to meet site control requirements as a prerequisite to continued advancement through the queue. CPV asserts that imposing an additional site control requirement on projects that are already in the queue could inadvertently exclude resources with a high likelihood of coming to fruition from participating in the RBP "based solely on the discrepancies between the two sets of site control requirements."[133]

CPV's request to clarify that the requirement to provide evidence of 100% site control for each Generating Facility for a term of at least three years should be applicable only to projects that do not already have an active queue position is reasonable. Projects that are both already in the interconnection queue and that already meet the relevant prerequisites to proceed through the queue will have already demonstrated a high likelihood of actualization and success. Thus, the existing site control showing required of

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[132] CPV Comments at 4-5 (quoting July 31 Filing, Transmittal Letter at 73 n.189; *id.*, proposed Tariff, Attachment DD, section 18.5(f)(i)(2)).

[133] *Id.* at 5.

interconnection customers, combined with the fact that these resources are already in the queue, should suffice.

In short, PJM believes CPV suggested redlines to proposed Tariff, Attachment DD, section 18.5(f)(i)(2) is reasonable and could easily make this clarification on compliance without jeopardizing the commencement of the RBP.

6. PJM requests that the Commission exercise its discretion to correct a typographical error in proposed Tariff, Attachment DD, section 18.5(d).

Upon review, PJM identified a typographical error in proposed Tariff, Attachment DD, section 18.5(d). As filed, the relevant proposed Tariff provision states:

> To qualify as a DER Capacity Aggregation Resource that supplies RBP UCAP MW eligible to be offered into the Reliability Backstop Procurement, a Planned DER Capacity Aggregation Resource must meet the requirements of Tariff, Attachment DD, sections 18.5(b)[.][134]

It was clearly not PJM's intent to require DER Capacity Aggregation Resources to meet the requirements in section 18.5(b), which is the provisions for "Generation or Energy Storage Resources as an RBP Resource." Rather, PJM's intent was to refer to the general requirements for all resources, in Tariff, Attachment DD, section 18.5(a), "RBP Seller Eligibility to Participate and General Requirements for Resources Supporting RBP UCAP MW." PJM therefore respectfully requests that the Commission exercise its discretion[135] to permit PJM, on compliance, to revise the above, proposed Tariff language to replace the reference to "sections 18.5(b)" with "section 18.5(a)."

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[134] Proposed Tariff, Attachment DD, section 18.5(d).

[135] *Cal. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,140 at P 1 (The Commission has exercised its discretion to permit changes to tariff language identified by the filing party in an FPA section 205 proceeding "meant to clarify . . . existing tariff provisions, eliminate certain inconsistencies, and correct typographical and other errors" subject to a compliance filing implementing such revisions.).

G. The Requirement for RBP Resources to Offer into the RPM As Price-Takers Is Just and Reasonable.

Constellation and NRG assert that PJM's proposal to require RBP Resources to offer into the RPM as price-takers is unjust and unreasonable. According to Constellation and NRG, offering RBP Resources into the RPM as price takers will distort RPM Auction clearing prices. Both NRG and Constellation advocate for measures that would effectively increase RPM clearing prices.

1. Constellation and NRG rely on arguments that the Commission has consistently rejected.

The Commission has consistently rejected the position that requiring resources that are procured outside of a capacity market to offer into the capacity market as price takers would unjustly and unreasonably distort or suppress capacity market clearing prices.[136] Indeed, as recently as last year, Commission held that offering Reliability Must Run ("RMR") resources into the RPM as price takers "is just and reasonable and consistent with Commission precedent[,]" because it:

> reduces the risk that load will procure excess capacity and pay for capacity twice as a result, once through the capacity market and again through an RMR agreement. In other words, including qualifying RMR resources in the capacity market supply stack with $0/MW-day offers ensures that these resources clear the market, such that consumers are protected against excessive capacity costs.[137]

The Commission expressly stated that it was "not persuaded by protestors' concerns that price-taker treatment of RMR resources may result in capacity market prices that do not

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[136] *See PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,088, at P 50 (2025) (rejecting, *inter alia*, Constellation's arguments against offering RMR Resources into the RPM as price takers); *ISO New Eng. Inc.*, 165 FERC ¶ 61,202, at P 65 (2018), *order addressing arguments raised on reh'g*, 173 FERC ¶ 61,204 (2020); *N.Y. Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,116 (2015); *N.Y. Indep. Sys. Operator, Inc.*, 155 FERC ¶ 61,076 (2016) ("2016 NYISO RMR Order"); *N.Y. Indep. Sys. Operator, Inc.*, 161 FERC ¶ 61,189 (2017), *order on reh'g*, 163 FERC ¶ 61,047 (2018).

[137] *PJM Interconnection*, 190 FERC ¶ 61,088 at P 50.

reflect system needs and result in price suppression through the displacement of cost-based capacity offers."[138]

The Commission has consistently found that the interest in avoiding double-payment outweighs the concern of potential price distortion or price suppression.[139] Intervenors' protests, including expert testimony attached to those protests, largely mirror those lodged with respect to challenges to RTO/Independent System Operator ("ISO") proposals to treat RMR resources that receive out-of-market payments as price takers in capacity markets. In its July 31 Filing, PJM explains that requiring the portion of an RBP Resource that has committed RBP UCAP MW to be offered into the RPM as a price taker is necessary where RBP Resources are already being paid for by the responsible LSEs. Placing a must-offer requirement on RBP Resources and requiring such offers to be submitted as price takers during the term of such commitment ensures that load does not double pay for capacity.[140]

In its protest, Constellation argues that requiring RBP Resources to offer as price-takers will distort the RPM price signal, and may "increase[] retirement risk, incent[] resources to export to other markets, and delay[] market entry and capital investment—

[138] *Id.*

[139] *See, e.g.*, *PJM Interconnection, L.L.C.*, 137 FERC ¶ 61,145, at P 208 (2011) (accepting PJM's proposed approach to self-supply resources in capacity auction finding that "it appropriately balances the need to protect against uneconomic entry while also mitigating parties' concerns about having to pay twice for capacity as a result of failing to clear in RPM."); *ISO New Eng. Inc.*, 173 FERC ¶ 61,198, at P 74 (2020) ("[P]rice suppression was an acceptable byproduct of market rules that would attract new entry through greater investor assurance and protect consumers from very high year-one prices." (citing *New Eng. Power Generators Ass'n v. FERC*, 881 F.3d 202, 209 (D.C. Cir. 2018))); *see also ISO New Eng. Inc.*, 155 FERC ¶ 61,023, at P 68 (2016) (finding that, where ISO New England Inc. ("ISO-NE") sought to "balance both the harms and the benefits to customers from an exemption that might result in some price suppression," the exemption was just and reasonable because ISO NE "took steps to limit the amount of price suppression" and enabled the continued procurement of "sufficient capacity to meet reliability targets").

[140] July 31 Filing, Transmittal Letter at 57.

leaving PJM short yet again when delayed load arrives."[141] NRG's protest similarly asserts that requiring RBP Resources to offer into the RPM as price takers, particularly after interventions that "produced 'unsustainably low price levels for three delivery years'" cuts against the need to prevent capacity prices from "'crash[ing] to levels that make new investments likely unprofitable over the life of the assets.'"[142] Constellation and NRG's positions in the above-captioned docket effectively recycle arguments previously made with respect to RMR resources that have been consistently and summarily dispatched by the Commission.

Constellation and NRG's efforts to support their price distortion or suppression arguments are likewise unavailing. Constellation offers expert testimony in support of the theory that requiring RBP Resources to offer into the RPM as price takers can distort RPM price signals, giving rise to a parade of horribles, particularly when "[a]vailable RBP UCAP precedes or exceeds the RBP-Related Load reflected in an RPM Auction."[143] Similarly NRG relies on expert testimony to argue that requiring "resources with RBP commitments [to] offer as price-takers into RPM Auctions for the associated Delivery Years 'is antithetical to creating a normal capacity market.'"[144]

As a threshold matter, it is unlikely that a significant portion of the RBP related load does not materialize in the same RPM Auction that the committed RBP Resources would be offered as price-takers. Nonetheless, should that occur and a large portion of RBP related load somehow does not materialize and is not reflected in the demand curve,

[141] Constellation Limited Protest at 4 (footnotes omitted).

[142] NRG Limited Protest at 10 (quoting *id.*, Morris Aff. ¶¶ 29, 31).

[143] Constellation Limited Protest at 4 & n.15 (citing Affidavit of Roy J. Shanker, Ph.D., in Support of Constellation (Appendix A) ¶¶ 13-16 ("Shanker Aff.")).

[144] NRG Limited Protest at 10 (quoting *id.*, Morris Aff. ¶ 25).

it would still be appropriate to include the RBP Resources in the supply curve for the RPM Auction as price-takers. The actual quantity of available supply should be reflected in the RPM Auctions. Excluding available supply, consisting of RBP Resources that loads have separately paid for, from the capacity auctions would artificially inflate RPM clearing prices and send incorrect market signals to retain excess capacity that may no longer be necessary in the unlikely event the RBP related load does not materialize. In addition, RBP Resources are being paid for by LSEs that are responsible for RBP Charges and should not be double charged. Absent requiring RBP Resources to be price-takers in the RPM Auctions, the loads that pay for such RBP Resources could be double charged for capacity even under the contract for differences approach because if such resources do not clear the RPM Auction, there would be no capacity revenues to offset the RBP Charges.

Moreover, in the context of RMR resources, the Commission has consistently not been swayed by expert testimony submitted by proponents of the price distortion/suppression theory. As the Commission has held, such testimony has failed to establish that "significant capacity price decreases have occurred in the rest-of-state spot market actions, solely as a consequence of the [RMR resources]."[145] Indeed, the Commission has even held that even if, *arguendo*, evidence of price suppression did demonstrate that the participation of RMR resources receiving must-offer price taker treatment suppresses capacity auction clearing prices, that evidence fails to demonstrate that the reduction to price is unjust and unreasonable. The Commission has, in such cases, relied on RTOs/ISOs to strike the appropriate balance.[146] Furthermore, the Commission

[145] *Indep. Power Producers of N.Y., Inc. v. N.Y. Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,214, at P 67 (2015) ("*IPPNY*"), *order on reh'g & clarification*, 170 FERC ¶ 61,118 (2020).

[146] *See, e.g.*, *ISO New Eng.*, 173 FERC ¶ 61,198 at P 74; *see also ISO New Eng.*, 155 FERC ¶ 61,023 at P 68 (finding that, where ISO-NE sought to "balance both the harms and the benefits to customers from an

has constantly held that "the price taker design accurately reflects" retained resources' "low going-forward costs."[147] Price-taker offers are consistent with the expected outcome of competitive markets because the out-of-market revenue (e.g., cost-of-service RMR agreements and RBP Charges) must be accounted for.[148]

At bottom, neither Constellation nor NRG provides any reason to depart from well-established Commission precedent, which has consistently found in favor of RTO/ISO proposals that require out-of-market resources to be treated as price takers in capacity markets, even over the protests of intervenors lodging arguments similar to those raised by Constellation and NRG here.

2. *NRG's assertion that RBP Resources offering into the RPM should be subject to an offer floor of $175/MW-day (UCAP) is without support and an impermissible attempt to expand the focused Minimum Offer Price Rule.*

NRG proposes that imposing an offer floor on RBP Resources will guard against the risk that offering RBP Resources as price takers will "depress prices in the RPM Auctions" and "undermine the viability of PJM's capacity market."[149] According to NRG, "an offer floor of $175/MW-day (UCAP) apply to offers from resources with RBP

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exemption that might result in some price suppression," the exemption was just and reasonable because ISO NE "took steps to limit the amount of price suppression" and enabled the continued procurement of "sufficient capacity to meet reliability targets"); *PJM Interconnection*, 137 FERC ¶ 61,145 at P 209 (accepting PJM's proposed approach to self-supply resources in capacity auction finding that "it appropriately balances the need to protect against uneconomic entry while also mitigating parties' concerns about having to pay twice for capacity as a result of failing to clear in RPM"); *ISO New Eng. Inc.*, 179 FERC ¶ 61,139, at P 45 (2022) (finding that ISO-NE had "met its burden to show that the proposed revisions appropriately balance the need to mitigate the potential exercise of buyer-side market power against the harms of over-mitigation").

[147] *See supra* note 144; *see IPPNY*, 150 FERC ¶ 61,214 at P 66; 2016 NYISO RMR Order, 155 FERC ¶ 61,076 at P 83.

[148] *See supra* note 145.

[149] NRG Limited Protest at 12.

commitments equal to the forecasted load does not materialize."[150] NRG furthermore claim that the $175/MW-day (UCAP) is appropriate, as it is one-half of the administrative, time-limited price collar that is currently in place.

NRG's arguments are unavailing. First, as that price collar has been extended through the 2029/2030 Delivery Year, the $175/MW-day (UCAP) price floor will apply to RBP Resources as well as all other resources offering into the RPM through the 2029/2030 Delivery Year.

Second, in the Delivery Years after the price collar is lifted, NRG's proposed $175/MW-day (UCAP) price floor would effectively expand PJM's targeted Minimum Offer Price Rule ("MOPR"). There is no reason to do so. In 2023, the United States Court of Appeals for the Third Circuit upheld PJM's targeted MOPR on grounds that the Commission had identified sufficient reasons for departing from a more expanded MOPR, including that an expanded MOPR permitted "artificially inflated price [that] will falsely signal that new entry is needed or that existing resources should forestall retirement, with potentially detrimental effects on PJM's energy and ancillary service markets."[151]

NRG's proposal effectively cuts against the Commission's decision to accept "narrowly tailored" MOPRs over more expanded MOPRs.[152] As the Commission observed in ruling on ISO-NE MOPR reforms, "ISO-NE's limited renewables exemption [to the MOPR rule] reflects the balancing of not paying twice for capacity with the alternative

[150] *Id.* at 12.

[151] *PJM Power Providers Grp. v. FERC*, 88 F.4th 250, 272 (3d Cir. 2023) (internal quotation marks omitted).

[152] *ISO New Eng.*, 155 FERC ¶ 61,023 at P 36; *see also ISO New Eng. Inc.*, 158 FERC ¶ 61,138 at P 43 ("The Commission, in balancing generators' and customers' interests, reasonably recognized how these developments, over time, have tipped the scales, and accepted a narrowly tailored exemption to reduce the likelihood that customers will have to pay for redundant capacity.").

interest in reducing the potential for price suppression."[153] In fact, the Commission found that the ISO-NE MOPR reforms were just and reasonable, notwithstanding any price suppressive effects. The Commission held that the expanded application of the MOPR had precluded certain resources from receiving a capacity obligation, which, in turn, sent price signals that did not reflect the actual resource mix and interfered with efficient markets, ultimately pushing market prices up.[154] In other words, in response to arguments that the expanded MOPR had been necessary to keep prices from reflecting inaccurately low prices and resource scarcity, the Commission held that narrowing the MOPR was necessary to prevent inaccurately high prices and potential resource oversupply.

Third, PJM's targeted MOPR is focused, in part, on protecting against the exercise of buyer-side market power. NRG has not demonstrated the potential for the exercise of buyer-side market power in the RBP. The RBP is a pay-as-bid procurement, not a single clearing-price auction. In a pay-as-bid auction, sellers of new capacity participating in the RBP simply do not have the incentive or ability to suppress or even affect clearing prices to benefit their portfolio of load. The RBP is not a construct that risks enabling buyers to exercise market power.

Fourth, a floor price for RBP Resources set at $175/MW-day is unsupported. The existing MOPR rules provide default CONE and Avoidable Cost Rates for each resource class. It would be inappropriate to establish a uniform floor price for all RBP Resources based on the existing floor price used in the price collar that is set to expire after the RPM Auctions associated with the 2029/2030 Delivery Year.

[153] *ISO New Eng. Inc.*, 173 FERC ¶ 61,161, at P 112 (2020).

[154] *Id.* P 52.

3. It is unnecessary to exclude RBP demand and RBP supply from the RPM for purposes of price formation.

Constellation suggests that "removing the separately procured RBP supply and the corresponding RBP-related demand from RPM price formation . . . eliminates the threat of any double payment and removes the deleterious impact on RPM."[155] PJM has never required that price formation in the RPM turn on perfectly matched demand and supply. Indeed, in 2024 PJM proposed, and in 2025, the Commission subsequently accepted, an extension of the capacity must-offer requirement to *all* available Existing Generation Capacity Resources.[156]

The Commission has approved resource-specific exceptions and categorical exemptions to the must-offer requirement in narrow circumstances, when "reasonable and sufficiently narrow to prevent withholding."[157] Constellation does not argue that an exception to the must-offer requirement for RBP Resources is necessary to prevent withholding. Rather, the crux of Constellation's argument is simply that a mismatch between available RBP UCAP and the timely addition of RBP-related load risks may impact price formation and create reliability risks. But that observation is not dispositive. Indeed, similar dynamics exist today in the RPM. For example, integrated utilities that have built more than needed today based on forecasted load growth, such excess supply would not be excused from the must offer requirement in the RPM. As PJM's IMM, Dr.

[155] Constellation Limited Protest at 10-11 (citing *id.*, Shanker Aff. ¶¶ 25-30).

[156] *PJM Interconnection, L.L.C.*, Extending the Capacity Must-Offer Requirement to All Generation Capacity Resources of PJM Interconnection, L.L.C., Docket No. ER25-785-000 (Dec. 20, 2024); *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,117, *order addressing arguments raised on reh'g*, 191 FERC ¶ 61,221 (2025).

[157] *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,208 at P 355, *order denying request for clarification, granting in part request for reh'g, granting in part complaint, & directing compliance filing*, 152 FERC ¶ 61,064 (2015), *order on reh'g & compliance*, 155 FERC ¶ 61,157 (2016), *aff'd sub nom. Advanced Energy Mgmt. All. v. FERC*, 860 F.3d 656 (D.C. Cir. 2017).

Joseph E. Bowring observed in testimony before the Pennsylvania House of Representatives, Environmental Resources and Energy Committee in 2024, "[t]he purpose of the RPM must offer rule, which has been in place since the beginning of the capacity market in 1999, is to ensure that the capacity market works based on the inclusion of all demand and all supply, and to prevent the exercise of market power via withholding of supply."[158]

H. Arguments That RBP Should Be Extended to FRR Entities Are Baseless.

East Kentucky Power Cooperative, Inc. ("EKPC") argues that, because the scope of PJM's proposal does not extend to FRR Entities, the proposal "creates comparability concerns and unduly discriminates against RPM Capacity Market LSEs."[159] This argument is baseless. As discussed throughout the July 31 Filing and this Answer, the scope of RBP is to procure capacity to meet the resource adequacy needs of new large loads that did not bring their own capacity. This does not implicate FRR Entities.[160] By definition, FRR Entities *must* bring new capacity for all new loads within their territory.[161] If an FRR Entity does not include sufficient capacity in its FRR Capacity Plan, the FRR Entity is subject to "an FRR Commitment Insufficiency Charge, in an amount equal to two

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[158] *Testimony of Joseph E. Bowring, the Independent Market Monitor for PJM, Pennsylvania House of Representatives, Environmental Resources and Energy Committee*, Pennsylvania General Assembly, 5 (Oct. 16, 2024), https://www.palegis.us/house/committees/meeting-archive?MeetingId=4180 [https://perma.cc/A5XT-SV5W].

[159] EKPC Protest at 45.

[160] In the July 31 Filing, PJM inadvertently submitted a revision to RAA, Schedule 8.1D, section 1.1: "An FRR Entity may not use an Existing Generation Capacity Resource not owned by such FRR Entity as of June 1, 2027 or any resource committed through the Reliability Backstop Procurement to satisfy its Capacity FRR Plan." PJM did not intend to include this revision as part of the RBP proposal, and did not discuss or in any way support this change in the transmittal letter. Rather, PJM intended to (and did) submit a revision in this vein as part of its IRAS proposal in Docket No. ER26-3515-000. Consistent with PJM's existing consent to the Commission making modifications to the July 31 Filing, PJM requests that the Commission reject this specific revision to RAA, Schedule 8.1D, section 1.1 and not accept this revised eTariff record.

[161] *See* RAA, Article 1 (defining FRR Service Area states that "the FRR Entity has or assumes the obligation to provide capacity for all load (including load growth) within such area.").

times the Cost of New Entry for the relevant location" multiplied by the MW of capacity short.[162] In contrast, LSEs participating in RPM have *no requirement* to bring capacity sufficient to meet their needs. Indeed, that is exactly what RBP is designed to do—bring new capacity for the new large loads that did not bring their own. Thus, contrary to EKPC's claim,[163] LSEs participating in RPM are not similarly situated to FRR Entities.

I. PJM's Proposed Cost Allocation Approach Appropriately Assigns Cost Responsibility to the Electric Distributor Zone/Areas That Submitted the Load Adjustments Driving the Need for the RBP.

Several parties filed comments regarding PJM's proposed cost allocation approach. As discussed below, representatives for state regulatory bodies generally support PJM's approach, while some of those that would be allocated cost responsibility object.

1. State regulatory bodies, the DCC, and AMP support PJM's cost allocation approach.

As noted, PJM's proposal received broad state support—which is significant, as state action is necessary to ensure those LSEs serving the data centers and other large loads causing the need for the procurement of RBP Resources bear the costs. OPSI stated agreement that "successful implementation of the RBP will require timely retail regulatory action that ensures existing retail loads are insulated from or share in the cost of the RBP only to the extent consistent with state retail ratemaking approvals."[164] OPSI continued that the states' retail regulators have jurisdiction "to allocate[e] RBP costs to retail customers" and that "several states have already begun implementing or considering retail ratemaking reforms designed to more closely align the costs associated with new large-

[162] *Id.*, Schedule 8.1D, section 7.

[163] *See* EKPC Protest at 46.

[164] OPSI Comments at 2.

load development with those customers."[165] The NJ BPU stated that it "will work closely with other state entities and utilities to ensure that these [RBP] costs are properly allocated to incoming data centers."[166] The Ohio FEA stated that, "[w]hile the allocation of any wholesale costs to retail customers is within the purview of each state, . . . it is widely agreed that the costs of the RBP should be paid by the data centers seeking new capacity during this time of regional demand/supply constraint."[167] Therefore, "successful implementation of the RBP means that, upon Commission approval, states and utilities must work expeditiously to align state regulations and cost-allocation frameworks (i.e., tariffs) with the RBP structure, as needed, to ensure that the cost of procuring long-term capacity under the RBP is appropriately assigned to the cost causers," i.e., data centers and other large loads driving the Load Adjustments.[168] Indeed, after PJM submitted this RBP proposal, Josh Shapiro issued an executive order to protect Pennsylvania consumers by "charg[ing] the appropriate data center customers for any PJM reliability backstop auction costs . . . ."[169]

PJM's cost allocation proposal also received support from load interests. American Municipal Power, Inc. ("AMP") supports PJM's approach to allocate RBP costs "to those Electric Distributor zone/areas that have provided to PJM projections of large load growth

[165] *Id.*

[166] NJ BPU Comments at 4.

[167] Ohio FEA Comments at 5.

[168] *Id.* at 6.

[169] Pa. Exec. Order No. 2026-05, 56 Pa. B. 5902 § 7.1084 ¶ 2(b)(1) (Aug. 18, 2026).

between 2026 and 2028."[170] AMP agrees that PJM's "allocation framework is consistent with cost causation principles and the Ratepayer Protection Pledge."[171]

In addition, the DCC stated that "[t]he costs associated with serving new large loads should be borne by new large loads contributing to resource inadequacy and should not be shifted to existing residential, commercial, or industrial customers or new large loads that have not contributed to resource inadequacy."[172] The DCC also stated that "[s]ignificant work will be required at the state level to translate PJM's wholesale allocation into retail tariffs that accurately assign RBP costs to the large loads responsible for the incremental demand, while protecting other customers from inappropriate cost shifts."[173]

Retail Energy Supply Association ("RESA") likewise notes that "[i]f the RBP Proposal is accepted substantially as filed, every PJM state—and particularly those open to retail competition—will need to move immediately to identify Large Load Customers and to assign RBP costs and collateral obligations to those customers and their LSEs. RESA intends to participate in those proceedings . . . ."[174]

PJM stands ready to assist the states in their efforts to allocate RBP costs to those LSEs serving the loads driving the need for the RBP. Therein fact, PJM and the PJM states have been engaging in collaborative efforts to work towards addressing questions raised

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[170] AMP Comments at 3 & n.6 (citing July 31 Filing, Croop Aff. ¶¶ 41-43; *id.*, Transmittal Letter at 96-97, 101).

[171] *Id.* at 3 & n.7 (citing July 31 Filing, Transmittal Letter at 100-08). In response to AMP's request, PJM clarifies that "Electric Distributor zone/area" used in the proposed RBP Tariff rules holds the same meaning as accepted by the Commission in Docket No. ER24-2447. *See* July 31 Filing, Transmittal Letter at 100-01.

[172] DCC Comments at 4.

[173] *Id.* at 5.

[174] RESA Protest at 7.

by intervenors about implementation, including cost allocation under the cooperative federalism framework.[175]

2. LSEs serving new large loads that would be allocated cost responsibility present several meritless arguments opposing cost responsibility for their new large loads' contribution to the current shortfall.

PJM's cost allocation proposal is opposed by those who would be responsible for bearing the costs of RBP Resources—data center developers and entities that are contracting to serve new large loads. Specifically, it is opposed by Amazon, Dominion, NOVEC, FirstEnergy Service Company ("FirstEnergy"), AEP, and EKPC. Each of these entities (or their parent) is a signatory to the Ratepayer Protection Pledge[176] and, as such, committed 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."[177] The RBP is a mechanism to bring and buy new generation resources and electricity to meet the demands of new large loads. As discussed below, these parties' objections to PJM's cost allocation approach are meritless.

[175] To the extent that some intervenors have requested that additional or enhanced information sharing with state entities and affected loads, PJM notes that it will adhere to existing information sharing and confidentiality provisions.

[176] *Data centers pay their way. Ratepayers pay theirs.*, The White House, https://www.whitehouse.gov/ratepayer-protection-pledge/ [https://perma.cc/3WBQ-RXW4] (last visited on Sep. 8, 2026) ("White House Ratepayer Protection Pledge Signatories") (listing all 317 signatories).

[177] *Ratepayer Protection Pledge*, The White House (Mar. 4, 2026), https://www.whitehouse.gov/releases/2026/03/ ratepayer-protection-pledge/ [https://perma.cc/N8PH-K82T] ("Ratepayer Protection Pledge").

a. <u>The procurement target is appropriately based on a snapshot of the RTO-wide shortfall observed in the 2028/2029 BRA.</u>

AEP and Amazon claim that allocating RBP cost responsibility based on current cost causation over the 15-year term of the RBP commitment is unjust and unreasonable.[178] The Commission can easily dismiss this argument. As an initial matter, this is not a claim that the new large loads did not cause the need for the capacity procured through the RBP, but rather an argument over whether they should have to pay for the capacity for the entire capacity commitment term.[179] In this context, the answer is yes.

The Commission has long held that relying on snapshots is an acceptable and appropriate method for establishing baselines or targets,[180] and the objections raised herein have provided no reason for the Commission to depart from that precedent—particularly where PJM has proposed a conservative figure based on an RTO-wide procurement target,

[178] *See* AEP Limited Protest at 29-30.

[179] AEP's other argument against allocating costs based on the Load Adjustments driving the shortfall is more tenuous. AEP appears to argue that because the proposed RBP is not procuring RBP Resources on a locational basis, allocating the costs to the Electric Distributor zone/area with Load Adjustments is unjust and unreasonable. AEP Limited Protest at 29. This argument ignores that the RBP is designed to address the *regional* shortfall driven by these large loads, not the need for locational capacity driven by transmission constraints. As the Commission well understands, all capacity in PJM is deliverable to all loads in PJM until transmission constraints are met.

[180] *See, e.g.*, *Joint Consumer Representatives v. PJM Interconnection, L.L.C.*, 153 FERC ¶ 61,187, at P 32 (2015) (denying complaint and reasoning that "[w]hile there will inevitably be some difference between PJM's load forecast and the amount of capacity that PJM ultimately needs in a given Delivery Year, the record indicates that PJM has taken steps to ensure the reasonableness of the 2015 Load Forecast, including making a statistical adjustment, based on a percentage of error it had seen in the load forecast over recent years, to account for the effects of energy efficiency programs." (citation omitted)); *see also PJM Interconnection, L.L.C.*, 162 FERC ¶ 61,136, at P 24 (2018) (rejecting Dominion's proposal to revise PJM's Tariff "to incorporate an average demand feature into how it determines a transmission customer's contribution to Network Service Peak Load. Dominion argues that such a feature is necessary because, without it a single transmission customer could shift costs to other customers since the billing determinants are otherwise calculated using a single-hour snapshot of customer demand each year."); *Del. Pub. Serv. Comm'n v. PJM Interconnection, L.L.C.*, 166 FERC ¶ 61,161, at P 46 (2019) (finding that "based on the record developed here regarding the stability-related reliability issue category, we do not find the limitations of a snapshot analysis to be sufficiently problematic to alter our conclusion that the Stability Deviation Method is just and reasonable"); *BP W. Coast Prods., LLC v. SFPP, L.P.*, 121 FERC ¶ 61,141, at P 6 (2007) (noting that the "screening approach at the suspension phase is a snap shot approach that avoids extensive arguments over issues of accounting accuracy and rate reasonableness within the time limits available for Commission review, and highlights the simplicity of the filing procedure").

intended as an initial step that will kick-start PJM's efforts to procure sufficient to capacity to support the needs of the region.

The PJM Region is experiencing a capacity shortfall that can be directly attributed to the Load Adjustments submitted to PJM by entities in the Electric Distributor zone/areas that would be allocated RBP cost responsibility—and AEP and Amazon do not allege otherwise. Rather, they state the unremarkable fact that load growth patterns change over time.[181] The RBP is a one-time procurement of *new* capacity resources to address the resource adequacy needs of the Load Adjustments submitted for the Electric Distributor zone/areas. This squarely meets the requirement that "costs must be allocated consistent with cost causation principles."[182]

Moreover, establishing the procurement target based on a snapshot of the RTO-wide shortfall for the term of the RBP commitment provides certainty to that zone/area on the quantity of RBP MW that the loads will be responsible for paying, while still providing the flexibility for RERRAs to update LSE cost allocation during the term of such commitment. This would allow LSEs to make long-term plans for such RBP Charges, including arrangements to post collateral, and avoid scenarios where new load bilaterally contracts for new capacity but subsequently gets allocated RBP Charges.

b. <u>PJM's proposed cost allocation approach appropriately assigns RBP Charges to the zones/areas with reported new load that is not matched with new capacity.</u>

NOVEC argues that "PJM has not adequately demonstrated why the incremental costs and substantial credit obligations associated with RBP Resources should be

[181] *See* AEP Limited Protest at 29; Amazon Comments at 4-5.

[182] *Entergy Servs., LLC*, 196 FERC ¶ 61,166, at P 25 (2026) (citing *N. States Power Co.*, 64 FERC ¶ 61,324, at 63,379 (1993) ("[T]he fundamental principle of cost causation [is] that costs should be recovered in the rates of those customers who utilize the facilities and thus cause the cost to be incurred.")).

concentrated on designated RBP buyers without accounting for material capacity-market benefits those resources may provide to other PJM load."[183] The Commission should reject this argument. NOVEC seeks to establish a false standard for cost allocation approaches.

As the Commission is well aware, the cost causation principle requires that costs be allocated "at least roughly commensurate" with the benefits.[184] This means that "all approved rates reflect to some degree the costs actually caused by the customer who must pay them."[185] To the extent an entity causes the costs to be incurred, it will have to pay its share. Importantly, consistent with the "roughly commensurate" principle, "nothing requires the Commission to ensure full or perfect cost causation,"[186] and the Commission "is not bound to reject any rate mechanism that tracks the cost causation principle less than perfectly."[187]

PJM's proposed approach easily meets this standard. As PJM explained in the July 31 Filing, "PJM has tracked Load Adjustments in zones/areas to the level of granularity that is feasible,"[188] "based on equations that 'allow PJM to allocate a capacity obligation associated with a load adjustment to the zone/area in which the adjustment occurs.'"[189] PJM's approach relies on the best information available and properly allocates costs to those Electric Distributor zone/areas with Load Adjustments (that were requested by the Electric Distributor or LSE). The result is a cost allocation methodology that assigns

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[183] NOVEC Protest at 16.

[184] *Ill. Com. Comm'n v. FERC*, 576 F.3d 470, 477 (7th Cir. 2009).

[185] *KN Energy Inc. v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992).

[186] *S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41, 88 (D.C. Cir. 2014).

[187] *Sithe/Indep. Power Partners, L.P. v. FERC*, 285 F.3d 1, 5 (D.C. Cir. 2002) (citation omitted).

[188] July 31 Filing, Transmittal Letter at 103.

[189] *Id.* at 102 (quoting *PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,200, at P 37 (2024)).

cost responsibility to the zones/areas with reported new load that is not matched with new capacity—i.e., the zones/areas and LSEs can be said to have caused the target resource adequacy shortfall.

However, to be clear, PJM has taken its approach as granular as it can go. PJM is allocating costs to specific zones, but the allocation to large loads within an Electric Distributor's zone/area is a matter of retail allocation for the states, consistent with the NEDC/PJM Governors' Principles.[190] As the DCC stated, "[u]ltimately, the RBP's cost-allocation framework should accomplish a straightforward objective: large loads should pay the costs associated with serving their incremental demand, receive appropriate credit when they bring new capacity to meet that demand, and existing customers should not be left with the bill."[191]

In any event, while there could be alternative cost allocation approaches, that may also be just and reasonable, that does not mean PJM's proposal is not just and reasonable.[192]

c. To be just and reasonable, PJM's cost allocation approach does not need to allocate costs to data centers specifically.

FirstEnergy contends that "PJM's cost allocation proposal is not meaningfully targeted to ensure the customers ultimately allocated the costs of the RBP will be entities

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[190] The governors of the 13 states in the PJM Region committed to "[u]se all available authorities to ensure that their state public utility commissions design rate class structures to ensure that their states' LSEs allocate their share of the cost to procure new capacity through the Reliability Backstop Auctions to new data center loads that have not otherwise procured capacity or agreed to be curtailable." NEDC/PJM Governors' Principles at 2.

[191] DCC Comments at 6.

[192] *See, e.g.*, *Cities of Bethany*, 727 F.2d at 1131 ("FERC has interpreted its authority to review rates under [the FPA] as limited to an inquiry into whether the rates proposed by a utility are reasonable—and not to extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs." (citing *Pub. Serv. Co. of Ind.*, 56 FPC 3003 (1976)); *Midwest Indep. Transmission Sys. Operator, Inc.*, 127 FERC ¶ 61,109, at P 20 (2009) ("It is well established that there can be more than one just and reasonable rate . . . ." (citing *Am. Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,083, at P 88, *order on reh'g*, 125 FERC ¶ 61,342 (2008))).

causing the need for the procurement of new generation—*i.e.* new data center customers, in accordance with the [NEDC/PJM Governors' Principles]."[193] The basis for this contention is that PJM did not identify specific data centers but instead is relying on the Electric Distributor / LSE submitted Load Adjustments, and that such Load Adjustments "are not limited to new data centers."[194] It is fallacious to suggest that a just and reasonable cost allocation approach must either identify specific loads (which are not FPA-jurisdictional actors) and not the LSEs serving those loads or be limited to one type of load when the resource adequacy shortfall is caused by *all* types of loads that comprise the subject Load Adjustments. Further, as PJM explained in the July 31 Filing,[195] the concept of Load Adjustments was added in 2024 "to better allocate, to zones/areas, localized load adjustments used to determine capacity obligations for [LSE]"[196] and were, as PJM noted at the time, "spurred by the recent proliferation of data centers that are contributing to large additions of forecasted load concentrated within a specific wholesale metering area."[197] The Load Adjustments allow for "more accurate[] assign[ment of] capacity obligations to LSEs."[198] Finally, in the NEDC/PJM Governors' Principles, the governors of PJM states committed to "to ensure that their states' LSEs allocate their share of the cost to procure new capacity through the [RBP] to new data center loads that have not otherwise procured capacity or agreed to be curtailable."[199] Thus, it is appropriate for

[193] FirstEnergy Comments and Protest at 12.

[194] *Id.*

[195] *See* July 31 Filing, Transmittal Letter at 100-01.

[196] *PJM Interconnection*, 188 FERC ¶ 61,200 at P 1.

[197] *PJM Interconnection, L.L.C.*, Proposal to Better Account for Large Load Adjustments in Forecasted Capacity Obligations of PJM Interconnection, L.L.C., Docket No. ER24-2447-000, at 1 (July 1, 2024).

[198] *Id.*

[199] NEDC/PJM Governors' Principles at 2.

PJM to rely on the individual states to ultimately allocate the RBP Charges to the new data center loads on the retail level in accordance with the NEDC/PJM Governors' Principles.

d. Claims that RBP cost allocation would affect existing commercial arrangements are unsupported and speculative.

FirstEnergy asserts that PJM's allocation of cost responsibility "violates the filed rate doctrine because it will undermine preexisting commercial relationships by attempting to allocate costs to data centers who possibly have already signed FERC-jurisdictional contracts based on a pre-RBP understanding of the market."[200] This assertion is fatally flawed.

First, FirstEnergy fails to support it. FirstEnergy cites no "FERC-jurisdictional contracts" which would be public, to the extent they exist, that would be "undermined." Thus, it is not possible to discern which filed rate would be violated. Relatedly, FirstEnergy presents this as something that is "possible" not actual. Thus, even taking the claim as asserted by FirstEnergy, it is speculative.

Second, each contract is an exercise in risk allocation between the parties to that contract. For years, it has been well understood that the PJM Region would soon be facing a capacity shortfall.[201]

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[200] FirstEnergy Comments and Protest at 13.

[201] *See, e.g.*, *PJM Interconnection, L.L.C.*, Revisions to Reliability Pricing Model, Docket No. ER25-682-000, Transmittal Letter at 5 (Dec. 9, 2024) ("PJM expects the rapid tightening of supply and demand trends to continue for the foreseeable future. Indeed, PJM expects load growth to continue to further increase even in the upcoming 2026/2027 Base Residual Auction, driven in large part by electrification trends and data center development in the PJM Region. Preliminary 2025 load forecast indicates a load increase of 2,700 MW for the 2026 Delivery Year compared with the 2024 load forecast for the same 2026 Delivery Year."); Tim Horger & Adam Keech, *2025/2026 Base Residual Auction Results*, PJM Interconnection, L.L.C., 30 (Aug. 21, 2024), https://pjm.com/-/media/committees-groups/committees/mrc/2024/20240821/20240821-item-08---2025-2026-base-residual-auction---presentation.ashx [https://perma.cc/5WBB-WFAW] (In the 2025/2026 BRA, the market's supply and demand converged to the point where only 514 MW of annual UCAP was offered above the PJM Region Reliability Requirement in the 2025/2026 BRA.); *Energy Transition in PJM: Resource Retirements, Replacements & Risks*, PJM Interconnection, L.L.C., 17 (Feb. 24, 2023), https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/energy-transition-in-pjm-resource-retirements-

Since at least April 2025, there has been discussion about the need for an out-of-RPM mechanism to address the resource adequacy shortfall caused by new large loads—including through a load reduction service for non-capacity backed loads[202] or through an "enhanced" RPM reliability backstop mechanism "to mitigate potential for acute reliability risks" as advocated by the Brattle Group in the 2025 VRR Curve periodic review process.[203] Notably, the cited notices of potential future action on large loads occurred *before* or contemporaneous with Electric Distributors' and LSEs' submission of their fall of 2025 Load Adjustment requests to PJM[204]—the Load Adjustments included in the 2026 Load Forecast and that comprise the Initial RBP Target.

Given this, LSEs and large loads should have been on notice that change was coming, and as sophisticated parties, they would have priced and valued in their contractual negotiations the risk of how the PJM Region and the Commission would address the impacts of large loads causing the resource adequacy shortfall. Given that these are not *pro forma* arrangements, the means for allocating risk would be idiosyncratic to each

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replacements-and-risks.ashx. [https://perma.cc/8UGM-9MNT] (In light of these uncertainties, PJM's 2023 whitepaper emphasized the importance of "[m]anaging the energy transition through collaborative efforts of PJM stakeholders, state and federal agencies, and consumers" in order to "ensure PJM has the tools and resources to maintain reliability.").

202 Tim Horger, *Large Load Additions*, PJM Interconnection, L.L.C. (Sep. 15, 2025), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-lla/2025/20250915/20250915-item-07---pjm-initial-proposal-and-alternatives-considered---pjm-presentation.pdf [https://perma.cc/63JH-37Q2].

203 Kathleen Spees, et al., *Sixth Review of PJM's Variable Resource Requirement Curve for Planning Years 2028/29 Through 2031/32*, Brattle Group, 11 (Apr. 9, 2025), https://www.brattle.com/wp-content/uploads/2025/04/Sixth-Review-of-PJMs-Variable-Resource-Requirement-Curve.pdf [https://perma.cc/DT9F-FJ32].

204 For information about the Load Adjustments submitted in 2025 for the 2026 Load Forecast, see the meeting materials posted for the September 16, 2025 Load Analysis Subcommittee meeting. *See Load Analysis Subcommittee*, PJM Interconnection, L.L.C., https://www.pjm.com/committees-and-groups/subcommittees/las [https://perma.cc/2327-9PJB] (last visited Sep. 10, 2026); *see* Load Analysis Subcommittee, *Agenda*, PJM Interconnection, L.L.C. (Sep. 16, 2025), https://www.pjm.com/-/media/DotCom/committees-groups/subcommittees/las/2025/20250916/20250916-agenda.pdf [https://perma.cc/38XS-EZB4].

contract. In any event, to the extent the RBP was not contemplated by the parties, the benefits of RBP—and the RBP UCAP MW—also were not contemplated. Thus, allocation of RBP Charges corresponding to such benefit would be just and reasonable.

Finally, to the extent an existing arrangement may be affected by PJM's proposed RBP cost allocation, the extent to which any deal may be affected is necessarily a contract-specific inquiry.

e. PJM's proposed cost allocation rules appropriately invite state input on allocating costs to specific retail customers.

EKPC broadly objects to PJM's cost allocation approach, and the Kentucky Attorney General, in support of EKPC, notes that "[o]f particular concern is whether Load Serving Entities who have met their obligations are protected from cost allocation in the event of default by the cost causer."[205] EKPC raises concerns about state regulatory bodies electing whether to reallocate cost responsibility, with the root of the concern apparently focused on uncertainty about whether the state regulator will act and if so, how.[206]

[205] Kentucky Attorney General Answer at 2. To be clear, under PJM's proposal, in no event would EKPC be allocated any cost responsibility. EKPC would not be allocated any cost responsibility for RBP Charges, as the EKPC Transmission Zone and Electric Distributor zone/area did not have any Load Adjustment MW for the 2026 to 2028 period. *2026 PJM Load Forecast Report Data Tables*, PJM Interconnection, L.L.C., Tab Table B9b (Feb. 2026), https://www.pjm.com/-/media/DotCom/planning/res-adeq/load-forecast/2026-load-report-tables.xlsx [https://perma.cc/SST2-EGUZ]; *2026 PJM Load Forecast Report*, PJM Interconnection, L.L.C., 5-6 (Jan. 14, 2026), https://www.pjm.com/-/media/DotCom/library/reports-notices/load-forecast/2026-load-report.pdf [https://perma.cc/J24E-7CV7] (describing Table B9b results). In fact, under PJM's proposal, EKPC would not be allocated any cost responsibility in the event of default by another LSE on paying RBP Charges, as PJM's proposal would require such reallocation of cost responsibility among other LSEs *already paying RBP Charges*. *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.9(a) ("In the event a Load Serving Entity defaults and fails to pay an RBP Charge, the defaulted amount will be allocated to all remaining Load Serving Entities responsible for paying RBP Charges based on their pro-rata share of the total RBP Charges for all such Load Serving Entities. Such amounts may be offset by the RBP Collateral posted by the defaulting Load Serving Entity.").

[206] *See* EKPC Protest at 17 ("The uncertainty of being assigned costs, as well as the magnitude of the costs that may be assigned, should the large loads not materialize in each zone/area as PJM anticipated in establishing the procurement target, will itself impact whether large loads materialize as forecasted.").

PJM's proposal is just and reasonable in this regard—and consistent with the stated commitments of all 13 governors in the PJM Region. As explained in the July 31 Filing, PJM's proposal follows the Commission's lead by respecting the boundary between state/RERRA and federal jurisdiction.[207] It is the PJM states and/or RERRAs that "have authority over how the wholesale costs of providing electricity, including transmission of such electricity, to those retail customers are recovered through retail rates."[208] To achieve the goal of allocating RBP Charges to the data centers and other large load, the states' line of sight into the retail customers and their LSEs—line of sight PJM does not have—will be vital. Thus, a cost allocation methodology that provides the PJM states and/or RERRAs with the ability to determine how to allocate RBP Charge to LSEs within a given Electric Distributor zone/area, as well as to cost allocate to end-use customers in their respective states in accordance with their laws and policies, supports each PJM state governor's pledge in the NEDC/PJM Governors' Principles, including the principle that the cost of new capacity should be allocated to data centers who have caused the need for additional capacity in the PJM Region.[209]

EKPC also argues against the default allocation approach, which would only apply if a relevant state elects *not* to act. Specifically, EKPC argues that "PJM has failed to provide clear and transparent procedures to allow an LSE to determine the amount of costs it may be allocated under the PJM RBP proposal"[210] and that "[t]his backup methodology

[207] *See* July 31 Filing, Transmittal Letter at 104-08.

[208] *PJM Interconnection*, 195 FERC ¶ 61,211 at P 69 (citing *PJM Interconnection, L.L.C. v. PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,115, at P 68 (2025)).

[209] NEDC/PJM Governors' Principles at 1.

[210] EKPC Protest at 17 (internal quotation marks omitted).

socializes RBP costs across all load within the zone—including LSEs serving customer bases that contributed nothing to the capacity shortfall."[211]

First, PJM's proposed rules very clearly delineate how an LSE may be allocated responsibility for RBP Charges in the unlikely event that the applicable state regulatory body fails to weigh in. As PJM has previously explained, the default method of allocation exists *only* as a safeguard against the unlikely event that a state regulatory body fails to act.

Should that default methodology be needed, LSEs in Electric Distributor zone/areas to which some quantity of Load Adjustments have been assigned would be allocated cost responsibility *in the same way* that cost responsibility is allocated to LSEs in the RPM.[212] As such, the backup method of allocation under the RBP, relied on only if state regulatory bodies fail to act, is an established, clear and transparent methodology.

Second, in the absence of state coordination, PJM will not have the granular information needed to assign cost responsibility to the LSEs serving the retail load that gave rise to the Load Adjustment. While the Load Adjustment process does allow PJM to *receive* some data about which LSE is serving load, this does not necessarily mean that PJM will have all the necessary data in every instance. Thus, under such circumstances, should they arise, spreading the responsibility for RBP Charges pro-rata across an Electric Distributor zone/area would be a reasonable method to fall back on.

[211] *Id.* at 20.

[212] *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.3(b)(iii) ("If no [RBP Obligation] MW are reported to the Office of the Interconnection in an Electric Distributor zone/area, PJM will allocate the RBP Charges for that zone/area to all load in the zone/area using each LSE's ratio share of the Daily Unforced Capacity Obligation for the zone/area as determined in RAA, Schedule 8.").

f. <u>Because RBP is driven by the need for all new large loads to bring their own capacity, to avoid RBP Charges, an Electric Distributor zone/area must fully offset its Load Adjustment MW.</u>

Dominion asserts that PJM's approach to crediting an Electric Distributor zone/area for Qualifying RBP Offset UCAP MW is unjust and unreasonable because, for cost allocation purposes, PJM counts Qualifying RBP Offset UCAP MW against the Electric Distributor zone/area's MW of Load Adjustments, and not against that zone/area's allocated portion of the Initial RBP Target.[213] While Dominion's argument may, at first, appear to have some surface appeal, a closer examination reveals that Dominion's position would not support the overarching policy driving the RBP, the NEDC/PJM Governors' Principles, and the Ratepayer Protection Pledge: All new large loads should pay for new capacity and their effects on the transmission system; conversely, existing loads should not bear the costs to connect and serve large loads. Insulating existing ratepayers from the new and expansive demands placed on the region by the recent influx of new large loads is at the heart of the NEDC/PJM Governors' Principles and the Ratepayer Protection Pledge. Naturally, this primary driver of the RBP animates PJM's proposed cost allocation methodology. PJM's approach to determining how an Electric Distributor zone/area may eliminate its RBP obligation is grounded in this overarching policy, as explained below.

First, while the RBP targets a 6,831.3 MW shortfall, it is the Load Adjustments that drive the need for the RBP and therefore drive cost allocations to each Electric Distributor zone/area. Table 1 below shows the total Load Adjustments submitted for each Electric Distributor zone/area for 2026 through 2028. Table 1 was initially presented by PJM at the third post-filing stakeholder workshop, held August 28, 2026, to discuss RBP

[213] *See* Dominion Partial Protest and Comments at 5-7.

implementation of the RBP,[214] and it is a more detailed version of the table submitted in Ms. Croop's affidavit.[215] The Load Adjustments values during this period total 9,033.2 MW. Broadly speaking, these MW represent new large loads that are expected to come to the PJM Region and, until PJM receives their Qualifying RBP Offset UCAP MW submissions, have not brought any new capacity.

Table 1: 2026-2028 Load Adjustment MW by Electric Distributor zone/area[216]

ZONENAME	AREANAME	2026	2028	Load Adjustment MW (2028 - 2026)	Initial Share of RBP Charges (%)	Initial Allocation of RBP Target (UCAP MW)
BGE	BGE	18.0	43.0	25.0	0.28%	18.9
PECO	PECO	17.0	281.0	264.0	2.92%	199.6
PPL	PPL	189.0	1,274.0	1,085.0	12.01%	820.5
PSEG	PSEG	308.0	628.0	320.0	3.54%	242.0
AEP	AEPOHIO	1,743.8	3,763.0	2,019.2	22.35%	1,527.0
APS	PE	165.0	319.0	154.0	1.70%	116.5
ATSI	PP	0.0	17.8	17.8	0.20%	13.5
ATSI	OHIO	132.0	281.2	149.2	1.65%	112.8
COMED	COMED	885.0	2,058.0	1,173.0	12.99%	887.1
DAY	DAY	0.0	277.0	277.0	3.07%	209.5
DOM	DOM	4,386.2	5,368.8	982.6	10.88%	743.1
DOM	NVEC	1,995.4	3,717.8	1,722.4	19.07%	1,302.6
DOM	ODEC	384.9	555.1	170.2	1.88%	128.7
DOM	REC	299.5	973.3	673.8	7.46%	509.6
RTO		10,523.8	19,557.0	9,033.2	100.00%	6,831.3

As Ms. Croop explained, "[t]he initial allocation of RBP UCAP MW to each Electric Distributor zone/area will be based on Load Adjustments . . . and each zone/area's share of the Initial RBP Target of 6,831.3 MW."[217] In other words, an Electric Distributor zone/area's MW of Load Adjustment represents that zone/area's contribution to the need

[214] August 28, 2026 RBP Execution Presentation at 7. For a complete list of all Electric Distributor zone/areas, even those with zero Load Adjustment MW between 2026-2028, see PJM's presentation at the second post-filing stakeholder workshop. PJM Staff & Charles River Associates, *Reliability Backstop Procurement Execution*, PJM Interconnection, L.L.C., 11 (Aug. 10, 2026), https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260810/20260810-pjm-and-cra-reliability-backstop-procurement-presentation.pdf [https://perma.cc/3URZ-SUXW].

[215] July 31 Filing, Croop Aff. ¶ 46.

[216] August 28, 2026 RBP Execution Presentation at 7.

[217] July 31 Filing, Croop Aff. ¶ 46.

for the RBP. The projected influx of new load, as represented by the Load Adjustment MW generally *caused* the resource adequacy shortfall for the 2028/2029 Delivery Year.

Only by eliminating their Load Adjustment MW value can an Electric Distributor zone/area eliminate its responsibility for RBP Charges. Put another way, the UCAP MW figures in the far-right column of Table 1 represent each Electric Distributor zone/area's allocation of the Initial RBP Target. These figures are the result of applying an Electric Distributor zone/area's proportional share of the total 9,033.2 MW Load Adjustment to the identified 2028/2029 Delivery Year shortfall. In other words, each Electrical Distributor's initial allocation of the RBP target does not represent its proportional responsibility for the RBP; rather, it is a *function* of its proportional responsibility (i.e., it is a mathematically derived value resulting from multiplying its proportional share of the total Load Adjustment MW by the Initial RBP Target value). Each Electric Distributor zone/area's proportional share of the total Load Adjustment MW is a means of capturing the zone/area's proportional share of the influx of new large load that is projected to come online in the near future. That influx of new load can be said to have caused the need for the RBP.

With this understanding and context, it becomes clear that Dominion's critique of PJM's default method for allocating RBP Charges misses the mark. First, Dominion claims that "[r]equiring [Electric Distributor] zone/areas to offset their entire MW Load Adjustment Share to avoid having an RBP Obligation raises the possibility that they will pay for redundant capacity, which is unjust and unreasonable."[218] The fact is that the Load Adjustment represents the quantity of new large loads that have not brought new capacity,

[218] Dominion Partial Protest and Comments at 6.

and each Electric Distributor zone/area's share of the Load Adjustment represents that zone/area's responsibility for the shortfall giving rise to the RBP.

Nevertheless, PJM proposed that new loads in a zone/area can be demonstrated to have since brought new capacity by being matched with Qualifying RBP Offset UCAP MW. Thus, the Initial RBP Target may be decremented by the quantity of Qualifying RBP Offset UCAP MW. Such a requirement does not lead to "redundant capacity;" it leads to new capacity serving new large loads. Qualifying RBP Offset UCAP MW can extinguish the Electric Distributor zone/area's contribution to the need for the RBP. Further, requiring all new large loads to "build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands" is required by the Ratepayer Protection Pledge and allows all existing capacity resources to be available to serve non-new large loads.

Dominion also argues that PJM's approach could result in some LSEs/new large loads in some Electric Distributor zone/areas bringing on sufficient new capacity to eliminate the entirety of the Final RBP Target such that load in Electric Distributor zone/areas "that did not bring RBP Offsets will still have remaining MW Load Adjustment Shares but will not bear any financial consequences for not bringing RBP Offsets because [the] Final RBP Obligation will be 0 MW[.]"[219] The fact that the actions of some LSEs or loads may reduce the RBP obligations of others is not inherently unjust and unreasonable. The diffuse benefit from pooled resources is a key feature of being in an RTO. Further, to the extent some LSEs and/or new large loads in some Electric Distributor zone/areas were to zero-out the entirety of the Initial RBP Target by bringing on sufficient new capacity to meet that target, LSEs and/or new large loads in Electric Distributor zone/areas with Load

[219] *Id.* at 7.

Adjustment MW not matched with new capacity would be foreclosed from being assigned cost responsibility through the RBP. However, those LSEs and/or new large loads would nevertheless still be required to bring new capacity or provide IRAS, outside of the RBP framework.

J. PJM Appropriately Tailored the Buyer-Side Credit Requirement to the 15-year Forward Risk Presented By the RBP Commitments So As to Protect Ratepayers from Bearing Costs for RBP Resources.

1. PJM's buyer-side (LSE) collateral requirement is appropriately designed to protect ratepayers from exposure to RBP Charges and ensure large loads bear RBP Resource costs, as required by the Ratepayer Protection Pledge and NEDC/PJM Governors' Principles, and consistent with PJM's existing credit rules.

A handful of entities take issue with PJM's proposal to require those LSEs who contributed to the current resource adequacy shortfall that RBP is designed to address to post collateral for the purpose of protecting all other ratepayers in PJM from bearing the costs of RBP Resources.[220] One protestor questions "why it is necessary to require LSEs to post additional collateral" to cover their 15-year RBP charge obligation, asserting that "there is no justification for imposing new and onerous collateral requirements on LSEs," "[b]ecause retail customers ultimately will pay the RBP costs.[221]

While PJM understands that arguments can be made over the amount of collateral required, the basic need for a collateral requirement should not be controversial. Imposing a credit requirement for the purpose of ensuring only those entities assigned cost responsibility for RBP Resources bear the burden of such costs protects "those LSEs *not*

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[220] *See* NOVEC Protest at 19-24; EKPC Protest at 21-28; FirstEnergy Comments and Protest at 7-9; Equinix Comments at 14-16. No party challenges PJM's proposed RBP Seller credit requirement. Equinix describes it in passing. *See* Equinix Comments at 14. EKPC's affiant, Carl F. Coscia, Ph.D., offers criticisms about the process but not the merits. *See* EKPC Protest, Affidavit of Carl F. Coscia (Attachment 2) ¶¶ 182-84.

[221] FirstEnergy Comments and Protest at 7-8.

allocated cost responsibility for RBP Resources from having to pay for such resources."[222] This is consistent with the purpose of PJM's existing credit rules, which the Commission has recognized is to "protect the integrity of the PJM-administered markets, as well as protect market participants from financial losses that result from unreasonable credit risks and defaults."[223] PJM's proposal implements the NEDC/PJM Governors' Principles and Ratepayer Protection Pledge by "allocat[ing] the cost of any new capacity procured through the . . . Reliability Backstop [Procurement] to load serving entities (LSEs) with new data centers,"[224] so as to "protect American consumers from price hikes due to data center energy and infrastructure requirements, and lower electricity costs for consumers in the long term."[225]

Indeed, PJM designed RBP to provide a key role for the states, consistent with their governors' commitment in the NEDC/PJM Governors' Principles to "use all available authorities to ensure that their state public utility commissions . . . ensure that their states' LSEs allocate their share of the cost to procure new capacity through the Reliability Backstop [Procurement] to new data center loads," i.e., the loads that comprise the Load Adjustments driving the current capacity shortfall.[226] The NJ BPU, for one, recognizes the important role the state will have in ensuring RBP costs (including costs associated with credit requirements) are properly allocated. In its comments supporting PJM's proposal, the NJ BPU correctly observes that "[i]n theory, an LSE would pass on the collateral costs to the large load, but there may need to be additional forcing mechanisms [at the state level]

[222] July 31 Filing, Transmittal Letter at 114.

[223] *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,173, at P 36 (2020).

[224] NEDC/PJM Governors' Principles at 1 (emphasis omitted).

[225] Ratepayer Protection Pledge.

[226] NEDC/PJM Governors' Principles at 2.

in restructured states where retail choice and default service has been the assumed retail system."[227] The NJ BPU continues that the proposed "collateral requirement will put pressure on the retail-jurisdictional authorities to ensure the collateral obligation does not fall upon ratepayers."[228] PJM shares this objective of acting to prevent ratepayers from bearing RBP costs, and stands ready to work with the states to develop all appropriate mechanisms so that large loads bear all RBP costs.

Finally, contrary to protestors' claims otherwise,[229] PJM's proposal also is consistent with cost causation principles,[230] as the LSEs serving the new load captured by the Load Adjustments for which PJM was unable to procure capacity in the 2028/2029 BRA are the entities that caused the need for the RBP and the entities to be allocated responsibility to pay RBP Charges. Given that the credit requirements apply only to those LSEs allocated responsibility for RBP Charges, the credit obligation is directly tied to the entity from whom there is default risk exposure, thus appropriately protecting all other entities from paying RBP Charges.

2. PJM's proposed RBP credit requirement is not duplicative of any existing PJM credit rule but, rather, is tailored to the long-term obligation to pay RBP Charges, which is unlike any current payment obligation in PJM's market rules.

EKPC and NOVEC both claim that this collateral is "duplicative" of the Peak Market Activity collateral PJM requires with regard to, generally speaking, a Market Participant's transaction activity in PJM's capacity, energy, and ancillary services markets

[227] NJ BPU Comments at 5-6.

[228] NJ BPU Comments at 6.

[229] *See, e.g.*, NOVEC Protest at 10; EKPC Protest at 28.

[230] *See N. States Power Co.*, 64 FERC ¶ 61,324, at 63,379 ("[T]he fundamental principle of cost causation [is] that costs should be recovered in the rates of those customers who utilize the facilities and thus cause the cost to be incurred.").

and for transmission service.[231] Protestors are correct that PJM's proposed collateral requirements do not "bear[] any relation" to PJM's current collateral requirements.[232] The long-term, up to 15-year payment obligation to RBP Resources is unlike any other commitment in PJM. As such, the credit requirement for the long-term RBP committed obligation should be different from the credit requirements for PJM's capacity and energy markets and transmission services.

Currently, PJM utilizes the Peak Market Activity metric to determine the appropriate credit requirement for each LSE buyer of transmission, capacity, energy, and ancillary services. Generally, PJM requires LSEs to maintain credit based on the greatest amount invoiced on a rolling period of one, two, three, or four weeks.[233] To be clear, Peak Market Activity is a backward-looking metric that is used to determine the amount of credit needed to protect PJM's markets and Members from default of amounts owed for obligations delivered.

Peak Market Activity's rolling basis for the credit requirement makes sense for these products. PJM's capacity markets procure forward capacity commitments, and associated LSE buyer obligations, on a year-by-year basis. But, PJM does not have any

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[231] NOVEC Protest at 22; *see* EKPC Protest at 23 ("[T]he same obligation is also collateralized twice. The RBP Charge is secured in advance by the Credit Rate, and once the Delivery Year begins and RBP Charges are billed, those same charges enter the LSE's Peak Market Activity through the ordinary operation of [Tariff,] Attachment Q and are secured again.").

[232] *See* EKPC Protest at 26.

[233] *See* Tariff, Attachment Q, section VII.A; *see PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,055, at P 3 (2024) ("Peak Market Activity is one of the tools that PJM utilizes to determine a market participant's risk exposure and the level of financial security required to support that market participant's activity in the PJM markets. Under the Tariff, PJM must calculate the Peak Market Activity for each participant to determine how much credit or collateral the participant must provide to PJM to participate in the PJM markets. Peak Market Activity is calculated based on invoices for the market participant's transaction activity in all PJM Markets, excluding FTR Net Activity, Virtual Transactions Net Activity, and Export Transactions Net Activity. To satisfy its Peak Market Activity credit requirement, each participant must maintain a sufficient unsecured credit allowance and/or collateral, as applicable." (footnotes omitted)).

rules specific to the credit risk associated with the LSE buyers' obligation to pay capacity charges throughout the year; rather, such are captured in Peak Market Activity, and to the extent an LSE defaults on its obligations, the provider of last resort for that load becomes responsible on a going-forward basis.

In contrast, PJM envisions that an LSE's obligation to pay RBP Charges should not be shunted to a provider of last resort—the idea is that the large load driving the need for the RBP should bear these costs—through its LSE, consistent with the Ratepayer Protection Pledge. Once assigned cost responsibility, an LSE should assume that it will be responsible for paying RBP Charges through the remainder of the term, i.e., through the end of the 2042/2043 Delivery Year.[234] Thus, the RBP cost allocation and credit requirements are fundamentally different from PJM's existing capacity payment obligations, and comparisons to Peak Market Activity, and its rolling-based credit requirement, are accordingly misplaced.[235]

In sum, Peak Market Activity and the proposed RBP credit requirement serve two different purposes and track different types of financial exposure. The core difference is what they measure. Peak Market Activity manages immediate, rolling operational risk from daily transactions based upon a rolling, backward-looking billing history. In contrast, the proposed RBP credit requirement is to cover forward-looking risk over a long-term, up

[234] There appears to be some confusion about when the collateral requirements would need to be posted and how much would need to be posted for a given Delivery Year. *See* Constellation Protest at 16. PJM therefore clarifies that an LSE-allocated responsibility for paying RBP Charges does not need post collateral until 45 days "[p]rior to the first Delivery Year" it is responsible for paying RBP Charges. *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.8(b). And, the amount of collateral required would be based on the RBP UCAP MW committed *for that Delivery Year*. *Id.*, proposed Tariff, Attachment DD, section 18.8(b)(i)(A) ("The cumulative RBP credit requirement for Load Serving Entities for a given Delivery Year shall be equivalent to the product of the RBP Credit Rate multiplied by RBP UCAP MW committed . . . . "). In other words, no collateral would be required for RBP Resources are not in service for that Delivery Year, and no RBP Charges would be assessed.

[235] *See* EKPC Protest at 26; *id.*, Coscia Affidavit ¶¶ 25-29; Equinix Comments 14-16.

to 15-year commitment to sellers. Thus, it is clear that the RBP credit requirement is not "duplicative" of Peak Market Activity, as protestors claim.

3. PJM's proposed LSE credit requirement is properly tailored to cover long-term payment obligation and protect ratepayers from exposure to RBP Charges.

A few protestors contend that PJM's proposal LSE credit requirement is "unnecessary" and "excessive."[236] In variations on these themes, FirstEnergy argues that "PJM must be able to show that its proposed collateral requirements are reasonably tailored to the actual credit risk presented by specific LSEs, or substantially similar classes of LSEs;"[237] EKPC argues that it was not "derived from measured exposure;"[238] and NOVEC argues that "at the most, RBP buyers should only have to provide collateral for the incremental cost of the RBP clearing price above the weighted RPM clearing price for the relevant Delivery Year."[239] Each of these arguments misses the mark.

a. <u>The LSE RBP credit requirement is necessary to protect ratepayers.</u>

As an initial matter, PJM's proposed credit requirement definitely is not "unnecessary." Without a properly designed credit requirement, other ratepayers (i.e., those not associated with the large loads causing the need for the RBP and the RBP Resources) would be exposed to paying for these resources. To minimize other ratepayers' exposure to RBP Charges, RBP Charge payment obligations must be properly

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[236] NOVEC Protest at 19; FirstEnergy Comments and Protest at 7; Equinix Comments at 14.

[237] FirstEnergy Comments and Protest at 8.

[238] EKPC Protest at 23.

[239] NOVEC Protest at 22.

collateralized such that all default risk rests with those allocated RBP cost responsibility.[240] As discussed, this should not be controversial.

b. <u>The LSE RBP credit requirement is objective, not unduly discriminatory, and just and reasonable.</u>

Contrary to FirstEnergy's claims,[241] PJM's approach of treating each LSE-allocated cost responsibility equally, in an open and transparent manner, is just and reasonable. Ms. Gwen Kelly, PJM's Senior Director, Credit Risk and Collateral Management, testified that "PJM considered that the relevant financial exposure is created by the portfolio of committed RBP resources rather than by any individual LSE in isolation."[242] PJM looked at the forward obligation to the RBP Resources instead of individual LSE's creditworthiness and ability to pay for a couple of reasons. One, this provided the best approach for protecting other ratepayers from exposure to RBP Charges. That is, by looking at the obligation and not the payor, PJM can better devise credit rules to safeguard the payment and reduce exposure in case of default.

Two, this approach would allow for a uniform credit rate applicable to each allocated RBP UCAP MW. As such, PJM has proposed an "objective, transparent, and

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[240] *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.9(a) ("In the event a Load Serving Entity defaults and fails to pay an RBP Charge, the defaulted amount will be allocated to all remaining Load Serving Entities responsible for paying RBP Charges based on their pro-rata share of the total RBP Charges for all such Load Serving Entities. Such amounts may be offset by the RBP Collateral posted by the defaulting Load Serving Entity."). In the July 31 Filing, PJM inadvertently described how the allocation of LSE defaults on RBP Charges would be treated. PJM correctly described the management of LSE defaults at Part III.F.5, explaining that "upon any LSE's default of RBP Charges, the defaulted amounts shall be reallocated to among the other LSEs allocated RBP Charges based on their proportional share of the total RBP Charges assessed across the PJM Region." July 31 Filing, Transmittal Letter at 122 (citing *id.*, proposed Tariff, Attachment DD, section 18.9(a)). However, PJM misdescribed how the management of LSE defaults in Part III.C.10, and the Commission should ignore that redundant and incorrect discussion in the July 31 Filing.

[241] *See* FirstEnergy Comments and Protest at 8 (PJM's proposal is unjust and unreasonable "because it automatically treats [LSEs] as presenting the same nonpayment risk as LSEs without comparable cost recovery mechanisms.").

[242] July 31 Filing, Affidavit of Gwen Kelly on Behalf of PJM Interconnection, L.L.C. (Attachment D) ¶ 21 ("Kelly Aff.").

consistent means of allocating the aggregate collateral requirement among the LSEs responsible for the underlying payment obligations."[243] A uniform approach ensures non-discriminatory credit requirements for all LSEs allocated cost responsibility, and each LSE-allocated cost responsibility for RBP Charges is required to post collateral proportional to its allocated share of the RBP portfolio. To implement this approach, "PJM developed a methodology that first determines the aggregate collateral necessary to address the payment exposure associated with the portfolio of committed RBP Resources and then allocates that collateral requirement among the LSEs responsible for payment of RBP Charges."[244]

Three, PJM's approach is just and reasonable when considering the alternative. Evaluating the creditworthiness of each LSE serving these new large loads over a commitment period of up to 15 years would not provide the same level of assurance of payment of RBP Charges over the entire period. That is, today's assessment that one LSE is financially strong may not tell PJM much about its ability to continue to pay RBP Charges many years from now. In addition, such an approach would fail to ensure sufficient credit to cover RBP Charges in the event the LSE goes out of business during the payment term. Indeed, the credit quality of an LSE can change considerably during a 15-year term. A company with investment-grade credit may suffer financial set backs during the period, and have worsening credit as a result. S&P Global, a credit rating agency and financial data and research company, tracks the probability of a credit rating transitioning from one rating to another over a specific timeframe. For present purposes,

[243] *Id.* ¶ 23.

[244] *Id.* ¶ 22.

PJM extrapolated S&P Global's 10-year credit mitigation table[245] to reflect a 15-year period. The results are shown in Table 2 below.

Table 2: 15-year Credit Migration Table

15 Year (no-NR) normalized	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC/C**	**D**
AAA	23.1%	44.8%	22.3%	6.3%	0.9%	0.6%	0.1%	2.0%
AA	1.8%	31.8%	44.6%	15.2%	2.6%	1.1%	0.1%	2.8%
A	0.3%	7.5%	49.9%	29.7%	5.4%	2.1%	0.3%	4.8%
BBB	0.1%	1.8%	20.7%	50.2%	11.1%	4.7%	0.4%	11.0%
BB	0.0%	0.4%	4.9%	22.2%	21.4%	12.9%	1.2%	36.9%
B	0.0%	0.1%	1.2%	6.1%	11.0%	12.1%	1.2%	68.2%
CCC/C	0.0%	0.0%	0.4%	1.7%	3.0%	2.6%	0.3%	92.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

As can be seen, PJM estimates an 11% likelihood that an entity with investment-grade credit rating of BBB could transition to default status (D rating), while an entity with a BB rating would have a 36.9% likelihood. In the scenario where an alternative, specific-LSE-driven credit approach is used in place of PJM's proposed obligation-focused approach, such declining creditworthiness would require PJM to request more and more collateral from such entities in order to compensate for the increasing default risk. As a matter of practice, PJM seeks to avoid scenarios where it is exposed to declining counterparty credit quality. Given the foregoing, PJM's proposed methodology is just and reasonable, as it is based on the committed obligation itself and avoids having the adequacy of the credit protection depend upon long-range predictions about individual LSE's financials.

[245] *See Default, Transition, and Recovery: 2025 Annual U.S. Corporate Default And Rating Transition Study*, S&P Global Inc. (June 12, 2026), https://www.spglobal.com/ratings/en/regulatory/article/default-transition-and-recovery-2025-annual-us-corporate-default-and-rating-transition-study-s101688003 [https://perma.cc/7LTL-J8SQ].

c. Consistent with the Commission's credit policy, the Proposed LSE RBP credit requirement is properly tailored to protect other ratepayers from RBP Charges.

Contrary to EKPC's and NOVEC's arguments,[246] PJM's proposed credit requirement is not excessive but is in fact properly tailored to mitigate the risk associated with RBP commitments throughout the up to 15-year RBP commitment term and therefore is derived from the measured forward exposure of the RBP Charges. As Ms. Kelly testified, "PJM evaluated the credit tools needed to mitigate potential defaults from non-payment of RBP Charges," and "found that its current credit tools do not contemplate the long-term nature of RBP and the risk of future non-payment that results."[247] Indeed, PJM's current credit tools—primarily, Peak Market Activity—are geared for recovery of obligations provided, i.e., for energy and capacity that was provided, and are not designed to project for future obligations.

Accordingly, "PJM evaluated methodologies for determining the amount of collateral required from LSEs."[248] PJM determined that "a methodology that first determines the aggregate collateral necessary to address the payment exposure associated with the portfolio of committed RBP Resources and then allocates that collateral requirement among the LSEs responsible for payment of RBP Charges"[249] would effectively obtain sufficient collateral to protect other ratepayers from shouldering the burden of the RBP Resources procured to address the capacity needs of the large loads driving the current shortfall.

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[246] *See* NOVEC Protest at 19-24; EKPC Protest at 21-23.

[247] July 31 Filing, Kelly Aff. ¶ 19.

[248] *Id.* ¶ 21.

[249] *Id.* ¶ 22.

PJM's proposal is consistent with the Commission's credit policy, which requires "a reasonable balance between protecting PJM's markets and its members against the risk of default and ensuring that market participants have adequate flexibility to manage their collateral requirements."[250] This balance must recognize that "as more credit risk is tolerated, PJM is more likely to experience collateral shortfalls and, in turn, defaults,"[251] which are borne by PJM Members.[252] On the other hand, the Commission has cautioned that "overly conservative collateral requirements or collateral requirements that are poorly correlated to credit risk can impose costs that undermine a well-functioning, efficient market by reducing liquidity and creating barriers to market participation."[253] This analysis should also consider the relative risk level of such participation and the payment obligation being collateralized. Thus, just and reasonable credit rules "correlate the . . . credit requirement with the credit risk."[254] As proposed, PJM's approach balances the protection of Members against the effects of LSE default and appropriately correlating the credit requirement with credit risk by "establish[ing] an initial level of collateral that provides commensurate protection against non- payment while avoiding full collateralization of the entire 15-year contractual commitment."[255]

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[250] *PJM Interconnection*, 186 FERC ¶ 61,055 at P 27.

[251] *Id.* P 28 & n.63 (citing *Credit Reforms in Organized Wholesale Electric Markets*, Order No. 741, 133 FERC ¶ 61,060, at P 2 (2010) ("[I]f more risk is tolerated and access to credit is too easy to obtain, then the market is more susceptible to defaults and customers bear the burden of the costs that flow from such defaults."), *order on reh'g*, Order No. 741-A, 134 FERC ¶ 61,126, *reh'g denied*, Order No. 741-B, 135 FERC ¶ 61,242 (2011)).

[252] *See* Operating Agreement, section 15.2.2.

[253] *PJM Interconnection*, 186 FERC ¶ 61,055 at P 28 (citing Order No. 741, 133 FERC ¶ 61,060 at P 2 ("[I]f more risk is tolerated and access to credit is too easy to obtain, then the market is more susceptible to defaults and customers bear the burden of the costs that flow from such defaults.").

[254] *Id.* P 29.

[255] July 31 Filing, Kelly Aff. ¶ 24.

d. Letters of credit and cash are appropriate forms of collateral.

NOVEC complains that "PJM should permit NOVEC to satisfy all or a substantial portion of the requirement through unsecured credit or another demonstration of creditworthiness rather than requiring cash collateral or a letter of credit for the full notional amount," implying that its "investment-grade credit rating, financial condition, and established record of satisfying its PJM obligations," should afford it different treatment.[256] However, as discussed in the July 31 Filing, PJM purposefully chose to limit the forms of collateral to Letters of Credit and cash.[257] PJM considered the unsecured credit available from existing Market Participants. But, PJM's experience—predominantly from hot and cold weather events—has shown that, generally speaking, Market Participants used their full amount of unsecured credit to cover their Peak Market Activity credit obligations associated with those periods. Further, as discussed above, there is a likelihood that even entities with investment grade credit may see their financial condition deteriorate over 15 years. In such event, the entity's access to access to liquidity may also evaporate, making it functionally unable to post additional collateral precisely when default risk rises. To insulate against this downward spiral, the exclusion of unsecured credit and requirement for upfront collateral is prudent risk management. As such, PJM determined that, as a general rule, there would not be sufficient unsecured credit available from these LSEs to cover the up-to 15-year forward credit obligation.

[256] NOVEC Protest at 24.

[257] *See* July 31 Filing, Transmittal Letter at 109-10.

4. Given that the Peak Market Activity is not duplicative of the LSE RBP credit requirement, claims that the RBP Credit Rate should be reduced because RBP Charges are contracts for differences lack merit.

EKPC and NOVEC argue that the credit requirement should be reduced to reflect the fact that the RBP Charges will be only for the difference between [the MW-weighted average of the levelized procurement cost of all selected RBP Sell Offers] and [the weighted average RPM clearing price for the Delivery Year] and not just for the weighted RBP price. These arguments miss the mark. At root, these claims are based on the false premise that the RBP credit requirement is duplicative of PJM's Peak Market Activity, and therefore there would be no need to secure collateral for the full-forward payment obligation.[258]

However, as demonstrated above, the backward-looking Peak Market Activity approach is not adequate for collateralizing the up to 15-year forward obligation presented by RBP Charges.[259] Given that the RBP is to address the capacity shortfall from the 2027/2028 and 2028/2029 RPM Auctions, which is primarily driven by the unprecedented addition of large loads (in the form of Load Adjustments), the loads causing the RBP—through their LSEs—should bear the costs of the RBP Resources throughout the full term. They will pay for their RPM capacity payments, as part of the pool of capacity commitments, plus the RBP Charges based on the contract for differences. That is, for each Delivery Year, these LSEs *will* pay the full MW-weighted average of the levelized

[258] *See, e.g.*, EKPC Protest at 25; NOVEC Protest at 21-22.

[259] To clarify that Peak Market Activity is not an adequate credit tool for RBP Charges, PJM consents to revising July 31 Filing's proposed Tariff, Attachment DD, section 18.8 to remove the sentence: "In addition, settlement during any Delivery Year of cleared positions resulting from, or expected to result from, the Reliability Backstop Procurement may be included, as appropriate, in Peak Market Activity pursuant to Tariff, Attachment Q, Section VII.A." PJM recognizes that this sentence could cause confusion that RBP Charges may be captured in the Peak Market Activity credit tool, and therefore its omission from the accepted language would facilitate proper understanding of the RBP Credit rules.

procurement cost of all selected RBP Sell Offers for the RBP Resources and not just the contract for differences amount. Because the Peak Market Activity does not prospectively collateralize the RPM component over the up to 15-year term, PJM requires a separate credit tool to cover the forward RPM obligation and the forward RBP Charge obligation. The sum of these obligations will be known after the RBP closes (i.e., the weighted RBP price) and can be straightforwardly used to determine the credit requirement. Conversely, considering only the contract for differences amount—which are unknown and unknowable for each of the up to 15 Delivery Years—would needlessly over-complicate the exercise without any concomitant benefits because these LSEs must pay the full amount regardless. And, as a result, those LSEs should be required to post collateral sufficient to shield other ratepayers from their default risk, without the credit requirement being too high.

PJM's proposal accomplishes this objective. As Ms. Kelly testified, "PJM concluded that an *initial* credit rate of $1.5 million per committed RBP MW would collateralize approximately 50% of the estimated contractual value associated with the commitment."[260] PJM's proposal allows for the credit rate to decrease "when changes in the underlying RBP commitment portfolio demonstrate that previously required collateral exceeds the remaining expected payment exposure."[261]

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[260] July 31 Filing, Kelly Aff. ¶ 26 (emphasis added).

[261] *Id.* ¶ 30; *see id.*, proposed Tariff, Attachment DD, section 18.8(b)(i)(A) ("[T]he RBP Credit Rate shall equal $1.5 million, as may be reduced, for reasons including a change in the total committed RBP UCAP MW, when total posted RBP Collateral is greater than the total remaining RBP Charges obligations, over time by the Office of the Interconnection to an amount sufficient to cover the total existing RBP Charges obligations . . . .").

Several entities raised questions as to whether an initial RBP Credit Rate of \$1.5 million per RBP UCAP MW is the best value.[262] PJM has demonstrated that this value is just and reasonable and supported by substantial evidence.[263] This value is keyed to a potential outcome of the RBP, the maximum MW-weighted average of the levelized procurement cost of all selected RBP Sell Offers of \$555/MW-day, and represents about 50% of the notational contract value at that price.[264] These are more than reasonable assumptions to properly protect other ratepayers from RBP Charges. Indeed, the 50% of the notational contract value serves the same balancing principle articulated in the Commission's credit policy. It represents approximately 50% of a quantifiable potential contractual exposure, rather than full collateralization, and can decline as the remaining exposure declines. This calibration undermines claims that the amount is excessive or insufficiently correlated to credit risk. Plus, should the weighted average clearing price be lower than the \$555/MW-day, PJM likely would be able to return collateral earlier.

5. *LSEs contracting with new large loads are requiring collateral that can be used to meet PJM's LSE RBP credit requirement.*

Some protestors asserted that the proposed initial RBP Credit Rate of \$1.5 million per MW would affect their business,[265] but such claims ignore the fact that standard business practices for LSEs signing up new large loads include requiring collateral.

NOVEC argues that PJM's proposed LSE credit requirement would "disrupt NOVEC's ordinary business operations," and that "[t]he Commission should not approve

[262] *See, e.g.*, NOVEC Protest at 19-24; FirstEnergy Comments and Protest at 9.

[263] *See* July 31 Filing, Transmittal Letter at 114-22; *see id.*, Kelly Aff. ¶¶ 24-33; *see also, e.g.*, *Papago Tribal Util. Auth. v. FERC*, 723 F.2d 950, 957 (D.C. Cir. 1983) (finding that the Commission's rate "was just and reasonable [and] did not amount to a finding that every other rate of return was not").

[264] *See* July 31 Filing, Kelly Aff. ¶¶ 25-28.

[265] *See, e.g.*, NOVEC Protest at 20.

a collateral requirement that is an impossibility, a hindrance to an entity's ability to operate, and an injustice."[266] NOVEC states that based on its ~19% share of the RBP Target amount, i.e., ~19% of the new large loads that caused the current shortfall,[267] and PJM's proposed credit rate, NOVEC's collateral would be about $1.95 billion. NOVEC complains that this would be "an extraordinary imposition."[268]

The Commission should look at NOVEC's concerns in context. The entire PJM Region is facing a capacity shortfall because entities like NOVEC contracted to serve new large loads on an unprecedented scale at an extremely rapid pace—without requiring any associated new capacity. Indeed, according to NOVEC's Load Adjustment presentation at PJM's September 16, 2025 Load Analysis Subcommittee, NOVEC's actual load grew from about 1,204 MW in 2019 to 2,368 MW in 2025, with data centers comprising all or nearly all of that growth.[269] NOVEC's own near-term forecast shows that it planned to add over 40 new data centers to its load between 2026 to 2028, increasing its contracted capacity from ~3,000 MW in 2025 to ~6,350 MW in 2028.[270]

As for NOVEC's collateral requirement, the underlying idea is that the large loads it serves should bear these costs.[271] Of course, the Commission and PJM cannot dictate

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[266] NOVEC Protest at 20.

[267] *See* July 31 Filing, Croop Aff. ¶ 46.

[268] NOVEC Protest at 20.

[269] PJM Load Analysis Subcommittee, *NOVEC Data Center Load Forecast*, Northern Virginia Electric Cooperative, 4 (Sep. 16, 2025), https://www.pjm.com/-/media/DotCom/committees-groups/subcommittees/las/2025/20250916/20250916-item-04b---novec-large-load-request.pdf [https://perma.cc/ZJD5-36Y6] ("NOVEC Data Center Load Forecast").

[270] NOVEC Data Center Load Forecast at 15.

[271] FirstEnergy alleges that the collateral costs "will ultimately be borne by retail ratepayers" and "harm retail customers." FirstEnergy Comments and Protest at 8-9. PJM believes that the large loads driving the Load Adjustment should be allocated any costs of posting the necessary collateral, not other ratepayers. The allocation of such costs among an LSE's ratepayers is a matter within the state's jurisdiction.

the terms of the retail tariffs to require NOVEC to pass these costs to its large loads,[272] and PJM does not seek to do so here. NOVEC has testified before the Virginia State Corporation Commission that its contracting practices with large loads include "strict credit review and collateral requirements" and "NOVEC has been very successful at putting credit protection instruments in place that offer a variety of solutions available to different types of data center customers."[273] Presumably, the collateral posted by NOVEC's data center customers could be used to meet the RBP credit requirements.[274]

More broadly, the Credit Support Annex of the International Swaps and Derivatives Association ("ISDA") Master Agreement supports the notion that these LSEs serving large loads should have required collateral from their customers that could be contributed toward meeting the RBP collateral requirement. To the extent the LSE relied on the ISDA Master Agreement, paragraph 6(c)(i) of the Credit Support Annex allows the LSE to use the large load's collateral toward meeting the LSE's collateral requirements.[275]

Further, other LSEs in the PJM Region are imposing strong collateral requirements in their contracts serving large loads. Generally, it appears that utilities are designing the

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[272] *See Tri-State Generation & Transmission Ass'n*, 193 FERC ¶ 61,070, at P 52 (2025).

[273] *Ex Parte: Electric Utilities and Load Growth*, Case No. PUR-2024-00144, Opening Remarks of Gilbert D. Jaramillo on Behalf of Northern Virginia Electric Cooperative, at 4 (Va. S.C.C. Dec. 16, 2024), https://www.scc.virginia.gov/docketsearch/DOCS/82vs01!.PDF [https://perma.cc/2ZRP-3UYA].

[274] Regardless, NOVEC would not be without options. For example, as NOVEC is rate regulated by the Virginia State Corporation Commission, NOVEC could, subject to applicable law, seek to securitize the costs of its RBP collateral requirement (in the form of low-interest, ratepayer-backed bonds sold to investors) and then recover such costs through a Virginia State Corporation Commission-approved non-bypassable charge.

[275] *Int'l Swaps & Derivatives Ass'n*, 2016 ISDA Credit Support Annex (Bilateral Form; New York Law) ¶ 6(c) ("Use of Posted Collateral. Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to (i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor.").

level of collateral to cover the utility's exposure if the data center does not perform as contemplated—which is the same logic underlying PJM's credit requirement.

For example, Ohio Power Company (operating as AEP Ohio) Schedule DCT (Data Center Tariff) requires that data centers that do not meet certain creditworthiness standards must provide collateral at contract signing equal to 50% of their total minimum charges for the full contract term.[276] AEP Ohio also requires the customer to reimburse 100% of buildout costs if it cancels or delays a project by more than 12 months before the target energization date. These are the types of costs that would be contemplated when deriving a credit requirement.

For Dominion, the Virginia State Corporation Commission approved a new Rate Schedule GS-5, effective January 1, 2027, for loads 25 MW or greater and a load factor of at least 75%. Rate Schedule GS-5 requires such loads to contract with Dominion for at least 14 years and allow for early termination exit fees covering any outstanding minimum charges over the remaining contract duration. With respect to collateral requirements, the Virginia State Corporation Commission approved Dominion's proposed terms, "including: (1) $1.5 million/MW; (2) a reduction up to 70% based on the customer's established credit; (3) provisions for third-party guarantees and letters of credit; and (4) releasing 1/14th of the collateral requirement each year throughout the contract."[277] As Dominion has described, the collateral must be provided before the large load is energized.[278]

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[276] *See* Ohio Power Company, P.U.C.O. No. 21, Schedule DCT, Original Sheet No. 223-5.

[277] *Application of Virginia Electric and Power Company, For a 2025 biennial review of the rates, terms, and conditions for the provision of generation, distribution and transmission services pursuant to § 56-585.1 A of the Code of Virginia*, Case No. PUR-2025-00058, Final Order, at 25 (Va. S.C.C. Nov. 25, 2025), https://www.scc.virginia.gov/docketsearch/DOCS/89g601!.PDF.

[278] *Meeting the Demands for Large-Load Customers with Reliable, Affordable, and Increasingly Clean Energy*, Dominion Energy, 5 (May 2026), https://sustainability.dominionenergy.com/GS-5%20Large%20Load%20Rate%20Class%20Report.pdf [https://perma.cc/3RZD-C3M4] ("Collateral

Similarly, the Pennsylvania Public Utility Commission has approved PPL's Rate Schedule LP-6 for large loads (50 MW or greater) that commenced service on or after October 1, 2025.[279] PPL's Rate Schedule LP-6 calls for a minimum contract term of 10 years and "security in an amount equal to the cost of upgrades needed to serve the customer, including, but not limited to, the costs that the Company would not have incurred but for the interconnection of the customer."[280] Rate Schedule LP-6 provides that in the event the large load defaults PPL "shall draw on the security instrument in the amount of the outstanding revenue guarantee."[281]

As can be seen, LSEs are imposing collateral requirements needed to cover the costs to serve the large loads—again, similar to PJM's LSE RBP credit requirement to cover the costs of the capacity needed to serve these new large loads.

6. While PJM has proposed a just and reasonable LSE credit requirement and urges Commission acceptance of it, PJM recognizes that there is time to investigate further and consents to modification if the Commission desires.

PJM has proposed a just and reasonable approach to determining the proper buyer-side LSE RBP credit requirement. Nonetheless, PJM understands that reasonable minds may differ as to how to set the initial RPM Credit Rate. Some have suggested that the credit rate should be keyed to the actual MW-weighted average of the levelized procurement cost of all selected RBP Sell Offers that results from the RBP and not the

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requirements, which were approved to become more stringent pursuant to a recent Commission ruling, are due to be paid before the customer's meter is set and its project is energized.").

[279] PPL Electric Utilities Corporation Rate Schedule LP-6 Large Load Interconnections, Supplement No. 2 to Electric Pa. P.U.C. No. 202, First Revised Page No. 35C (effective July 1, 2026), https://www.pplelectric.com/site/-/media/PPLElectric/At-Your-Service/Docs/Current-Electric-Tariff/2026/July/Rate-Schedule-LP-6-Large-Load-Interconnections.pdf ("PPL Rate Schedule LP-6").

[280] *Id.*

[281] *Id.*

maximum of such value.[282] PJM consents to such an approach, because it maintains a credit requirement corresponding to the level of risk necessary to insulate other ratepayers[283] and would implement such a change on compliance if the Commission directs.[284]

Further, although PJM has proposed a just and reasonable approach to determining the proper buyer-side LSE RBP credit requirement, PJM recognizes that reasonable minds may differ on the credit approach. Given that an LSE's collateral is not required to be posted until the first Delivery Year for which RBP Resources will be in service and providing capacity, i.e., the 2028/2029 Delivery Year,[285] the LSE credit rules do not need to be effective for the RBP to be conducted. To be clear, the RBP Seller credit rules in proposed Tariff, Attachment DD, section 18.8(a) do need to be effective to conduct the RBP. Accordingly, consistent with the consent PJM provided in the July 31 Filing to the Commission's exercise of authority to modify and/or sever the proposed Tariff and RAA language, as needed and permitted under the FPA and *NRG Power Marketing*,[286] PJM would consent to the Commission resolving the applicable buyer-side LSE RBP Credit Rate through additional procedures.

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[282] *See* NOVEC Protest at 22.

[283] *See* July 31 Filing, Transmittal Letter at 3-4, 130-33.

[284] For this reason, PJM does not consent to the rolling forward exposure-based credit requirement suggested by Equinix Inc. *See* Equinix Comments at 16.

[285] *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.8(b).

[286] *NRG Power Mktg., LLC*, 862 F.3d 108 (D.C. Cir. 2017). As the Commission has repeatedly stated, "[t]he United States Court of Appeals for the District of Columbia Circuit has held that, in certain circumstances, the Commission has 'authority to propose modifications to a utility's [FPA section 205] proposal if the utility consents to the modifications.'" *N.Y. Indep. Sys. Operator*, 188 FERC ¶ 61,051, at P 22 n.36 (2024) (second alteration in original) (citing *NRG Power Mktg.*, 862 F.3d at 114-15); *see Midcontinent Indep. Sys. Operator, Inc.*, 180 FERC ¶ 61,141, at P 26 n.29 (2022) (same), *order on reh'g*, 182 FERC ¶ 61,096 (2023); *ISO New Eng., Inc.*, 175 FERC ¶ 61,172, at P 16 n.20 (2021) (same).

K. The Proposed Transmission Owner Exit Requirements Are Necessary to Ensure Price Certainty for RBP Resources Over the 15-year Commitment Period, Thereby Encouraging Participation in the RBP.

In the event that a Transmission Owner elects to exit PJM during or prior to the 2042/2043 Delivery Year, PJM proposed Tariff provisions in Attachment DD, section 18.7 places such a Transmission Owner on notice of their responsibility to avoid undermining the cost certainty of the 15-year RBP Resource commitment, which aids the financing of RBP Resources that can be placed in service quickly, as it would avoid creating stranded costs related to RBP Resources and the loads served by such resources as a result of a Transmission Owner's decision to leave PJM.

At bottom, the proposed Tariff provisions balance the dual interests of providing adequate notice to Transmission Owners and retaining flexibility in recognition that, should a Transmission Owner elect to exit PJM at some point in the future. Furthermore, the proposed Tariff provisions help to protect residential customers and other consumers remaining in the PJM Region from being held responsible for stranded RBP costs arising from a Transmission Owners' decision to leave PJM, in keeping with the Ratepayer Protection Pledge, which a significant number of PJM's Transmission Owners are signatories to.[287]

[287] The PJM Transmission Owners that are signatories to the Ratepayer Protection Pledge and have filed comments and protests in this docket include: AES Corporation, EKPC, Dominion, FirstEnergy, and PPL. *See* White House Ratepayer Protection Pledge Signatories.

1. *The proposed Tariff language is sufficiently clear to put Transmission Owners on notice of their responsibilities with respect to RBP Resources in the event that they choose to exit from PJM.*

Several intervenors raise concerns that the proposed Tariff language implementing the Transmission Owner exit process lacks sufficient clarity and specificity.[288] AEP claims that (1) the "standard" applied to the agreement into which Transmission Owners and RBP Resources in the zone may enter into in proposed Tariff, Attachment DD, section 18.7(a) is unclear; (2) PJM has not explained how it may "elect" to retain RBP Resources that can be pseudo-tied into PJM; and (3) it is unclear what sort of contractual arrangement in proposed Tariff, Attachment DD, section 18.7(b) a Transmission Owner should enter into with RBP Resources outside of the zone.[289] PPL asserts that PJM's proposed language violates the FPA's requirement to provide clear and specific rates and charges, particularly with respect to the costs that would be at issue if a resource is pseudo-tied or in the event of a Transmission Owner's exit, as well as with respect to who would be responsible for making a filing with the Commission.[290] Similarly, AEP argues that exit terms should be able to be determined prior to a Transmission Owner withdrawing from PJM.[291]

None of these arguments render PJM's proposed Tariff revisions unjust and unreasonable. As discussed below, there is sufficient detail provided in these revisions to put Transmission Owners on notice of their responsibilities in a manner that also provides for flexibility to meet those obligations, particularly in light of the complexity and unknowns involved in a future, hypothetical withdrawal.

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[288] *See, e.g.*, AEP Limited Protest at 12-13; PPL Limited Protest and Request for Clarification at 10-12; EKPC Limited Answer at 5-6.

[289] AEP Limited Protest at 12-13.

[290] PPL Limited Protest and Request for Clarification at 10-12.

[291] AEP Limited Protest at 17-20.

Importantly, in the event a Transmission Owner does exit, there will be extensive negotiations that take place, not only with respect to RBP, but also a variety of other obligations. Therefore, PJM drafted these sections with the intent of providing flexibility to the Transmission Owner and RBP Resource to develop the specific "rates, terms, and conditions" to effectuate the obligation to "preserve RBP commitments."

Critically, however, this flexibility is counterbalanced against the detailed Tariff provisions set forth in proposed Tariff, Attachment DD, section 18, which specifies the necessary terms and conditions for implementing the RBP. Regarding AEP's arguments about entering into agreements with RBP Resources, the proposed Tariff language in Attachment DD, sections 18.7(a) and 18.7(b) is sufficiently clear, particularly when read in the context of all of the proposed Tariff language. In both proposed sections, it is clear that the purpose of such agreements is to ensure that both the exiting Transmission Owner "*preserves the RBP commitments* with the owners of"[292] RBP Resources. This, of course, is the entire purpose of this filing—to ensure that PJM has sufficient resources to maintain reliability throughout the 15-year commitment period.

When reviewing proposed tariff language, the Commission must interpret tariff provisions "as part of an integrated whole."[293] Applying this principle here necessarily leads to the conclusion that such "rates, terms, and conditions" might include the issues addressed in proposed Tariff, Attachment DD, section 18 that would "preserve RBP

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[292] July 31 Filing, proposed Tariff, Attachment DD, section 18.7(a) (emphasis added).

[293] *Derby Fuel Cell, LLC*, 194 FERC ¶ 61,147, at P 22 & n.46 (2026) (citing *Columbia Gas Transmission Corp*., 27 FERC ¶ 61,089, at 61,166 (1984) ("In construing what a tariff means, certain general principles apply. One looks first to the four corners of the entire tariff, considers the entire instrument as a whole, giving effect so far as possible to every word, clause and sentence, and attributes to the words used the meaning which is generally used, understood, and accepted.")).

commitments." At the same time, as discussed above, PJM intends to preserve flexibility for exiting Transmission Owners and RBP Resources as they negotiate any agreement.

With respect to concerns that PJM may "elect" to retain an RBP Resource as a Capacity Resource, PJM notes that it must retain the discretion necessary to ensure how best to meet PJM's resource adequacy and reliability needs—e.g., whether it makes sense for PJM to keep that RBP Resource after considering the topology of the transmission system at the time of the desired exit. As Ms. Croop discusses in her affidavit, submitted with the July 31 Filing, for example, PJM does not project and calculate certain parameters 15 years out.[294] Further, PJM's ongoing RTEP transmission planning processes will continue to assess the transmission system at any given time to account for changes to ensure ongoing deliverability of capacity resources.[295] For example, it may be the case that, at the time the decision to exit has been made, PJM no longer needs that particular RBP Resource to be retained to meet reliability needs. This discretion is also part and parcel of ensuring just and reasonable rates, as discussed in the NEDC/PJM Governors' Principles which state, among other things, that PJM should "prevent consumers from bearing excessive ongoing costs."[296]

With respect to PPL's arguments regarding pseudo-tie costs,[297] PJM's proposed Tariff language is more than sufficiently specific and clear regarding the costs at issue. Proposed Tariff, Attachment DD, section 18.7(a) states that the costs to be paid by the exiting Transmission Owner would include those needed to ensure "that such resource

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[294] July 31 Filing, Croop Aff. ¶ 8.

[295] *Id.* ¶ 9.

[296] NEDC/PJM Governors' Principles at 1; *see* 2026 PJM CIFP Proposal at 1.

[297] PPL Limited Protest and Request for Clarification at 11.

meets the external Capacity Resource eligibility requirements set forth in Tariff, Attachment DD, section 5.5A prior to the Transmission Owner exiting PJM Interconnection, L.L.C." Again, the overall intent of this proposal is to ensure that PJM has sufficient capacity to meet reliability needs. Should a Transmission Owner decide, in the future, to exit PJM, and if that Transmission Owner has incurred RBP responsibilities, that Transmission Owner must ensure that it continues to satisfy those responsibilities. One option that the Transmission Owner may choose is to have the RBP Resource pseudo-tie back into PJM in the event the exiting Transmission Owner leaves with an RBP Resource. If such RBP Resource will be pseudo-tied, PJM's proposed Tariff language and existing language in Attachment DD are clear as to what that would entail.

With respect to arguments concerning the requisite Commission filing and costs associated with a Transmission Owner exiting PJM with net load, PJM again notes that such costs are appropriately decided at the time of Transmission Owner's exit and subject to Commission approval. It is impossible to determine, at this point in time, what exactly those circumstances may be. The proposed Tariff language simply puts parties on notice that final cost determinations will be approved by the Commission.

Similarly, the proposed Tariff provisions do not specify who may make such filing, as, again, it is impossible to determine, at this time, the scope of any Transmission Owner's exit proceeding that may take place. The proposed Tariff provides appropriate flexibility in this regard while also providing sufficient notice of the nature of the costs, namely those associated with ensuring RBP Resources commitments are appropriately honored.

AEP and EKPC argue that exit terms should be specified up front and consistent with cost causation, adding that the lack of locational requirements[298] underpins the uncertainty as to cost responsibility.[299] For the reasons discussed above in this subsection, PJM's proposed Tariff revisions are just and reasonable because, among other things, they specifically set out the obligations associated with RBP Resources, so there can be no question as to the types of responsibilities an exiting Transmission Owner may need to consider prior to exiting PJM.

Further, AEP's arguments fail to appreciate the numerous options provided to an exiting Transmission Owner regarding how it may choose to honor its RBP responsibilities, which greatly mitigates against the argued uncertainty. For example, a Transmission Owner exiting with committed RBP Resources in its zone may (1) negotiate an agreement with the RBP Resource owners, free to advocate for whatever costs they deem appropriate to preserve the RBP Resource commitments; (2) attempt to pseudo-tie the RBP Resource into PJM, paying associated costs consistent with proposed Tariff, Attachment DD, section 18.7(a); or (3) pay for the costs associated with the remainder of the RBP Resource's term as approved by the Commission.[300] If a Transmission Owner exits with net load, it has similar options: (1) negotiate an agreement with the RBP Resources; or (2) pay all forward obligations as approved by the Commission.[301] In short, the proposed Tariff, when read as a whole, provides sufficient notice regarding the nature of

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[298] Responses to locational arguments are set forth in this Answer, *see supra* Part I.C.3.

[299] AEP Limited Protest at 17-18; EKPC Limited Answer at 4. Similar arguments regarding certainty necessary for Transmission Owners to make informed decisions about whether to exit PJM, and whether alleged uncertainty constrains such future decision-making, are raised by PPL and FirstEnergy and are addressed by the responses provided in this section. *See* PPL Limited Protest and Request for Clarification at 9-10; FirstEnergy Comments and Protest at 5.

[300] *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.7(a).

[301] *See id.*, section 18.7(b).

responsibilities and the flexibility to meet them based on their own informed business decision-making.

2. *The proposed Tariff language in section 18.7(b) requiring an exiting Transmission Owner to pay "all forward obligations" is needed to ensure that RBP Resources have financial certainty and that loads remaining in PJM are not forced to bear excessive costs.*

AEP asserts that PJM's proposed Transmission Owner exit provisions pertaining to net load exiting PJM in section 18.7(b) are unjust and unreasonable because they do not appear to incorporate the effect of offsetting credits that load remaining in PJM will benefit from.[302] Similarly, AEP further argues that exiting Transmission Owners may be forced to bear excessive costs should RPM clearing levels decline as a result of its exiting load—load remaining in PJM would see the benefit of this through RBP credits, while the exiting load would continue to pay for "surplus" capacity.[303]

But, as PJM has explained, an exiting Transmission Owner will have opportunities to seek further cost recovery as needed. The provisions put Transmission Owners on notice of the RBP-related commitments that must be honored in order to maintain reliability in PJM, which should be among a Transmission Owner's considerations when weighing the costs and benefits of exiting.

Proposed Tariff, Attachment DD, section 18.7(b) provides two avenues through which an exiting Transmission Owner may honor its responsibilities. First, it may enter into an agreement with the appropriate RBP Resource(s) to negotiate "appropriate rates, terms, and conditions" necessary to preserve its RBP commitments. This option would

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[302] AEP Limited Protest at 13-15.

[303] *Id.* at 15-17.

permit the Transmission Owner to develop cost recovery provisions that it believes are appropriate for preserving the ability of the RBP Resource(s) to continue operating in PJM.

Only if an exiting Transmission Owner opts not to enter into an agreement (or does not reach agreement with the RBP Resource(s)) that the next option becomes available. This second option, then, requires the exiting Transmission Owner to pay "all forward obligations on an accelerated basis." As discussed in the July 31 Filing, such cost recovery is necessary to ensure that the load remaining in PJM is not forced to bear the costs of increased RBP charges resulting from a unilateral business decision made by the exiting Transmission Owner.[304]

Even here, there are two additional opportunities for the exiting Transmission Owner to advocate for further cost recovery. First, proposed Tariff, Attachment DD, section 18.7(b) makes clear that the costs of "all forward obligations" will be subject to Commission review, meaning that the exiting Transmission Owner would have the opportunity to dispute any allocated costs either before the filing or once it is filed. Second, as PJM explained in the July 31 Filing:

> While the exiting Transmission Owner would be initially responsible to pay for the costs necessary to ensure no RBP Resource becomes a stranded asset, nothing in PJM's proposal would preclude such a Transmission Owner from seeking to recover any such costs from the relevant large loads.[305]

Therefore, the exiting Transmission Owner is in no way prevented from seeking further cost recovery from load remaining in PJM, should it believe further payment is warranted.

AEP asserts that load outside of PJM is "similarly situated load that stays in PJM," insofar as load remaining in PJM may benefit from offsets, while load outside of PJM will

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[304] July 31 Filing, Transmittal Letter at 94-95.

[305] *Id.* at 95.

be required to pay more.[306] Contrary to such an assertion, load that leaves PJM with an exiting Transmission Owner would no longer be obligated under the PJM Tariff to pay any applicable RBP Charges while load that remains in PJM would be bound by the Tariff and required to pay applicable RBP Charges. This distinction is material to the "similarly situated" inquiry,[307] as it demonstrates that it is indeed just and reasonable to treat these two differently situated loads differently. This is also consistent with how the Commission has previously examined whether two different loads were similarly situated.[308]

3. The proposed Tariff language is consistent with Commission precedent regarding RTO withdrawal and does not change any existing exit processes or commitments.

AEP's protest includes an extensive background on the "current terms" for withdrawing from PJM and calls into question whether the responsibilities set forth in proposed Tariff, Attachment DD, section 18.7 would alter existing non-RBP responsibilities for Transmission Owners that seek to exit PJM.[309] To be clear, as discussed

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[306] AEP Limited Protest at 14-15.

[307] *See N.Y. Indep. Sys. Operator, Inc.*, 162 FERC ¶ 61,124, at P 10 (2018) ("To say that entities are similarly situated does not mean that there are no differences between them; rather, it means that there are no differences that are material to the inquiry at hand." (citing *Fla. v. Long*, 108 S. Ct. 2354, 2358 (1998); *City of Los Angeles v. Lyons*, 103 S. Ct. 1660, 1663 (1983))).

[308] *See, e.g.*, *Am. Elec. Power Serv. Corp. v. Midcontinent Indep. Sys. Operator, Inc.*, 168 FERC ¶ 61,176, at P 32 (2019) ("We also find that it is not unduly discriminatory for [Midcontinent Independent System Operator, Inc. ("MISO")] to impose non-market-to-market congestion charges on loads pseudo-tied out of MISO into SPP (e.g., the Minden load) but not impose those charges for load physically located within SPP. The Minden load is not similarly situated to load located outside of MISO's footprint, because Minden's load is physically located in MISO and, thus, AEP imposes congestion costs on the MISO transmission system when it serves this load." (footnote omitted)); *City of Alameda v. Pac. Gas & Elec. Co.*, 176 FERC ¶ 61,013, at P 70 ("In this case, we find that Alameda's load and PG&E's retail load are not similarly situated. Due to the configuration of Alameda's and PG&E's systems, PG&E customers on the Oakland-C system cannot be fed from anywhere else except from the Oakland-C bus during an N-1 contingency, whereas Alameda is able to transfer its load to be fed from the Oakland-J bus."), *order addressing arguments raised on reh'g & providing clarification*, 177 FERC ¶ 61,038 (2021).

[309] AEP Limited Protest at 20-27.

further, below, the proposed Tariff language does not, and is not intended to, alter any of these existing responsibilities.

AEP relies heavily on the *Duquesne* proceedings, in which Duquesne Light Company ("Duquesne") sought to exit PJM and join MISO, but ultimately "rejoined" PJM.[310] The Commission's discussion and analysis in the *Duquesne* proceedings provide some of the foundational principles governing withdrawal from RTOs/ISOs. While PJM does not take issue with these *Duquesne* principles reiterated by AEP, the Commission should recognize that the exit provisions proposed in the instant filing are entirely consistent with them. First, RBP commitments are established *at the time of the RBP and are set for 15 years*.[311] Therefore, a Transmission Owner exiting PJM during this 15-year commitment period would be obligated to honor its capacity responsibilities for this period.

In *Duquesne II*, as AEP explains, the Commission found that Duquesne would be responsible for costs that are "fixed" at the time the costs are assigned, but it would not be responsible for costs that are "not fixed" and are instead reallocated on an annual basis.[312] Regarding capacity costs specifically, AEP cites to both the RAA and *Duquesne I* for the proposition that an exiting LSE is responsible for capacity costs through the end of the Delivery Year during which it provided notice of withdrawal, and if it provided notice after the auction parameters were posted, the exiting LSE would be responsible for costs of that Delivery Year.[313]

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[310] *Duquesne Light Co.*, 122 FERC ¶ 61,039 (2008) ("*Duquesne I*"); *Midwest Indep. Transmission Sys. Operator, Inc.*, 124 FERC ¶ 61,219 (2008) ("*Duquesne II*") (collectively, "*Duquesne*").

[311] *See* July 31 Filing, proposed Tariff, Attachment DD, section 18.4 ("The Reliability Backstop Procurement shall offer commitments for RBP UCAP MW for a fixed period of fifteen (15) Delivery Years . . . .").

[312] AEP Limited Protest at 22-23 (citing *Duquesne II* at P 168).

[313] *Id.* at 25-26 (citing RAA, sections 5.1.1-5.1.3(a), 7.2, 7.2A, 11.1-11.3; *Duquesne I* at PP 83, 93).

None of these holdings undermine PJM's proposed treatment of RBP commitments in the event of a Transmission Owner exiting PJM. Namely, while the exact costs may not be known given that settlements will account for RPM Auction outcomes under a contract for difference settlement structure, all of the pertinent information necessary to calculate the charges for an RBP Resource selected through the RBP will be known and fixed for a 15-Delivery Year term. This is appropriate given the unique nature of the RBP, which is a one-time effort to ensure reliability throughout PJM in a predictable and efficient manner.

In *Duquesne II*, the Commission emphasized that its decision regarding capacity obligations was rooted in the fact that capacity was procured *for* Duquesne. For example, the Commission found that Duquesne was "liable for the costs incurred in the prior auctions because the auctions were conducted while Duquesne was a member, [and] the auction obtained capacity based on Duquesne's load in order to ensure the reliability of the Duquesne zone."[314] Capacity costs are unlike high voltage transmission projects, the Commission continued, because they "were not undertaken specifically to support Duquesne's load or the reliability of that load, but would have occurred regardless of whether Duquesne was a member of PJM."[315] Critically, the Commission also appreciated that Duquesne should not be able to escape responsibility for capacity committed on its behalf:

> In this case, Duquesne understood that PJM was procuring capacity on its behalf and therefore should be obligated to pay for that capacity. Indeed, allowing Duquesne to escape its obligations to pay for the capacity acquired on its behalf will force PJM to collect the

[314] *Duquesne II* at P 169.

[315] *Id.*

> amount it is obligated to pay the generators from the remaining participants in PJM, hardly a just and reasonable result.[316]

The Commission even contemplated how PJM could mitigate capacity costs for Duquesne, including by "negotiat[ing] to ensure that Duquesne will be able to use the capacity it has acquired to meet its reliability obligations when it withdraws from PJM,"[317] and this is in keeping with the spirit of PJM's proposed Tariff revisions which provide flexibility for negotiated bilateral agreements, pseudo-ties, and flat payment for RBP costs subject to Commission approval.

In sum, the exit provisions proposed by PJM in the instant proceeding are consistent with Commission precedent, particularly in light of the urgency with which PJM must acquire and maintain capacity in this one-time procurement.

4. The proposed Tariff language on exit responsibilities is properly located in the Tariff and the RAA.

Several intervenors filed comments contending that the inclusion of these proposed exit responsibility Tariff provisions violated the CTOA and/or should have been included in the CTOA rather than the Tariff and RAA.[318] To the contrary, as discussed below, these provisions are not required to be in the CTOA, as they are not and do not relate to or affect transmission-related costs.

The July 31 Filing makes clear that if a Transmission Owner makes the business decision to exit PJM, "the treatment of RBP Resources and load that has been allocated RBP Charges is, at bottom, a matter of close-out or settlement consequences of the RBP and thus properly addressed in [proposed] Tariff, Attachment DD [section 18]. The

[316] *Duquesne I* at P 89 (footnote omitted).

[317] *Id.* PP 95-97.

[318] Indicated TOs Protest at 2, 4-8; PPL Limited Protest and Request for Clarification at 3-7.

departing RBP Resource's UCAP MW and/or the departing load's proportional share of the remaining term [contract for difference] are both incident to the RBP framework."[319] None of the arguments against inclusion of these provisions in proposed Tariff, Attachment DD, section 18, respond to this characterization. Further, and tellingly, none argue that the initial cost allocations proposed in Tariff, Attachment DD, section 18.3 are related transmission costs. If they are not transmission costs when they are being allocated, the mere fact that an exiting Transmission Owner will bear initial responsibility for honoring RBP Resource commitments does not make them so. Thus, it is appropriate for an exiting Transmission Owner, who has made the business decision to leave PJM, to take responsibility for commitments that it has advance notice of through these proposed Tariff provisions. The proposed exit provisions are located in proposed Tariff, Attachment DD, section 18.7, and the Tariff is applicable to all entities participating in PJM.[320]

5. The proposed Tariff revisions do not violate the separation of functions requirements of the Commission.

PPL asserts that the proposed Tariff revisions violate the Commission's Standards of Conduct contained in 18 C.F.R. part 358 regarding separation of functions "whereby the transmission function employees of a transmission-owning public utility must operate independently of the marketing function employees."[321] But PJM is not proposing to permit "the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity."[322] Rather, the proposed requirements

[319] July 31 Filing, Transmittal Letter at 96.

[320] This addresses concerns raised by PPL that since not all LSEs have executed the RAA, they may not be subject to the exit requirements. PPL Limited Protest and Request for Clarification at 8-9.

[321] PPL Limited Protest and Request for Clarification at 7-8.

[322] 18 C.F.R. § 358.3(c)(1).

are merely intended to honor obligations that would have pre-existed the exit of a Transmission Owner from PJM. Furthermore, in practice, the separation of functions principles have been applied in the context of affiliate transactions involving common use of marketing-related employees.[323] In any event, if a Transmission Owner exiting PJM were to have concerns about potential violations under 18 C.F.R. part 358, PJM notes that activity that may otherwise violate separation of functions is permissible, pursuant to 18 C.F.R. § 358.2(d) and 18 C.F.R. § 358.1(d), respectively, where ordered by the Commission or where the Commission has granted waiver of such requirements.

II. CONCLUSION

PJM asks that the Commission consider this Answer and accept the proposed Tariff revisions in this docket, effective September 29, 2026, as requested.

Respectfully submitted,

<u>/s/ Vivian W. Chum</u>

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September 10, 2026

[323] *See, e.g.*, *Buckeye Plains Solar Project, LLC*, 189 FERC ¶ 61,101, at P 20 (2024).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 10th day of September 2026.

/s/ Vivian W. Chum

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Appendix A

Protests, Comments, Requests for Clarification, and Answers Filed to Date

Docket No. ER26-3380-000

Appendix A

Protests, Comments, Requests for Clarification, and Answers Filed to Date

Docket No. ER26-3380-000

- Comments of Advanced Energy United (Aug. 21, 2026) (“AEU Comments”)
- Motion to Intervene and Initial Comments of Amazon Energy LLC (Aug. 21, 2026) (“Amazon Comments”)
- Limited Protest of American Electric Power Service Corporation (Aug. 21, 2026) (“AEP Limited Protest”)
- Comments of American Municipal Power, Inc. (Aug. 21, 2026) (“AMP Comments”)
- Motion for Leave to Answer, and Answer, of the Attorney General of the Commonwealth of Kentucky (Sept. 2, 2026) (“Kentucky Attorney General Answer”)
- Motion to Intervene and Comments of Base Power Inc. (Aug. 21, 2026) (“Base Power Comments”)
- Comments of Blue Ridge Power Agency (Aug. 21, 2026) (“Blue Ridge Comments”)
- Request for Clarification of Calibrant Energy (Aug. 21, 2026) (“Calibrant Request for Clarification”)
- Limited Protest of Constellation Energy Generation, LLC (Aug. 21, 2026) (“Constellation Limited Protest”)
- Motion for Leave to Answer and Answer of Constellation Energy Generation, LLC (Sept. 8, 2026) (“Constellation Answer”)
- Motion to Intervene and Comments of CPV Power Holdings, LP (Aug. 21, 2026) (“CPV Comments”)
- Comments of the Data Center Coalition (Aug. 21, 2026) (“DCC Comments”)
- Partial Protest and Comments of Dominion Energy Services, Inc. (Aug. 21, 2026) (“Dominion Partial Protest and Comments”)
- Protest of East Kentucky Power Cooperative (Aug. 21, 2026) (“EKPC Protest”)
- Motion for Leave to File Limited Answer and Limited Answer of East Kentucky Power Cooperative (Sept. 4, 2026) (“EKPC Limited Answer”)
- Comments and Protest of E-Cubed Policy Associates, L.L.C. and Motion for Leave to File One Day Out of Time (Aug. 22, 2026) (“E-Cubed Protest”)

- Comments of Equinix Inc. on the PJM Interconnection, L.L.C. Filing Regarding Its Reliability Backstop Procurement to Address Reliability Adequacy Concerns Stemming from Large Loads (Aug. 21, 2026) ("Equinix Comments")
- Comments and Protest of FirstEnergy Service Company (Aug. 21, 2026) ("FirstEnergy Comments and Protest")
- Comments of Google LLC (Aug. 21, 2026) ("Google Comments")
- Comments of the Organization of PJM States, Inc. (Aug. 21, 2026) ("OPSI Comments")
- Illinois Commerce Commission Comments (Aug. 19, 2026) ("ICC Comments")
- Protest of the Independent Market Monitor for PJM (Aug. 21, 2026) ("IMM Protest")
- Protest of the Indicated PJM Transmission Owners (Aug. 21, 2026) ("Indicated TOs Protest")
- Comments of the Institute for Policy Integrity at New York University School of Law on PJM Interconnection, L.L.C. Section 205 Filing to Implement Reliability Backstop Procurement (Aug. 21, 2026) ("NYU Institute Comments")
- Protest, Motion to Reject, and Alternative Request for the Imposition of Conditions of Joint Consumer Advocates (Aug. 21, 2026) ("JCA Protest")
- Limited Protest of the NRG Companies (Aug. 21, 2026) ("NRG Limited Protest")
- Comments of the New Jersey Board of Public Utilities (Aug. 21, 2026) ("NJ BPU Comments")
- Motion to Intervene and Protest of Nicholas Max Neal and David Neal, Delaware Standard Offer Service Ratepayers (Aug. 20, 2026) ("Nicholas Max Neal and David Neal Protest")
- Comments of North Carolina Electric Membership Corporation (Aug. 21, 2026) ("NCEMC Comments")
- Protest of Northern Virginia Electric Cooperative, Inc. (Aug. 21, 2026) ("NOVEC Protest")
- Protest and Request for Rejection of Filing or in the Alternative for Evidentiary Hearings and/or Settlement Proceedings by Office of the Ohio Consumers' Counsel (Aug. 21, 2026) ("OCC Protest")
- Comments of the Public Utilities Commission of Ohio's Office of the Federal Energy Advocate (Aug. 21, 2026) ("Ohio FEA Comments")
- Comments of Ohio Energy Leadership Council (Aug. 21, 2026) ("Ohio ELC Comments")

- Comments of Old Dominion Electric Cooperative (Aug. 21, 2026) ("ODEC Comments")
- Protest of the Pennsylvania Office of Consumer Advocate Re: Reliability Backstop Procurement to Address Resource Adequacy Concerns Stemming from New Load Adjustments (Aug. 21, 2026) ("PA OCA Protest")
- Comments of Persistence Analytics Group Regarding Pre-Procurement Assumption Verification and Revalidation (Aug. 17, 2026) ("Persistence Analytics Comments")
- Supplemental Comments of Persistence Analytics Group LLC Regarding Cost-Causation Revalidation (Sept. 2, 2026) ("Persistence Analytics Supplemental Comments")
- Comments on PJM's Reliability Backstop Procurement Proposal on Behalf of PJM Industrial Customer Coalition (Aug. 21, 2026) ("PJMICC Comments")
- Motion to Intervene, Limited Protest, and Request for Clarification of PPL Electric Utilities Corporation (Aug. 21, 2026) ("PPL Limited Protest and Request for Clarification")
- Limited Protest of Public Interest Organizations (Aug. 21, 2026) ("PIOs Limited Protest")
- Comments of the Public Service Commission of West Virginia (Aug. 21, 2026) ("PSCWV Comments")
- Motion to Intervene and Protest of Retail Energy Supply Association (Aug. 21, 2026) ("RESA Protest")
- Comments of Solar Energy Industries Association (Aug. 21, 2026) ("SEIA Comments")
- Comments of Southern Maryland Electric Cooperative, Inc. (Aug. 21, 2026) ("SMECO Comments")
- Motion to Intervene and Request for Clarification of Talen Energy Corporation (Aug. 21, 2026) ("Talen Request for Clarification")
- Motion to Intervene and Request for Clarification, or in the Alternative, Limited Protest of Tract Holding Company I, LLC (Aug. 21, 2026) ("Tract Request for Clarification or Limited Protest")
- Limited Protest of Vistra Corp. (Aug. 21, 2026) ("Vistra Protest")
- Comments of Voltus (Aug. 21, 2026) ("Voltus Comments")