

196 FERC ¶ 61,245
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Laura V. Swett, Chairman;
David Rosner, Lindsay S. See,
Judy W. Chang, and David LaCerte.

PJM Interconnection, L.L.C.

Docket Nos. ER26-3380-000
EL26-108-000

ORDER ACCEPTING RELIABILITY BACKSTOP PROCUREMENT AND
ESTABLISHING FURTHER PROCEDURES

(Issued September 29, 2026)

1. On July 31, 2026, as supplemented on August 14, 2026, PJM submitted proposed changes to its Open Access Transmission Tariff (OATT or Tariff) and Reliability Assurance Agreement (RAA),¹ pursuant to section 205 of the Federal Power Act (FPA),² to establish the Reliability Backstop Procurement (RBP). The RBP is a one-time procurement of new capacity to address significant resource adequacy challenges primarily driven by an influx of large loads.³ As discussed below, we accept the proposed RBP for filing, suspend it for five months, effective February 28, 2027, subject to refund, and establish a paper hearing. We also establish an FPA section 206 proceeding.⁴

2. We find that certain aspects of PJM's proposal are just and reasonable. With respect to other aspects of PJM's proposal that may be unjust and unreasonable, we direct further briefing regarding potential alternative approaches that the Commission believes

¹ Capitalized terms that are not defined in this order have the meaning specified in the OATT and RAA.

² 16 U.S.C. § 824d.

³ PJM's proposed rules governing the RBP are primarily set forth in proposed Tariff, Attachment DD, section 18, with additional conforming revisions and new provisions in other sections of: (1) Attachment DD; (2) RAA, Article 7, sections 7.2B and 7.2C; (3) RAA, Schedule 8.1.D; and (4) Tariff, Definitions. *See* Appendix A for tariff records accepted and suspended in this order.

⁴ 16 U.S.C. § 824e.

may be just and reasonable. We therefore establish paper hearing procedures and a process by which the Commission may potentially revise those provisions consistent with FPA section 206.

3. Recognizing the looming capacity shortfall facing PJM, we encourage PJM to consider the issues we raise in this order and determine the most expeditious path to resolving them. In particular, we encourage PJM to swiftly submit a new FPA section 205 filing without delay. That new filing may in turn obviate the need for the paper hearing procedures that we establish here and could expedite a potential RBP auction.

I. Background

4. PJM conducts a Base Residual Auction (BRA) to procure resource commitments sufficient to meet reliability requirements in the PJM region for a given delivery year, which spans from June 1 to May 31.⁵ The BRA and three Incremental Auctions are the Reliability Pricing Model (RPM) Auctions for a given delivery year.

5. In December 2025, PJM announced that a BRA had cleared significantly below PJM's reliability requirement for the first time in the auction's history. The 2027/2028 BRA cleared 6,623 MW⁶ short of the reliability requirement, when also accounting for Fixed Resource Requirement (FRR) resources.⁷ The largest driver of the shortfall was 5,250 MW of load growth forecast for that delivery year, nearly 5,100 MW of which was

⁵ PJM, Intra-PJM Tariffs, OATT, attach. DD, § 5.4 (Reliability Pricing Model Auctions) (10.0.0), § 5.4(a).

⁶ All supplier MW values in this order are expressed in unforced capacity (UCAP).

⁷ Both the BRA and the FRR Alternative are designed to secure enough power supply to ensure that sufficient capacity will be available to meet peak customer demand. The FRR Alternative allows Load-Serving Entities (LSE) to elect to meet their resource adequacy needs with their own resources. *See* RAA SCHEDULE 8.1.D, RAA SCHEDULE 8.1.D-FRR Capacity Plans (14.2.0).

due to data centers.⁸ The 2027/2028 BRA, which cleared at the temporary price cap of \$333.44/MW-day, was the third BRA in a row to clear at historically high prices.⁹

6. In January 2026, the White House National Energy Dominance Council (NEDC) and the governors of all 13 PJM states released a document titled “Statement of Principles Regarding PJM” (NEDC/PJM Governors’ Principles).¹⁰ The document urged PJM to file tariff revisions with the Commission to “[p]rovide 15-year price certainty for new capacity resources,” which “can be accomplished by holding a Reliability Backstop Auction to procure new capacity resources commencing no later than September 2026.” Noting the unique risks data centers pose to resource adequacy, the document urged PJM to allocate the costs of any new capacity procured to load-serving entities with data centers that have not self-procured new capacity or agreed to be curtailable, with any remaining costs allocated to load-serving entities based on their remaining net-short positions.

7. Also in January 2026, the PJM Board announced its decision on a Critical Issue Fast Path (CIFP) process addressing large load issues in PJM, which, among other things, included accelerating a backstop capacity procurement.¹¹

⁸ PJM Inside Lines, “PJM Auction Procures 134,479 MW of Generation Resources,” (Dec. 17, 2025) <https://insidelines.pjm.com/pjm-auction-procures-134479-mw-of-generation-resources/>. In PJM’s 2026 load forecast released in January, PJM cut its peak demand forecasts for summer 2027 and summer 2028 by 4,000 MW and 4,400 MW, respectively, citing tighter vetting of Load Adjustment requests and revised electric vehicle and economic assumptions. PJM, *2026 PJM Load Forecast Report* 4-5 (Jan. 2026), <https://www.pjm.com/-/media/DotCom/library/reports-notice/load-forecast/2026-load-report.pdf>.

⁹ While clearing at historically high prices, these previous two BRAs did not clear significantly below PJM’s reliability requirement. See PJM, *2025/2026 Base Residual Auction Report* (July 30, 2024), <https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2025-2026/2025-2026-base-residual-auction-report.pdf>; PJM, *2026/2027 Base Residual Auction Report* (July 22, 2025), <https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2026-2027/2026-2027-bra-report.pdf>.

¹⁰ U.S. Department of Energy, *Statement of Principles Regarding PJM* (Jan. 2026), <https://www.energy.gov/documents/statement-principles-regarding-pjm>.

¹¹ PJM, *Board Decisional Letter on Critical Issue Fast Path - Large Load Additions* (Jan. 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>.

8. In March 2026, the White House released the Ratepayer Protection Pledge to assure that new large loads will, at a minimum, “build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands, paying the full cost of those resources.”¹² Many utilities, cooperatives, data center developers, and governors have signed the pledge.

9. In April 2026, the PJM Board issued a letter initiating a targeted CIFP process to engage stakeholders in the development of the RBP.¹³ Soon after, PJM proposed a two-path mechanism for the RBP: a central procurement path (i.e., the RBP auction of the instant filing) and a facilitated bilateral contracting matchmaking path that PJM states requires no filing with the Commission.¹⁴ PJM plans to run this latter path in parallel with the RBP auction to streamline direct contracting between supply and demand. According to the PJM Board, bilateral contracting is “highly preferred among members.”¹⁵

10. In June 2026, PJM issued a bilateral matchmaking request for proposals, with responses due July 21, 2026, at which time consultant Charles River Associates commenced the bilateral matchmaking process.¹⁶ This process is intended to be iterative and will continue for six to nine months. Supply-side resources in the bilateral matching

¹² The White House, *President Trump’s Ratepayer Protection Pledge Secures American AI Dominance, Protects Consumers* (July 2026), <https://www.whitehouse.gov/releases/2026/07/president-trumps-ratepayer-protection-pledge-secures-american-ai-dominance-protects-consumers/> (identifying 282 utilities, cooperatives, and data center developers and 23 governors that have joined the Ratepayer Protection Pledge).

¹³ PJM, *Critical Issue Fast Path (CIFP)* (Apr. 2026), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260408-cifp-rbp-initiation-letter.pdf>.

¹⁴ Transmittal at 30.

¹⁵ PJM, *CIFP Reliability Backstop Procurement – PJM Board Decision 1* (July 2026), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260727-cifp-reliability-backstop-procurement-pjm-board-decision.pdf>. See also Transmittal at 30 (“Throughout the underlying stakeholder process, PJM members have expressed a strong preference for bringing new capacity to the PJM system voluntarily through bilateral contracting rather than through the RBP.”).

¹⁶ Charles River Associates, *PJM Reliability Backstop Procurement Bilateral Request for Proposal (RFP)* (June 2026), <https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/postings/pjm-bilateral-rfp-document.pdf>.

process that do not form agreements may bid into the RBP auction. Bidders will not be permitted to then exit the RBP auction process to enter bilateral arrangements, but supply-side resources that are not selected in the RBP auction may re-engage in bilateral matching.

11. On May 27, 2026, PJM announced the results of an April survey to gauge interest from load in the RBP.¹⁷ PJM states that the response revealed substantial large load interest from 21 entities representing 47 potential large load projects in the PJM Region; those projects average 850 MW each, with a median size of 300 MW. PJM explains that the supply-side response was also significant, with 397 potential supply-side projects by 87 entities and approximately 136 GW in total potential capacity. Of the supply-side projects, 72% indicated a readiness to engage with their large load counterparts immediately, while 91% of the large load projects indicated the same.

12. On June 30, 2026, the Members Committee voted on 13 RBP auction proposals as an advisory to the PJM Board.¹⁸ Stakeholders endorsed only one proposal, meaning that it received at least two-thirds sector-weighted support. That support (75%) went to a proposal sponsored by the Data Center Coalition (DCC) and a coalition of Electric Distributors.¹⁹ PJM's own proposal received only 30% support.²⁰ The DCC/Electric Distributors coalition proposed a "subscription model" in which large loads wishing to participate would provide their LSE with a MW volume for PJM to purchase on their behalf. PJM instead proposed to base its procurement target on the shortage in the 2028/2029 BRA and to allocate costs to Electric Distributor zone/areas pro rata based on forecasted load adjustments. In addition, the DCC/Electric Distributors coalition's proposal included a locational constraint that allowed only 500 MW to serve the Mid-Atlantic Dominion reserve sub-zone, which was intended to prevent future

¹⁷ Transmittal at 18 (citing Charles River Associates, *PJM Reliability Backstop RFI Summary* (May 2026), <https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260527/20260527-informational-only---reliability-backstop-rfi-summary---charles-river-associates.pdf> (Charles River Associates Survey Results)).

¹⁸ *Id.* at 20.

¹⁹ PJM Members Committee, Supplemental Voting Results (June 2026), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2026/20260630-special/mc-voting-results---agenda-item-3o---joint-edcs-and-data-center-coalition-rbp-proposal.pdf>.

²⁰ PJM Members Committee, Supplemental Voting Results (June 2026), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2026/20260630-special/mc-voting-results---agenda-item-3l---pjm-rbp-proposal.pdf>.

BRA price separation due to RBP resources being electrically separated from data centers. PJM's proposal had no locational constraints. Despite these differences, many of the core components of the two proposals were the same, including resource commitments up to the 2042/2043 delivery year, requiring a resource in-service date by the 2032/2033 delivery year, a must-offer RPM requirement with contracts for differences, and similar new supply qualifications, shortfall penalties, and supplier collateral requirements.

13. On July 14, 2026, PJM announced that the 2028/2029 BRA cleared short of the PJM Region's reliability requirement (when also accounting for FRR resources) at a clearing price at the temporary price cap of \$325/MW-day.²¹

14. On July 27, 2026, the PJM Board announced that it had adopted PJM's proposal with three "targeted changes" to adopt certain concepts that had roots in the DCC/Electric Distributors coalition's proposal.²² First, the PJM Board added two RBP opt-outs: one that applies to qualifying cooperatives and municipal utilities, and one that applies to Electric Distributor zone/areas that are addressing their capacity needs through state peak shaving adjustment programs. Second, the PJM Board proposed to cap the MW-weighted average cost of accepted supply offers at \$555/MW-day. Third, the PJM Board added stringent LSE collateral requirements to address potential defaults on the demand side. The PJM Board explained that it did not adopt the DCC/Electric Distributors coalition's entire proposal because a voluntary subscription framework would not provide sufficient assurance that the RBP would procure enough capacity.²³

²¹ *PJM Inside Lines*, "PJM Capacity Auction Procures 138,318 MW of Generation Resources as Work Continues to Address Growing Electricity Demand," <https://insidelines.pjm.com/pjm-capacity-auction-procures-138318-mw-of-generation-resources-as-work-continues-to-address-growing-electricity-demand/>.

²² PJM, *CIFP Reliability Backstop Procurement – PJM Board Decision* (July 2026), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260727-cifp-reliability-backstop-procurement-pjm-board-decision.pdf> ("targeted changes" highlighted in blue). See Transmittal at 22.

²³ Paula Conboy, Chair, PJM Board of Managers, *Board Decisional Letter on Critical Issue Fast Path – Reliability Backstop Procurement and Connect and Manage*, at 1 (July 2026), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260727-board-decisional-letter-on-cifp-reliability-backstop-procurement-and-connect-and-manage.pdf>.

II. Filing

15. On July 31, 2026, PJM submitted revisions to the Tariff and RAA to establish the RBP, a one-time procurement of new capacity to address resource adequacy challenges primarily driven by an influx of large loads. According to PJM, the goal of the RBP is to obtain commitments of new RBP UCAP MW²⁴ from eligible new resources, called RBP Resources, for a fixed term of up to 15 years, starting with the 2028/2029 delivery year at the earliest and ending no later than the 2042/2043 delivery year.²⁵ PJM states that committing supply for terms of up to 15 years creates revenue certainty for the supply resources, generally can reduce financial and development risk, and may improve financing opportunities through lower capital costs or more favorable financing terms.²⁶

16. Participants in the RBP are: (1) sellers with RBP Sell Offers submitted on behalf of RBP Resources; and (2) PJMSettlement, Inc., acting as a counterparty on behalf of buyers, i.e., LSEs.²⁷ PJM states that the RBP aims to procure capacity equal to the 6,831 MW shortfall in the 2028/2029 BRA (Initial RBP Target), adjusted downward to reflect qualifying new capacity (Qualifying RBP Offset UCAP MW) serving new load and certain qualifying Electric Distributors that elect and meet requirements to opt out of the RBP (Opt-Out UCAP MW). The Final RBP Target is the Initial RBP Target after downward adjustments. Pursuant to the proposed Tariff provisions, new load is load that has an executed electric service agreement or transmission service agreement indicating that the load will come online during the 2027/2028 or 2028/2029 delivery year.²⁸

17. To avoid double procurement, PJM proposes to require all available committed RBP UCAP MW to offer into the RPM Auctions as a price-taker, i.e., \$0/MW-day UCAP, beginning with the first RPM Auction following the RBP commitment, for the applicable offered delivery year in which the term of the committed RBP UCAP MW

²⁴ PJM's filing includes several newly defined terms. *See* PJM, Intra-PJM Tariffs, C-D, OATT Definitions – C-D (47.0.0); *id.*, E-F, OATT Definitions - E - F (45.0.0); *id.*, O-P-Q, OATT Definitions - O - P - Q (39.0.0); *id.*, R-S, OATT Definitions – R - S (47.0.0).

²⁵ Transmittal at 8-9.

²⁶ *Id.* at 63-64.

²⁷ PJMSettlement, a non-profit subsidiary of PJM, handles credit, billing, and settlement functions for PJM and acts as a counterparty to PJM members' pool transactions in the PJM markets on behalf of the ultimate buyer of the product. Transmittal at 47.

²⁸ Transmittal at 35; Proposed Tariff, attach. DD, § 18.2 (0.0.0), § 18.2(c).

begins and continuing each subsequent delivery year through the end of the fixed term. All RBP Resources clearing in the RPM are paid RPM Auction Credits in accordance with RPM rules and are then settled based on a contract-for-difference design for the RBP UCAP MW. All load that is allocated RBP Charges and participates in the RPM is charged or receives RBP Charges, based on the contract-for-difference settlement. RBP Credits and Charges are only assessed to the extent that RBP UCAP MW are committed in the RPM and physically available for dispatch in the relevant delivery year.

18. PJM states that if the Commission accepts its filing without significant revisions, PJM commits to opening the RBP bid submission window on September 30, 2026, and closing it three weeks later on October 21, 2026.²⁹ PJM states that a clearing and selection process would follow and conclude six weeks after the closing of the offer submission window. PJM states that it would announce the pay-as-bid results to sellers a few days before the 2029/2030 BRA opens on December 9, 2026.³⁰ PJM also commits to post publicly the aggregate MW procured and a MW-weighted average of the cost.³¹

19. PJM states that “to facilitate Commission approval and prompt opening of the RBP procurement window, PJM consents to the Commission’s exercise of authority to modify and/or sever the proposed Tariff and RAA language, as needed and permitted under section 205 of the FPA and *NRG Power Marketing, LLC v. FERC*, where such modification and/or severance is consistent with PJM’s overarching objectives in this filing,” and asks only that the Commission “expressly prescribe the revised rate or rule in its order.”³²

III. Notice of Filing and Responsive Pleadings

20. Notice of PJM’s filing was published in the *Federal Register*, 91 Fed. Reg. 50826 (Aug. 6, 2026), with interventions and protests due on or before August 21, 2026. Notices of intervention and timely-filed motions to intervene were submitted by the entities listed in Appendix B to this order.³³ Comments and protests were submitted by numerous entities, as summarized below. Answers were submitted by AEP, the

²⁹ Transmittal at 3 n.5, 48; Proposed Tariff, attach. DD, § 18.4 (0.0.0).

³⁰ Transmittal at 133.

³¹ *Id.* at 79.

³² *Id.* at 3, 130-31. *See NRG Power Mktg., LLC v. FERC*, 862 F.3d 108 (D.C. Cir. 2017) (*NRG*).

³³ The abbreviated names or acronyms by which these entities are referred to in this order are noted in Appendix B.

Kentucky Attorney General, EKPC, the Market Monitor, NJBPU, NOVEC, Voltus, PJM, P3, PPL, Constellation, Indicated PJM TOs, and FirstEnergy. Additional answers were submitted by Constellation and EKPC.

IV. Discussion

A. Procedural Matters

21. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2025), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

22. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2025), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answers filed by AEP, the Kentucky Attorney General, EKPC, the Market Monitor, NJBPU, NOVEC, Voltus, PJM, P3, Constellation, PPL, Indicated PJM TOs, and FirstEnergy because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

23. Our preliminary analysis indicates that, while some aspects of PJM's proposal are just and reasonable, other aspects of PJM's proposal have not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. PJM's filing raises issues of material fact that cannot be resolved based on the record before us and that are more appropriately addressed in the paper hearing procedures established below. Accordingly, we accept PJM's proposal for filing and suspend it for five months to become effective February 28, 2027, subject to refund and to the outcome of paper hearing procedures. Specifically, the paper hearing procedures should address the Commission's potential modifications with respect to the portions of PJM's existing RBP proposal that are discussed immediately below. Aside from the three issues discussed directly below, we find that the other aspects of PJM's RBP proposal are just and reasonable, as discussed in this order.

24. We direct PJM to submit an initial brief addressing the paper hearing topics discussed below (cost allocation, Transmission Owner exit rules, and LSE collateral requirements), and to discuss in that brief whether its proposal could be just and reasonable if modified. Other parties to this proceeding may also submit initial briefs on these topics. Initial briefs are due 45 days from the date of this order. However, we anticipate that the Commission would grant a motion to hold that briefing in this proceeding in abeyance if PJM submitted a new section 205 filing within 30 days from the date of this order. Absent any such abeyance, responses to those initial briefs are due 20 days after the date that initial briefs are due. No additional answers or briefs will be permitted, and the Commission will look with great disfavor on any requests to extend

these deadlines. Any evidence included with the briefs shall be submitted in the form of affidavits accompanying the briefs. We remind parties that their pleadings in Docket No. ER26-3380-000 remain part of the record in this proceeding and that they need not—and should not—repeat their prior arguments in the paper hearing.

25. We anticipate that, following the paper hearing, the Commission may need to direct significant modifications to certain aspects of PJM’s proposal pursuant to its authority under section 205(e) of the FPA³⁴ and *Western Resources, Inc. v. FERC*.³⁵

26. Pursuant to *Western Resources*, the Commission may “transform” an existing FPA section 205 proceeding into an FPA section 206 proceeding and “impose its own rate,” provided the Commission makes three requisite findings: (1) that the utility has failed to show that the proposed rate is just and reasonable, (2) that the existing rate is no longer just and reasonable, and (3) that the substitute rate established by the Commission is just and reasonable.³⁶ We anticipate that, based on the record developed through the paper hearing, the Commission may find that each of these three prongs is satisfied and impose a new rate that incorporates some of the potential modifications discussed below. We first discuss why PJM’s existing rate may be unjust and unreasonable, then turn to why each aspect of PJM’s proposal that we are setting for paper hearing may be unjust and unreasonable, and then discuss why PJM’s proposal may be just and reasonable if modified.

27. In addition to establishing paper hearing procedures under FPA section 205, this order also establishes a new FPA section 206 proceeding in anticipation of the Commission directing significant modifications to certain aspects of PJM’s RBP proposal following the paper hearing. We institute this FPA section 206 proceeding because, as discussed in the next section below, PJM’s existing Tariff may be unjust and unreasonable. When the Commission directs modifications under *Western Resources*, it does so by “transform[ing]” an existing section 205 proceeding into a section 206 proceeding and making the requisite findings. Though we are establishing an FPA section 206 proceeding today (Docket No. EL26-108), we are not instituting any further process under FPA section 206 at this time.

³⁴ 16 U.S.C. § 824d (“[T]he Commission may make such orders with reference thereto as would be proper in a proceeding initiated after it had become effective.”).

³⁵ 9 F.3d 1568 (D.C. Cir. 1993) (*Western Resources*). See *Tenn. Gas Pipeline Co. v. FERC*, 860 F.2d 446, 453-54 (D.C. Cir. 1988) (interpreting similar statutory language in section 4(e) of the Natural Gas Act).

³⁶ *Western Resources*, 9 F.3d at 1579.

28. While the Commission is establishing the procedures described above, we strongly encourage PJM to address the issues discussed in this order by submitting an alternative proposal pursuant to its FPA section 205 filing rights without delay. Such a filing could expedite the resolution of the concerns that we have identified with certain aspects of PJM's RBP proposal. Should PJM submit a filing under FPA section 205, it should explain how its proposal resolves the concerns discussed in this order.³⁷

1. PJM's Existing Tariff May Be Unjust and Unreasonable

29. We preliminarily find that PJM's existing Tariff may be unjust and unreasonable because the existing reliability backstop provisions appear to be insufficient to prevent the grave resource adequacy concerns that led PJM to file the instant proposal in the first place. We think it clear that PJM's ordinary instrument for procuring sufficient capacity to meet PJM's reliability requirement, the RPM, has failed to keep pace with the unprecedented influx of large load into the PJM Region in recent years.

30. The existing Reliability Backstop Auction provision in PJM's Tariff may be unjust and unreasonable because it has failed to remedy these reliability concerns.³⁸ As PJM states, the Reliability Backstop Auction, which was proposed over 20 years ago and has never been used, was not designed to respond to the circumstances surrounding PJM's current capacity shortfall.³⁹ The Reliability Backstop Auction is triggered after three consecutive BRAs clear with a total unforced capacity amount that is more than one percent below PJM's reserve margin.⁴⁰ As stated above, PJM's last two BRAs have cleared more than five percent below PJM's reserve margin. Moreover, once the Reliability Backstop Auction is triggered, PJM cannot run the auction until it "make[s] a filing with FERC for approval to conduct a Reliability Backstop Auction."⁴¹

31. The aspects of the existing Reliability Backstop Auction discussed above call into question the sufficiency of the current Tariff mechanism to adequately respond in a timely manner to the magnitude of the resource adequacy challenges that the PJM Region

³⁷ If PJM does make such a filing, the Commission could still modify such a filing under the *Western Resources* approach described above.

³⁸ PJM, Intra-PJM Tariffs, OATT, attach. DD, § 16 (Reliability Backstop) (2.0.0).

³⁹ Transmittal at 29.

⁴⁰ PJM, Intra-PJM Tariffs, OATT, attach. DD, § 16 (Reliability Backstop) (2.0.0), § 16.3(a)(i).

⁴¹ *Id.*

faces today. We therefore conclude on a preliminary basis that the existing Reliability Backstop Auction Tariff provisions may be unjust and unreasonable.

2. Certain Aspects of PJM's Proposal Are Just and Reasonable

a. Seller Eligibility Requirements, Sell Offers, and RPM Must-Offer Requirement

i. Filing

32. Like offset capacity, RBP Resources (i.e., resources that bid into the RBP auction) must have never cleared in an RPM Auction and must have an expected in-service date by June 1, 2032.⁴² PJM, however, states that because RBP Resources have longer-term commitments and price certainty—as compared to resources that provide offset capacity—PJM proposes more restrictive criteria for RBP Resources to limit them to those resources that have demonstrated a high likelihood of success in reaching commercial operation in the near term and remaining available throughout the commitment period. Thus, some categories of resources eligible to be offset capacity cannot be RBP Resources, including resources that increase UCAP by switching fuels and ELCC class but do not bring on new ICAP. Similarly, any incremental capacity created by new Capacity Interconnection Rights (CIRs) must also be associated with an increase in ICAP. PJM states that resources relying on Surplus Interconnection Service to provide new UCAP MW do not qualify because these resources do not have any independent rights to the PJM system.⁴³ PJM explains that, by design, a surplus resource can only operate while the existing resource is in service, or no more than one year after the deactivation of the existing resource, and when the existing resource is not operating and using the interconnection service. PJM states that given the 15-year term of the RBP commitment period, resources need to be able to operate independently to provide certainty of deliverability for a 15-year term. Finally, Demand Resources and DER Aggregators without identified sites and a 15-year agreement in place cannot be RBP Resources.

33. Each RBP Sell Offer must include: (1) the quantity (MW (UCAP)) to be provided by the RBP Resource for each delivery year where the maximum UCAP included in an RBP Sell Offer shall be limited to no greater than 120% of the resource type's most recent maximum Preliminary ELCC Class Ratings for 2028/2029 delivery year through the last posted delivery year or based on the resource's maximum estimated unit-specific ELCC ratings across such period for resources with no ELCC Class Rating, multiplied by the resource's ICAP; and (2) the price in \$/MW-day UCAP for each delivery year

⁴² Proposed Tariff, attach. DD, § 18.5 (0.0.0), § 18.5(a).

⁴³ Transmittal at 52-54.

beginning with the first full delivery year in which the RBP UCAP MW is expected to provide capacity through the 2042/2043 delivery year.⁴⁴ PJM states that the 120% quantity cap reflects the fact that a resource's Accredited UCAP value may change from year to year.⁴⁵ PJM argues that allowing sellers to offer amounts greater than the UCAP determined through current ELCC modeling allows sellers to offer their expected UCAP levels in future years while limiting the risk of overestimated expected UCAP values. PJM argues the cap represents a reasonable balance between providing the seller with flexibility and managing UCAP risk for load.⁴⁶

34. Sellers are responsible for all actual Network Upgrade costs as determined through the interconnection process, without any subsequent adjustments to RBP Sell Offers.⁴⁷ Sellers reflect in their RBP Sell Offers the anticipated cost of any Network Upgrades, estimated or final, associated with the RBP Resource's provision of capacity.

35. To avoid double procurement, PJM proposes to require a committed RBP Resource to offer its available capacity, up to the total quantity of committed RBP UCAP MW, into the RPM Auctions as a price-taker, i.e., \$0/MW-day UCAP, beginning with the first RPM Auction following the RBP commitment, for the applicable offered delivery year in which the term of the committed RBP UCAP MW begins and continuing each subsequent delivery year through the end of the fixed term.⁴⁸ All RBP Resources that offer and clear

⁴⁴ Proposed Tariff, attach. DD, § 18.5 (0.0.0), § 18.5(e).

⁴⁵ Transmittal at 55.

⁴⁶ PJM notes that the 120% cap is comparable to Southwest Power Pool, Inc.'s recently proposed cap to High Impact Large Load Generation Assessment Customer's generating facility's projected capacity accreditation value (i.e., the higher of 125% or 110% plus the highest approved Planning Reserve Margin), which the Commission found just and reasonable. Transmittal at 55-56 (citing *Sw. Power Pool, Inc.*, 194 FERC ¶ 61,031, at P 66 (2026)).

⁴⁷ Proposed Tariff, attach. DD, § 18.5 (0.0.0), § 18.5(e).

⁴⁸ Transmittal at 57, 80-81, 126, 130; Proposed Tariff, attach. DD, § 18.6 (0.0.0), § 18.6(a). The only exception to this general rule is that if an RBP Resource has an RBP commitment beginning with the 2029/2030 delivery year and is not the subject of a notice of intent to be offered into the BRA for the 2029/2030 delivery year, such RBP Resource would be required to be offered into the Second Incremental Auction for the 2029/2030 delivery year. Proposed Tariff, attach. DD, § 5.5 (Eligibility for Participation in RPM) (7.0.0), § 5.5(b). PJM states that this exception is necessary because a Planned Generation Capacity Resource that is not the subject of a notice of intent to offer would not have been included in the planning parameters for the 2029/2030 BRA. Transmittal at 57. PJM also proposes Tariff changes to its must-offer exceptions so that an RBP

in the RPM are paid RPM Auction Credits in accordance with RPM rules, and then are settled based on the contract-for-difference design for the RBP UCAP MW.⁴⁹ All load that is allocated RBP Charges and participates in the RPM will likewise be charged RBP Charges and be charged or receive RBP Charges, based on the contract-for-difference settlement. PJM states that RBP Credits and Charges are only assessed to the extent that RBP UCAP MW are committed in the RPM and physically available for dispatch in the relevant delivery year.⁵⁰

ii. Responsive Pleadings

36. The Market Monitor is critical of several aspects of PJM's proposed eligibility requirements for RBP Resources. To begin with, the Market Monitor faults PJM's proposal for not matching the duration of supply with the duration of data center demand, which is 8,760 hours per year.⁵¹ The Market Monitor argues that because a four-hour battery is eligible to be an RBP Resource, there is a significant mismatch between the supply of energy from the battery and the demand for energy from data centers, plus the charging demand of the battery. The Market Monitor states that the same issue exists for standalone solar resources. According to the Market Monitor, the result of this mismatch will be higher energy prices for all PJM customers because PJM will need to dispatch higher-cost resources to meet energy demand.

37. The Market Monitor maintains that permitting Demand Resources and DER Capacity Aggregation Resources to serve as RBP Resources creates capacity that is materially inferior to Generation Capacity Resources.⁵² The Market Monitor states that committed generation is required to participate in PJM's day-ahead energy market and make itself available for economic dispatch. In contrast, the Market Monitor asserts, committed Demand Resources are only available when PJM invokes emergency procedures. The Market Monitor argues that this is analogous to permitting RBP offset capacity to classify its committed ICAP as maximum emergency, requiring PJM to invoke emergency procedures to access its reliability benefit.

Resource cannot avoid the must-offer requirement by exporting its capacity or removing its capacity resource status. *Id.* at 57-60.

⁴⁹ Proposed Tariff, attach. DD, § 18.5 (0.0.0), § 18.5(g).

⁵⁰ Transmittal at 81.

⁵¹ Market Monitor Protest at 18-19.

⁵² *Id.* at 22.

38. The Market Monitor contends that PJM’s proposed qualifying criteria for RBP Resources include uprates, Demand Resources, and DER Aggregation Resources—even though the goal of the RBP should be to support new generation and to prevent gaming of the rules by reclassifying existing capacity resources as new.⁵³ The Market Monitor argues that the definition should instead ensure that all cleared capacity represents investment in new physical supply rather than redefining existing resources.

39. AEU, on the other hand, argues that proposed eligibility rules for Demand Resources and DER Aggregation Resources present unnecessary barriers to entry.⁵⁴ For example, AEU notes that, under the proposal, every site backing a commitment must be locked in before the resource can bid, for a term length that few demand-side commercial agreements can support.

40. JCA argues that PJM’s proposal to accept only commitment terms that terminate in the 2042/2043 delivery year excludes resources that can energize in time for the 2028/2029 delivery year but are unwilling or unable to be bound through the 2042/2043 delivery year. JCA notes that the Charles River Associates Survey Results showed that 21% of responding suppliers would agree to terms of 10 years or less.⁵⁵ JCA asserts that PJM’s only support for the 15-year payout period is that it is needed to comply with the NEDC/PJM Governors’ Principles. JCA contends that it is also unduly discriminatory to require some ratepayers to pay for 15-year procurements when other ratepayers are insulated from RBP Charges due to offset capacity with terms of only five years.⁵⁶ According to JCA, PJM’s assertion that a five-year contract is sufficient to satisfy the RBP’s short-term reliability need cannot be squared with a proposal requiring 15-year commitments to meet the same need.

⁵³ *Id.* at 20. The Market Monitor notes that PJM’s criteria in proposed Tariff, Attachment DD, Section 18.5(b), uses the capitalized term Installed Capacity, but there is no proposed definition or definition in the existing Tariff.

⁵⁴ AEU Comments at 18-22; *see also* NJBPU Comments at 4-5 (advocating for more flexibility for the participation of Demand Resources and DER Aggregation Resources). AEU also argues that PJM’s proposal contains unnecessary barriers to participation for Surplus Interconnection Service resources. AEU suggests several “opportunities to enhance the RBP” but also states that PJM’s proposal is “good enough” if any of the suggestions would delay the RBP. AEU Comments at 5.

⁵⁵ JCA Protest at 14 (citing Charles River Associates Survey Results at 5).

⁵⁶ *Id.* at 17, 34.

41. In response, PJM argues bilateral arrangements for new capacity are distinguishable from the RBP procurement mechanism.⁵⁷ PJM contends that parties entering into bilateral arrangements are not similarly situated to either the suppliers offering into the RBP or the LSEs that are allocated cost responsibility for RBP UCAP MW, as bilateral arrangements are privately negotiated business deals. PJM states that because bilateral arrangements remain the preferred approach to meeting the resource adequacy shortfall, establishing less stringent terms for offset capacity encourages parties to 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. PJM states that it intends the 15-year term to motivate supply to participate in meeting the procurement shortfall in a timely manner where other measures have failed.

42. Parties take various stances on PJM's proposal to require RBP Sell Offers to include the quantity of UCAP to be provided for each delivery year where the maximum UCAP included is limited to no greater than 120% of the resource type's most recent maximum Preliminary ELCC Class Ratings for 2028/2029 delivery year through the last posted delivery year or based on the resource's maximum estimated unit-specific ELCC ratings across such period for resources with no ELCC Class Rating, multiplied by the resource's ICAP. AEU asserts that PJM's proposal unreasonably places "unhedgable ELCC risk" on suppliers and advocates that the risk be shifted to the RPM Auctions, which would lower RBP bids.⁵⁸ Equinix, on the other hand, supports PJM's proposal, arguing that load contracting today cannot price accreditation risk 15 years forward, and that a floating credit would transfer to load a modeling risk it has no ability to manage.⁵⁹

43. The Market Monitor argues that the proposed ELCC-related rules would permit generators to sell more capacity than they have and to do so without penalty for overstating capacity. The Market Monitor argues that allowing RBP Sell Offer UCAP MW values up to 120% of the maximum preliminary ELCC class rating for 2028/2029 through the last posted delivery year will overstate the RBP cleared MW and "require customers to pay for nonexistent capacity."⁶⁰

44. Constellation, NRG, and Policy Integrity argue that PJM's proposal to require RBP Resources to offer into the RPM Auctions as price-takers will likely suppress RPM

⁵⁷ PJM Answer at 32-36.

⁵⁸ AEU Comments at 8-9.

⁵⁹ Equinix Comments at 13.

⁶⁰ Market Monitor Protest at 14.

prices, leading to premature generator retirements and artificial shortages.⁶¹ Constellation asserts that these price-formation and reliability risks are most acute when RBP Resources enter the RPM Auctions before the associated demand materializes, even if that demand eventually materializes. In response, PJM asserts that 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.⁶² PJM argues that the Commission has consistently found that the interest in avoiding double-payment outweighs the concern of potential price distortion or price suppression.⁶³ PJM contends that Constellation and NRG's positions effectively recycle arguments previously made with respect to reliability-must-run resources that have been consistently and summarily dispatched by the Commission. PJM also argues that RBP Resources should not be excluded from capacity auctions because it could artificially inflate RPM clearing prices or require loads to be double charged for capacity.⁶⁴ In response, P3 asserts that reliability-must-run contracts are localized, short-term measures and therefore are

⁶¹ Constellation Protest at 5-10; NRG Protest at 4; Policy Integrity Comments at 11. *See also* P3 Answer at 2, 5, 6-7.

⁶² PJM Answer at 47 (citing *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,088, at P 50 (2025) (rejecting, *inter alia*, Constellation's arguments against offering reliability-must-run 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); *N.Y. Indep. Sys. Operator, Inc.*, 161 FERC ¶ 61,189 (2017), *order on reh'g*, 163 FERC ¶ 61,047 (2018)).

⁶³ *Id.* at 48 (citing *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.") (citation omitted)); *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").

⁶⁴ *Id.* at 49-50.

fundamentally distinct from RBP capacity which involves long-term multi-gigawatt new generation.⁶⁵ P3 avers that applying this to RBP will expand a limited construct, compounding market disruption and undermining market efficiency and resource adequacy across PJM.⁶⁶ P3 and Constellation argue that PJM does not consider the context of the Commission's decision to require reliability-must-run units to participate as price-takers, including that it was time-limited to two auctions to avoid sustained disruption to the market.⁶⁷ P3 requests that the Commission modify PJM's proposal, defer action on this matter to a future proceeding, or establish a paper hearing.⁶⁸

45. NRG argues that the Commission should impose a price floor on offers to prevent price distortion in the event the expected load does not materialize. In response, PJM argues that there will be a price floor that will apply to all resources offering into the RPM through the 2029/2030 delivery year and that a further extension of the price floor would be an impermissible attempt to expand the Minimum Offer Price Rule.⁶⁹

46. Constellation contests PJM's proposal to exclude from the RBP an existing Energy Resource that has no CIRs but is seeking new CIRs through an Interconnection Request, even if the resource otherwise satisfies the RBP eligibility criteria.⁷⁰ Constellation explains that an existing Energy Resource necessarily has an existing Maximum Facility Output—not a “new Maximum Facility Output,” as required by PJM's proposed eligibility rules—and obtaining new CIRs does not create a new Maximum Facility Output. Constellation asserts that the relevant attribute from a resource adequacy perspective is the new CIRs. Constellation concludes that excluding an otherwise eligible resource because its Maximum Facility Output is not “new” and because it is currently not a capacity resource but is seeking to obtain new CIRs is unjust and unreasonable. In response, PJM argues that the requirement that generation RBP Resources have a new Maximum Facility Output and new CIRs ensures that eligible resources meet stringent standards before receiving 15 years of price certainty.⁷¹

⁶⁵ P3 Answer at 3-4. *See also* Constellation September 21 Answer at 6-7.

⁶⁶ P3 Answer at 5.

⁶⁷ P3 Answer at 5-6; Constellation September 21 Answer at 5-8.

⁶⁸ P3 Answer at 7-8.

⁶⁹ NRG Protest at 4, 10; PJM Answer at 51-52.

⁷⁰ Constellation Protest at 13-14.

⁷¹ PJM Answer at 41.

47. PJM states that it has identified a typographical error in proposed Tariff, Attachment DD, section 18.5(d).⁷² PJM states that the section erroneously requires 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 states, 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 requests that the Commission permit PJM, on compliance, to revise the proposed Tariff language to replace the reference to section 18.5(b) with section 18.5(a).

iii. Determination

48. As a general matter, we find that PJM has demonstrated that its proposed eligibility requirements for RBP Resources are just and reasonable. Specifically, we agree with PJM that its proposed eligibility requirements will limit RBP Resources to those resources that have demonstrated a high likelihood of success in reaching commercial operation and remaining available throughout the RBP commitment period, while not being so restrictive as to foreclose significant auction participation. We further find that the stringency of the eligibility requirements for RBP Resources is reasonable given the revenue certainty that they will obtain over the RBP commitment period should they clear the RBP auction.

49. We disagree with the Market Monitor that PJM should have attempted to match the duration of supply with the duration of data center demand. The same energy must-offer requirements apply to RBP Resources based on their resource type as would apply to any other resource of that type that cleared the RPM Auctions. Similarly, we disagree with the Market Monitor’s arguments that uprates, Demand Resources, and DER Aggregation Resources should not be eligible RBP Resources. The Commission has dismissed similar arguments from the Market Monitor in the context of the RPM.⁷³

50. We acknowledge AEU’s concern that few Demand Resources and DER Aggregation Resources can lock in their customers for 15 years, as PJM’s proposal would require for them to qualify as RBP Resources. We find, however, that PJM’s proposal is nonetheless reasonable. As PJM explains, in return for the revenue certainty that participating in the RBP auction will provide, it is reasonable to expect these

⁷² *Id.* at 46.

⁷³ See, e.g., *Indep. Mkt. Monitor for PJM vs. PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,059, at P 29 (2016) (disagreeing with the Market Monitor’s argument that a day-ahead energy market must-offer requirement must be imposed on capacity demand response resources to treat them on a fully comparable basis relative to generation capacity resources).

resources to be available during the entire RBP commitment period.⁷⁴ Like any other resource type, Demand Resources and DER Aggregation Resources that cannot commit themselves through the 2042/2043 delivery year are not eligible to participate in the RBP as RBP Resources, but—as is the case today—they continue to have the opportunity to participate in PJM’s routine RPM Auctions. We also disagree with JCA that PJM cannot reasonably propose to terminate all RBP Resource commitment terms in the 2042/2043 delivery year and should instead allow for shorter commitment terms. We note that this requirement aligns with PJM’s proposed clearing mechanism, described below, which we find to be just and reasonable.

51. We are unpersuaded by Constellation’s argument that PJM’s proposal to exclude generation resources that could provide new CIRs, but no new installed capacity, is unjust and unreasonable. On the contrary, we agree with PJM that the RBP price certainty of up to 15 years should be used to attract both new installed capacity *and* new CIRs.

52. We find just and reasonable PJM’s proposal to require RBP Sell Offers to include the quantity of UCAP to be provided for each delivery year where the maximum UCAP included is limited to no greater than 120% of the resource type’s most recent maximum Preliminary ELCC Class Ratings for 2028/2029 delivery year through the last posted delivery year or based on the resource’s maximum estimated unit-specific ELCC ratings across such period for resources with no ELCC Class Rating, multiplied by the resource’s ICAP. We agree with PJM that the proposed cap represents a reasonable balance between providing sellers with flexibility and managing UCAP risk for load. Under PJM’s proposal, load pays for only RBP capacity delivered.⁷⁵ Thus, the only risk is that PJM procures 20% more capacity on paper than what eventually materializes. We are not persuaded that such potential harm renders this component of PJM’s proposal unjust and unreasonable. Instead, we find an actual procurement that may result in up to 20% less capacity than the estimated target to be acceptable in the context of an estimated

⁷⁴ Transmittal at 52 (“Recognizing that RBP Resources will have longer-term commitments and price certainty . . . PJM is proposing comparatively more restrictive criteria for participating resources to help ensure that resources participating in the RBP are limited to those that have demonstrated a high likelihood of success in reaching commercial operation in the near term and remaining available throughout the commitment period.”); PJM Answer at 44 (“The [15-year contract] requirement ultimately provides PJM confidence that DR/DER serving as RBP Resources will actually be available for the term of the RBP commitment.”).

⁷⁵ Proposed Tariff, attach. DD, § 18.5(g)(i).

resource adequacy shortfall of 6,831 MW, particularly as compared to the total MW of capacity that cleared in PJM's 2028/2029 BRA.

53. We also disagree with arguments against PJM's proposal to require RBP Resources to offer into the RPM Auctions as price-takers because the requirement will likely suppress RPM prices, leading to premature generator retirements and artificial shortages. As PJM notes, the Commission has consistently found that Regional Transmission Organizations and Independent System Operators can reasonably require resources that are compensated outside of the capacity market because they are needed to maintain reliability to offer as price-takers in capacity auctions to avoid double procurement, even at the risk of price suppression.⁷⁶ Here, where PJM is proposing to procure RBP Resources outside of its routine RPM Auctions because those auctions have failed to secure sufficient capacity to meet the PJM Region's reliability requirements, we find that it is likewise just and reasonable to require RBP Resources to offer into PJM's RPM Auctions as price-takers to avoid the risk of over-procuring capacity through those auctions.

54. Finally, we acknowledge PJM's request that the Commission exercise its discretion to correct a typographical error in proposed Tariff, Attachment DD, section 18.5(d). If PJM were to choose to expeditiously submit an FPA section 205 filing, PJM may decide whether to include that proposed revision.

b. Average-Price Cap and Clearing Mechanism

i. Filing

55. PJM proposes that the levelized procurement cost of all selected RBP Sell Offers not exceed a maximum willingness to pay of \$555/MW-day, on a MW-weighted average basis over all delivery years of the RBP.⁷⁷ PJM notes that earlier this year the Commission accepted a price cap of \$555/MW-day for the 2028/2029 BRA, and that but

⁷⁶ *PJM Interconnection, L.L.C.*, 196 FERC ¶ 61,098, at P 21 (2026) (finding that PJM's proposal to include reliability-must-run units in the RPM supply stack as price-takers is just and reasonable and consistent with Commission precedent regarding the treatment of reliability-must-run resources in other regions) (citing *PJM Interconnection, L.L.C.*, 193 FERC ¶ 61,234, at P 10 (2025) (citing *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,088, at P 50 (2025) (citing *Indep. Power Producers of N.Y., Inc. v. N.Y. Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,214 (2015); *N.Y. Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,116 (2015), *order on reh'g & compliance*, 155 FERC ¶ 61,076 (2016), *order on reh'g & compliance*, 161 FERC ¶ 61,189 (2017); *ISO New Eng. Inc.*, 165 FERC ¶ 61,202 (2018)))).

⁷⁷ Transmittal at 61.

for the lower temporary price cap, the BRA would have cleared at this cap.⁷⁸ PJM explains that, given that the Initial RBP Target is based on the 2028/2029 BRA shortfall, PJM proposes \$555/MW-day as the cap to what load will pay for RBP capacity. PJM argues that this “budget approach” allows the RBP to manage costs while not restricting Sell Offers to a hard price cap, and allows for potentially fluctuating offers across the 15 delivery years of the RBP term.

56. PJM argues that the proposed maximum willingness to pay balances the need to procure capacity and maintain system reliability—recognizing that prices above the \$555/MW-day cap in some delivery years may nevertheless be appropriate under scarcity conditions—with consumer protection considerations by requiring that, ultimately, the average procurement price not exceed \$555/MW-day over the RBP term. PJM further argues that a MW-weighted average provides sellers flexibility not offered by hard caps on RBP Sell Offers. PJM argues that setting a maximum is necessary because the RBP is not disciplined by direct buy bids that explicitly express willingness to pay, and it is not reasonable to assume that load should be obligated to pay an unlimited amount for supply. PJM argues that it is reasonable to conclude that PJM’s willingness to pay for a 15-year commitment should not exceed the amount that load would be willing to pay for a single-year commitment under the RPM framework, given the benefits to supply resources of revenue certainty and the chance to reduce financial and development risk and improve financing opportunities through lower capital costs or more favorable financing terms.⁷⁹

57. PJM proposes to commit RBP Resources using a pay-as-bid approach, which PJM argues is more appropriate for a one-time backstop procurement than the single-clearing-price approach used in the RPM.⁸⁰ First, PJM argues that because the RBP is a one-time procurement, its pricing outcomes are less likely to serve as market signals. Second, PJM notes that the RBP will not be procuring a uniform commodity because resources may differ based on commercial operation dates, Network Upgrades, and other factors. Third, PJM states that a uniform clearing price would require PJM to normalize offers through potentially complex and subjective assumptions.

⁷⁸ *Id.* at 62 (citing *PJM Interconnection, L.L.C.*, 194 FERC ¶ 61,049, at PP 44-45, *order on reh’g*, 196 FERC ¶ 61,007 (2026)).

⁷⁹ *Id.* at 63-64.

⁸⁰ *Id.* at 65. PJM states that the Commission has previously found it just and reasonable to pair a pay-as-bid approach to backstop procurement with a maximum willingness to pay. *Id.* (citing *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,001 (2015)).

58. For RBP Resources to clear the auction, PJM proposes to first filter prospective resources through “gating” criteria, which PJM argues will ensure that the selected RBP Resources are those most likely to go into service and will deter speculation.⁸¹ For generation and storage resources, the seller must provide: (1) a critical path construction schedule supporting the feasibility of a commercial operation date of June 1, 2032, or earlier; (2) interconnection study information and a development timeline appropriate to its interconnection queue study process; (3) evidence of 100% site control; (4) a financing plan showing that the resource has sufficient financial backing; (5) a permitting plan showing that the developer is on track to obtain all necessary permits; and (6) evidence that the developer has or will procure the necessary major equipment. In addition, the seller must demonstrate that it is able to develop the underlying resource by providing “[e]vidence of experience having constructed a previous project of similar size and technology or have contracted with an engineering, procurement, and construction partner with such experience.”⁸² A seller offering RBP UCAP MW based on a natural-gas-fired resource must provide evidence of a delivering pipeline. To the extent the resource is located outside the PJM Region, the seller must demonstrate that the resource has progressed through its host region’s interconnection study process to obtain a completed facilities study or the equivalent and, consistent with PJM’s pseudo-tie requirements, a long-term firm point-to-point transmission service, or a confirmed transmission service request with a completed system impact study, sufficient to deliver capacity to PJM’s border.

59. For Demand Resources and DER Capacity Aggregation Resources, the seller must provide evidence of the locations within PJM of the load reduction and executed customer agreements or binding commitments with identified locations and customer names sufficient to cover the offered MW quantity.⁸³ The seller must also show that it will be able to effectuate the offered load reduction through evidence of an “[e]quipment procurement plan or evidence of deployed enabling infrastructure such as metering, telemetry, load control, [Supervisory Control and Data Acquisition]/dispatch systems, or DER major equipment as applicable.”⁸⁴

60. After applying the gating criteria, PJM evaluates the RBP Sell Offers based on the first delivery year offered in the RBP Sell Offer, levelized cost, and RBP UCAP MW quantity. The proposed selection process first orders all Sell Offers based on the

⁸¹ *Id.* at 71. PJM also notes that it will give sellers an opportunity to cure any PJM-identified deficiencies. *Id.* at 72.

⁸² *Id.* at 73 (quoting Proposed Tariff, attach. DD, § 18.5(f)(i)(6)).

⁸³ *Id.* at 74.

⁸⁴ *Id.* at 75 (quoting Proposed Tariff, attach. DD, § 18.5(f)(i)(11)).

resource's identified offered delivery year, and then by price, by ordering the RBP Sell Offers "in least-cost order based on the levelized cost (\$/MW-day) of UCAP MW over the fixed 15-year term."⁸⁵ From this stack of offers, PJM proposes to select RBP Sell Offers until the Final RBP Target is satisfied. PJM explains that because all RBP commitments terminate with the 2042/2043 delivery year regardless of which delivery year the RBP Resource first offered, the levelized cost determination is needed for a comparative evaluation for each resource for the period between commercial operation and the 2042/2043 delivery year. PJM explains that a levelized cost accounts for the time value of money, which is critical when evaluating contracts spanning 15-year terms, as PJM is proposing in the RBP. PJM explains that levelized cost will be calculated as: $\text{Levelized Cost (\$/MW-day)} = \text{Net Present Value (RBP Sell Offer price * UCAP offered)} / \text{Net Present Value (UCAP offered)}$, with a discount rate equal to 9.5% after-tax average weighted average cost of capital.⁸⁶

61. PJM explains that, in selecting resources from the offer stack, it will first look to RBP Resources expected to reach commercial operation in the 2028/2029 delivery year. If that set of resources is insufficient to meet the Final RBP Target, then PJM will apply the selection criteria to consider all resources offered with an expected commercial operation date in the 2029/2030 delivery year, and will continue iteratively, up to and including the 2032/2033 delivery year, until the set of offers selected meets the Final RBP Target. PJM further explains that, within this selection process, it will not procure a resource that results in the MW-weighted average of the levelized procurement cost exceeding \$555/MW-day, meaning that it may skip over a resource with an earlier delivery year if procuring that resource would violate the maximum willingness to pay for the procurement.⁸⁷ If a resource is skipped because it violates the cap but a lower-cost resource is procured that then creates "room in the budget" to select that higher-offer-earlier delivery year resource, the selection process will go back to procure that resource before continuing down the rank-order of additional offers in later delivery years. PJM explains that the selection process prioritizes earlier delivery years to address the shortfall target as soon as possible. PJM also states that, in procuring the least-cost set of resources, it may clear an RBP Sell Offer with an offered quantity that exceeds the remaining Final RBP Target if the solution results in a lower overall cost than the alternative.⁸⁸ That is, PJM may exercise the option to procure more capacity than the Final RBP Target if, compared to acquiring a resource with a higher offer price that

⁸⁵ *Id.* (quoting Proposed Tariff, attach. DD, § 18.5(f)(ii)).

⁸⁶ *Id.* at 76-77.

⁸⁷ *Id.* at 78.

⁸⁸ *Id.* at 79.

would not reach the Final RBP Target, PJM would end up paying less overall. PJM asserts that this would result in the more economical outcome. Relatedly, PJM notes that because the RBP is procuring new capacity and not simply fungible UCAP MW, RBP Resources shall not be partially cleared. Thus, PJM may clear a set of resources with a cumulative RBP UCAP MW total that does not exactly match the Final RBP Target.

62. Finally, PJM states that, following the conclusion of the RBP and to the extent consistent with the existing member confidentiality rules, PJM will post a report that, *inter alia*, provides a transparent overview of the aggregate MW that were procured through the RBP and a weighted average of the RBP Charges as soon as is practicable after the RBP is completed.⁸⁹

ii. Responsive Pleadings

63. JCA argues that RBP's design defeats itself by requiring the purchase of long-term resources while constraining the participation of shorter-term resources that could better align with the identified need, and that PJM has not defended the 15-year commitment term as necessary to cure the reliability shortfall. JCA asserts that it is unjust and unreasonable to charge ratepayers for the acquisition of years of capacity that is not needed to address the reliability shortfall and serves no cost-efficiency or other economic purpose.⁹⁰

64. Several intervenors argue that the \$555/MW-day cap is too high. JCA argues that the \$555/MW-day cap should be substantially less because 15-year price certainty reduces supplier risk and eases financing.⁹¹ JCA also argues that ratepayers could pay more than \$555/MW-day if any resource that bid less fails to materialize or ceases operation prior to the end of the RBP term. JCA argues that PJM's borrowing of Point 1 from the VRR curve is inapposite because it is a reference cost grounded in the estimated Cost of New Entry (CONE) for a combustion turbine (CT) reference resource, whereas the RBP has no reference resource or VRR curve. OCC argues that the proposed cap is significantly higher than the clearing price in the 2028/2029 BRA of \$325/MW-day at the

⁸⁹ *Id.*

⁹⁰ JCA Protest at 16 (citing *Citadel FNGE Ltd. v. FERC*, 77 F.4th 842, 856 (D.C. Cir. 2023) (explaining that the “application of [a PJM auction rule] was unjust and unreasonable not just because of how much it increased the wholesale rate, but because it caused that increase for no justifiable purpose” and “without any commensurate [consumer] benefit”)).

⁹¹ *Id.* at 25.

price cap, which also reflects the scarcity conditions in that auction.⁹² The Market Monitor states that net revenues in the energy market are significantly higher now than they were when PJM calculated the \$555/MW-day figure. Therefore, the Market Monitor argues, PJM has significantly overstated the maximum price for the RBP.⁹³

65. Other intervenors, however, argue the \$555/MW-day cap is too low. E-Cubed asserts that PJM's proposed average price cap is not just and reasonable because it is not reflective of actual costs, nor will it solve the identified capacity shortfall. E-Cubed argues that, based on its analysis of publicly available data, it is unlikely that any capacity will be committed via RBP because the \$555/MW-day volume weighted average constraint on purchases in the RBP is not commensurate with the actual cost of bringing capacity into PJM for any resource type.⁹⁴ NRG argues that there should be no price cap because the top priority should be allowing the RBP to fulfill its purpose of covering the capacity shortfall. According to NRG, even if a price cap were appropriate, PJM has not explained why a soft cap based on an outdated estimate of CONE for a CT in the last quadrennial review is a just and reasonable level. NRG further states that capital costs have escalated sharply since that estimate was calculated. NRG argues that there is no logical reason why the prices paid to individual suppliers in the RBP should be subject to a cap based on CONE for a CT when the capacity shortfall could be covered with any number of resources, including resources using different technologies or having other characteristics that cause their costs to significantly exceed those of the reference CT. NRG states that it has a project sufficiently advanced to participate in the RBP that has costs, net of expected energy and ancillary services revenues, that are substantially greater than the \$555/MW-day cap, and it would be hard to justify the time and expense of offering it into the RBP given its costs and size. NRG argues that if the Commission does not eliminate the soft cap entirely, it should reset the cap to \$866/MW-day.⁹⁵

66. OELC argues that the proposed RBP Resource selection method is not just and reasonable because it does not adequately incentivize new dispatchable generation, which is most capable of serving load during the reliability risk conditions for which the RBP is designed. OELC urges the Commission to modify PJM's proposed resource-selection method to value new dispatchable generation's reliability attributes.⁹⁶

⁹² OCC Protest at 8.

⁹³ Market Monitor Protest at 27.

⁹⁴ E-Cubed Protest at 2, 6, 19.

⁹⁵ NRG Limited Protest at 5-10.

⁹⁶ OELC Comments at 2, 9-10. *See also* FirstEnergy Protest at 15-17.

67. Voltus argues that the proposed gating criteria for RBP Resource offers do not recognize the commercial development pathways of distributed demand-side resources. Voltus notes that, under PJM's proposal, Demand Resource and DER Capacity Aggregation offers must "[i]dentify, as part of its RBP Sell Offer, for the full length of the fixed term, the location(s) and associated participation contract(s)" and will only be considered if they include "[e]xecuted customer agreements or binding commitments covering the proposed RBP UCAP MW commitment, with identified locations, customer names, and expected curtailment/injection capability per site."⁹⁷ Voltus argues that this gating criterion inverts the development sequence because customer contracts are entered into against a known price and volume (i.e., the output of the auction). According to Voltus, requiring customer contracts before the auction removes the commercial basis on which they would be executed. Relatedly, AEU requests that PJM "confirm . . . that a procurement plan, rather than infrastructure already installed and operational at the time of the offer, is sufficient to satisfy" the gating criteria for Demand Resources and DER Capacity Aggregation Resources.⁹⁸ On the other hand, FirstEnergy argues that the gating criteria for demand response contain a significant ambiguity, requiring only a contract or agreement evidencing a "plan or evidence of deployed enabling infrastructure," not one demonstrating a clear and binding commitment to provide the MWs sold into the RBP.⁹⁹ FirstEnergy argues that the language risks treating speculative resources as equivalent to committed resources. FirstEnergy thus requests that PJM clarify that eligible demand response resources must be supported by binding contractual commitments.

68. The Market Monitor argues that the RBP clearing process is not consistent with cost minimizing principles because it favors resources with a commercial operation date in 2028/2029 over resources with later commercial operation dates even when the later resources are less costly and have better reliability characteristics.¹⁰⁰ Some parties also fault PJM's proposed pay-as-bid structure because, as PJM concedes, sellers in a pay-as-bid auction bid the expected clearing price, not their marginal costs.¹⁰¹

69. CPV supports the proposal but argues that the gating criteria language requires clarification to avoid inadvertently narrowing the pool of eligible projects. CPV notes

⁹⁷ Voltus Protest at 3, 10-15 (citing Proposed Tariff, attach. DD, §§ 18.5(c)(ii), 18.5(d)(i), 18.5(f)(i)(10)). *See also* NJBPU Comments at 4-5.

⁹⁸ AEU Comments at 21.

⁹⁹ FirstEnergy Protest at 21 (citing Transmittal at 74-75).

¹⁰⁰ Market Monitor Protest at 24-25.

¹⁰¹ JCA Protest at 6; Market Monitor Protest at 11-13; NJBPU Comments at 4; OCC Protest at 7-8.

that the gating criteria require sellers to demonstrate site control for a term of at least three years from the date of submission of an “Application,” but that the Tariff’s existing definition of “Application” has no connection to the RBP.¹⁰² CPV proposes a correction to refer instead to an “RBP Sell Offer.” CPV also argues that proposed section 18.5(f)(i)(2) fails to account for sellers with generation projects currently active in PJM’s interconnection queue that have already satisfied the applicable site control requirements that are a condition of advancing through the queue.¹⁰³ CPV argues that requiring such developers to separately satisfy a new three-year requirement on limited notice could impose an unnecessary additional burden. CPV proposes to clarify that proposed section 18.5(f)(i)(2) applies only “[f]or projects without an active queue position.”

iii. PJM Answer

70. PJM asserts that the arguments that procuring for a fixed term of up to 15 years is unjust and unreasonable are without merit. PJM argues that the 15-year term for RBP is intended to motivate supply to participate in meeting the procurement shortfall in a timely manner where other measures have failed.¹⁰⁴

71. Regarding the proposed \$555/MW-day price cap, PJM notes that some intervenors argue that the cap is too high,¹⁰⁵ while others argue that it is too low. PJM highlights that no entity that would ultimately be responsible for paying the RBP Charges raised concerns with the proposed level of the cap. PJM also argues that the fact that some intervenors argue that the cap is too high, while others claim that it is too low, is not indicative of a flaw in the proposal but rather 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.¹⁰⁶ Finally, PJM also argues that the revenue certainty of a 15-year term mitigates concerns that costs have risen since the periodic review that produced the \$555/MW-day figure, and notes that while a handful of suppliers argue against the proposed level of the cap, others did not.¹⁰⁷

¹⁰² CPV Comments at 4.

¹⁰³ *Id.* at 5.

¹⁰⁴ PJM Answer at 32-35.

¹⁰⁵ *Id.* at 37 (citing OCC Protest at 8; JCA Protest at 25-28; IMM Protest at 27-28).

¹⁰⁶ *Id.* at 38-39 (citing E-Cubed Protest at 2; NRG Limited Protest at 6, 10).

¹⁰⁷ *Id.* at 40 (citing, generally, CPV Comments).

72. PJM responds to concerns that the proposed gating criteria are too stringent by arguing that the criteria are appropriately tailored to limit the RBP to new capacity with a high likelihood of coming online.¹⁰⁸ PJM states that it will provide sellers the opportunity to cure PJM-identified deficiencies and anticipates working hand-in-hand with capacity resources to determine how deficiencies may be cured. In response to arguments that the gating criteria for Demand Resources and DER Capacity Aggregation Resources specifically are overly stringent, PJM states that the difference is by design, because generation/storage resources are tied to physical assets that make it costly to exit the market early, whereas Demand Resources and DER Capacity Aggregation Resources are, by nature, contracts or agreements that are not tied to a dedicated asset. PJM also notes that Demand Resources and DER Capacity Aggregation Resources are able to easily enter and exit the market based on economic and other business decisions. Finally, PJM states that RBP is designed to not allow for replacement of RBP Resources so that only the RBP Resource is eligible for RBP payments, and requiring evidence that the Demand Resource/DER locations are contracted for 15 years ensures parity with generation/storage resources that participate in RBP.

73. PJM states that it is amenable to CPV's suggested revision to the gating criteria requirement that Generating Facilities provide evidence of 100% site control. PJM agrees that the term "Application" may be ambiguous in the proposed Tariff language requiring evidence of 100% site control "for a term of at least three years from the date of submission of the Application,"¹⁰⁹ and clarifies that the language was intended to state that the three-year site control requirement would begin from the date when sellers submit their RBP Sell Offer, as CPV suggested.¹¹⁰ Further, PJM states that CPV's request to clarify that such requirement should only be applicable to projects that do not already have an active queue position is reasonable, because projects that are both already in the interconnection queue and already meet the relevant prerequisites to proceed through the queue will have already demonstrated a high likelihood of actualization and success. PJM believes that CPV's suggested redlines to proposed Tariff, Attachment DD, section 18.5(f)(i)(2) to this effect are reasonable.

iv. Determination

74. As a general matter, we find that PJM has shown that its proposed \$555/MW-day maximum willingness to pay and process for selecting RBP Resources in the RBP auction are just and reasonable. We agree with PJM that a maximum willingness to pay set at the MW-weighted average of the levelized procurement cost over the

¹⁰⁸ *Id.* at 42.

¹⁰⁹ Proposed Tariff, attach. DD, § 18.5(f)(i)(2).

¹¹⁰ PJM Answer at 44-45 (citing CPV Comments at 4-5).

RBP commitment term reasonably balances the need to expeditiously procure capacity in response to the PJM Region's imminent capacity shortfall with ensuring that the average procurement price does not exceed load's maximum willingness to pay. We further find that in establishing the value for the maximum willingness to pay in the RBP, PJM reasonably relied on the value of the RPM price cap that the Commission accepted in January and reaffirmed in July.¹¹¹ We disagree with arguments that the Commission must direct PJM to adopt a value for load's maximum willingness to pay that is based on the most recent forward prices and production costs. Specifically, we find that using the \$555/MW-day price cap for the 2028/2029 BRA—which was just approved this January and affirmed in July, as noted directly above—is a reasonable proxy of load's maximum willingness to pay for RBP capacity.

75. We agree with PJM that the proposed pay-as-bid structure for the RBP auction is reasonable.¹¹² As PJM explains, the RBP auction is not procuring a uniform product because RBP Resources may differ based on commercial operation dates and other factors. As such, we find that it is reasonable for each RBP Resource to be paid the price that it bids when offering into the RBP auction. We recognize that, as both PJM and protesters note, sellers are theoretically less likely to offer near their marginal costs in a pay-as-bid auction than in a single-price auction. We find, however, that this theoretical drawback is acceptable in the context of the proposed \$555/MW-day average-price cap and the Charles River Associates Survey Results indicating strong seller interest in the RBP auction.¹¹³

76. Moreover, we find that PJM's proposed gating criteria for RBP Resources are just and reasonable. These criteria, which PJM will employ as the first step in the selection process for RBP Resources, will help to deter speculative resources from bidding into the RBP auction and ensure that the selected RBP Resources are those most likely to go into service. Regarding arguments that Demand Resources and DER Capacity Aggregation Resources cannot feasibly lock in their customers for 15 years before the RBP auction, we find that PJM has justified this requirement as reasonable. Specifically, PJM explains that this restriction is necessary to manage the risk of the supply being available for the full term that PJM is procuring on behalf of load in the RBP.¹¹⁴ Failing to require Demand Resources and DER Capacity Aggregation Resources to provide evidence of the

¹¹¹ *PJM Interconnection, L.L.C.*, 194 FERC ¶ 61,049, at PP 45-46, 49 (2026), *order on reh'g*, 196 FERC ¶ 61,007, at PP 25-26.

¹¹² We note that the existing Reliability Backstop Auction also uses a pay-as-bid structure. Tariff, attach. DD, § 16 (2.0.0), § 16.4(e)(2).

¹¹³ Charles River Associates Survey Results at 5.

¹¹⁴ PJM Answer at 54.

executed customer agreements or binding commitments with identified locations and customer names sufficient to cover the offered MW quantity could result in such resources contracting with different loads over the life of the RBP commitment term, contrary to its purpose of providing long-term revenue certainty for RBP Resources. Additionally, we disagree with JCA that PJM unreasonably requires commitment terms ending no earlier than 2042/2043. As PJM explains, long contract terms create revenue certainty for RBP Resources and generally can reduce financial and development risk and may improve financing opportunities through lower capital costs or more favorable financing terms.¹¹⁵

77. PJM explains that, after applying the gating criteria, it would evaluate sell offers first based on the resource's identified offered delivery year, then by price, until the Final RBP Target is satisfied. We agree with PJM that this process for selecting RBP Resources in the RBP auction reasonably prioritizes earlier delivery years to address the PJM Region's capacity shortfall as soon as possible. We disagree with OELC that PJM's proposed process for selecting RBP Resources in the RBP auction is deficient because it does not value dispatchable generation's reliability attributes beyond what PJM's ELCC accreditation already captures because we do not find such additional valuation metrics to be necessary for PJM's proposal to be just and reasonable.

78. Finally, we acknowledge PJM's openness to adopt CPV's suggested redlines to proposed Tariff, Attachment DD, section 18.5(f)(i)(2). If PJM were to choose to expeditiously submit an FPA section 205 filing, PJM may decide whether to include those revisions.

c. RBP UCAP MW Shortfall Charges

i. Filing

79. PJM proposes that an RBP UCAP MW shortfall will occur when a committed RBP Resource has not reached commercial operation for the relevant delivery year for up to three consecutive years unless the RBP Resource qualifies for an exception because it is waiting on Network Upgrades.¹¹⁶ Once an RBP Resource has achieved commercial operation, PJM proposes that RBP UCAP MW shortfall charges will end but that RBP Resources are not paid for any RBP UCAP MW not provided. PJM proposes that RBP

¹¹⁵ Transmittal at 63-64.

¹¹⁶ Proposed Tariff, attach. DD, 18.6 (0.0.0), § 18.6(d)(i) ("An RBP Resource that is a generation or Energy Storage Resource and is unable to meet [its] expected commercial operation date solely due to Network Upgrades shall be excepted from RBP shortfall charges if the RBP Resource successfully demonstrates readiness through test energy and seeks interim deliverability.").

shortfall charges will be equal to the product of the RBP Resource's committed RBP UCAP MW shortfall and 20% of the RBP price. If the RBP Resource fails to provide any RBP UCAP MW after three consecutive delivery years, PJM proposes that the RBP commitment will be rescinded for the remainder of the term. PJM states that it proposes to allow RBP Resources to retain RBP UCAP MW commitments for up to three years because a resource's commercial operation date may be delayed even when a project is viable.¹¹⁷ PJM argues that the limitation on RBP shortfall charges helps reduce the barrier to entry.

ii. Responsive Pleadings

80. The Market Monitor contests the proposed RBP UCAP MW shortfall charges, arguing PJM inappropriately proposes to shift ELCC-related risk from generators to customers because shortfalls due to decreases in the ELCC ratings are not subject to penalties. The Market Monitor argues that generator performance risk is an investor risk and not a customer risk, and that one of the benefits of markets is that performance risk is assigned to generators because they are responsible for unit performance. The Market Monitor contends that the absence of shortfall charges for failure to deliver the quantity of UCAP sold shifts the ELCC accreditation risk to load, which must pay for the additional supply to cover the shortfall.¹¹⁸

81. The Market Monitor also argues that PJM unnecessarily restricts the applicability of shortfall charges to a narrow reason, is vague about the timing of the charges, and unreasonably limits the charges to three years.¹¹⁹ The Market Monitor adds that PJM's proposed criteria for defining shortfall charges are also vague and unenforceable, and that PJM has not explained why the RBP penalties vary so significantly from the current RPM rules. The Market Monitor states that deficiency charges under the current RPM rules are assessed due to a failure to satisfy a commitment "for any reason," such as derates and retirements, whereas the proposed shortfall charges would only apply for commercial operation delays. For example, the Market Monitor argues, if a generation project configuration and MW change significantly but it still achieves commercial operation by the delivery year, it is not clear whether RBP shortfall charges would apply.

82. The Market Monitor further argues that use of the term "commercial operation" instead of the more precise tariff-defined "commencement of Interconnection Service"

¹¹⁷ Transmittal at 61.

¹¹⁸ Market Monitor Protest at 14-15.

¹¹⁹ *Id.* at 15.

limits the applicability of RBP UCAP MW shortfall charges even more so.¹²⁰ Also, the Market Monitor states, the term “commercial operation” is generally not a term applied to Demand Resources and DER Aggregation Resources, and it is not clear how the shortfall charges would apply to these resource types. The Market Monitor states that in defining the eligibility criteria for RBP Resources in proposed Tariff, Attachment DD, section 18.5(a)(i), PJM distinguishes Demand Resources and DER Aggregation Resources as being registered and under a contract to perform versus having a commercial operation date prior to June 1, 2032. The Market Monitor argues that PJM does not explain why this same distinction is not included in the shortfall charge provision.

83. The Market Monitor also contests PJM’s proposed Shortfall Penalty exception for unavailability due to delayed Network Upgrades, arguing that the proposal shifts risks from resource owners to load.¹²¹

iii. Determination

84. We find that PJM’s proposed RBP UCAP MW shortfall charges are just and reasonable because they will deter speculative resources from seeking to participate in the RBP auction without creating an undue barrier to entry. Under PJM’s proposal, an RBP UCAP MW shortfall occurs when a committed RBP Resource has not reached commercial operation for the relevant delivery year for up to three consecutive years. RBP shortfall charges are equal to the product of the RBP Resource’s committed RBP UCAP MW shortfall and 20% of the RBP price. We find that PJM’s proposal to assess penalties at this level, for up to three years, is just and reasonable because these penalties, along with the pay-as-bid RBP clearing price and the promise of up to 15 years of revenue certainty, will incentivize developers of RBP Resources to deliver their RBP UCAP MW.

85. We disagree with the Market Monitor’s various criticisms of the proposed RBP UCAP MW shortfall charges, including the Market Monitor’s argument that PJM inappropriately proposes to shift ELCC-related risk from generators to customers. Under the proposal, LSEs pay RBP Charges for only the RBP UCAP MW delivered. Thus, the risk for customers is that they end up paying for less RBP capacity than they anticipated. However, PJM’s proposal mitigates this risk because, as discussed above, other aspects of the proposal strongly encourage RBP Resources to deliver.

86. We also disagree with the Market Monitor’s arguments that PJM’s proposed Tariff revisions describing the shortfall charges are impermissibly vague, and that the

¹²⁰ *Id.* at 16.

¹²¹ *Id.* at 17.

Commission should reject the proposed exception for unavailability due to delayed Network Upgrades. On the contrary, we find that this exception is a reasonable approach because it removes a risk over which RBP Resources have no control. More generally, we are not persuaded by the Market Monitor's multiple comparisons between the proposed RBP rules and the existing RPM rules because the RBP is a stopgap measure to address the failure of the RPM to attract sufficient supply. An intervention, almost by definition, is not going to be "consistent with PJM's fundamental market design," as the Market Monitor contends.

d. Lack of Locational Constraints and Market Power Mitigation

i. Filing

87. PJM explains that it does not propose to apply locational constraints in the RBP.¹²² PJM states that just as the driver of the RBP is the resource adequacy shortfall at the PJM Region level, the Final RBP Target is based on a regionwide shortfall. PJM states that while it recognizes there are locational considerations at large for resource adequacy, and these constraints are modeled in the RPM Auctions, it is also the case that the RPM is an annual three-year forward framework, which allows PJM to model the necessary locational parameters—Capacity Emergency Transfer Objectives (CETO) and Capacity Emergency Transfer Limits (CETL)—to accurately capture the locational needs in the capacity market. By contrast, PJM argues, it does not project and calculate these parameters 15 years out, which is the eligible term of the RBP, because PJM does not have the information needed to determine such locational parameters for 15-year term capacity commitments. PJM states that as a result, including locational parameters based on today's conditions would inevitably skew the results and lead to either over-procurement or under-procurement in given zones based on nothing more than speculation as to the state of the system 10 and 15 years from now. Moreover, PJM argues that inclusion of a speculative locational parameter at this point would ignore the fact that PJM's interconnection process ensures the initial deliverability of new capacity to the region. PJM also notes that, 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. PJM states that load deliverability is also assessed as part of the RTEP process, which will identify transmission needs as load patterns change.

88. PJM states that it is also not proposing direct market power screens or mitigation for the RBP because, in the context of a pay-as-bid structure with a \$555/MW-day cap, the effectiveness of such measures would be limited. PJM notes that a pay-as-bid

¹²² Transmittal at 33-34.

structure, unlike a single-clearing-price structure, does not allow any resource to impact the clearing price of any other resource.¹²³ In addition, PJM states, its proposed average-price cap of \$555/MW-day further discipline costs by increasing the risk that high offers do not clear. PJM states that PJM's proposed average-price cap is similar to the existing market mitigation rules for Planned Generation Capacity Resources because PJM may reject sell offers from those resources if they exceed 140% of an average, relevant price.¹²⁴

89. PJM argues that the risk of economic withholding is limited, because the suppliers can choose whether to participate.¹²⁵ PJM notes that its maximum procurement target under the RBP is limited to the 2028/2029 BRA shortfall of 6,831 MW. PJM further notes that the Charles River Associates Survey Results identified more than 100 GW of prospective supply interested in participating in some form through this process.¹²⁶ PJM argues that this level of interest indicates there is available supply that will compete to secure an RBP commitment. PJM explains that it also expanded the pool of eligible supply by permitting participation from resources capable of achieving commercial operation beyond the timeframe required for the 2028/2029 BRA. PJM contends that under a pay-as-bid structure, such competition should exert downward pressure on procurement costs and improve the efficiency of the RBP procurement process.

90. Finally, PJM argues that the implementation of market mitigation measures in a pay-as-bid construct can be difficult to verify and ineffective.¹²⁷ PJM states that in a pay-as-bid approach, unlike a uniform clearing price construct where sellers are expected to offer a marginal cost, sellers are more likely to offer the expected clearing price. PJM states that given offers will likely have less variation and information underlying them, it can be difficult and ineffective to determine offers exhorting market power.

¹²³ PJM states that the Commission, under somewhat similar circumstances, has previously found the pay-as-bid approach to be just and reasonable. Transmittal at 69-70 (citing *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,001, at PP 2, 8, 15, 28 (2015)).

¹²⁴ Transmittal at 66-67, 70 (citing PJM, Intra-PJM Tariffs, OATT ATT DD.6.5, OATT ATTACHMENT DD.6.5 Mitigation (2.0.0), § 6.5(a)(ii)(C)).

¹²⁵ *Id.* at 68.

¹²⁶ *Id.* (citing Charles River Associates Survey Results at 5).

¹²⁷ *Id.* at 71.

ii. Responsive Pleadings

91. Several parties criticize PJM's RBP proposal for what it lacks. The Market Monitor, for example, argues that the PJM RBP proposal would violate fundamental elements of the PJM capacity market design, which include the use of a single-price clearing mechanism, locational constraints, and market power mitigation rules. The Market Monitor argues that PJM's decision not to include locational requirements risks customers paying higher RPM prices in price-separated Locational Deliverability Areas, in addition to paying for additional transmission and higher energy prices as expensive local resources are required to serve data centers rather than the RBP Resources.¹²⁸

92. Many other parties argue that the lack of locational constraints in the RBP is unjust and unreasonable. PIOs and JCA argue that the Commission should modify the proposal to require that RBP Resources be sited in the same Electric Distributor zone/area as the load they serve, which would avoid costly transmission infrastructure buildout and delays.¹²⁹ JCA similarly contends that the absence of locational criteria for RBP procurements poses unjustified cost risks for ratepayers. AEP avers that the lack of a locational deliverability requirement could require customers to fund RBP Resources that are not deliverable to their zone, while resources that are necessary to address local reliability needs may not be procured at all.

93. JCA contends that PJM's assertion that it does not have information needed to determine locational parameters for 15-year term capacity commitments cannot be reconciled with PJM's intention to allocate RBP costs to zones based on their large load forecasts. PIOs also argue that PJM's point that it lacks the necessary information to calculate locational parameters 15 years out is flawed because PJM does have *some* locational information that it could use, similar to the three-year-forward forecast for the RPM. PIOs insist that *any* locational considerations (even ones with a less certain projection than the three-year forecast of the RPM) will be better than none. AEP similarly contends that PJM's claim that it cannot predict future CETO or CETL values

¹²⁸ Market Monitor Protest at 7-8, 11.

¹²⁹ PIOs Protest at 16, 28, 34; JCA Protest at 36-37. The Market Monitor similarly notes that PJM could require that the generation to serve a data center must be in the same Locational Deliverability Area as the data center. Market Monitor Protest at 11. PIOs assert that the risks associated with high Network Upgrade costs are not speculative, highlighting RRI as an example, where 10 of the 51 projects withdrew from the interconnection process. PIOs Protest at 19-20 (citing PJM, *Cycle Service Request Status* (July 2023), <https://www.pjm.com/planning/m/cycle-service-request-status>); AEP Protest at 17.

with precision does not eliminate the need to establish a reasonable relationship between the resources procured and the reliability benefits for which customers are charged.¹³⁰

94. Parties similarly express concerns that PJM's proposal includes no direct market power screens or mitigation. JCA argues that the RBP fosters the exercise of seller-side market power and is unlikely to secure the least-cost combination of resources.¹³¹ JCA states that PJM offers no supporting evidence that the resulting procurement price will be the result of true price competition, or that the outcome will reflect the marginal cost of the resources to be procured. JCA states that every resource eligible to offer into the RBP can bid to raise prices to the \$555/MW-day average price cap regardless of its marginal cost or that of its competitors, allowing the exercise of seller-side market power. JCA argues that PJM admits that market power concerns remain because it acknowledges bidders are most likely to offer the expected clearing price and not their own marginal cost of production. In contrast to PJM's statements that there is a sufficient number of potential suppliers to discipline market power concerns, JCA states that only about 80 of the 397 projects identified in the Charles River Associates Survey Results claim an ability to achieve commercial operation by the 2028/2029 delivery year and only 3% of all projects are under construction.

95. JCA and NOVEC question whether PJM has accommodated sufficient competition. According to NOVEC, the companies with the wherewithal to prepare offers on an expedited basis and accept the uncertainty risk are likely to be staffed sufficiently to gamble on whatever the RBP rules might turn out to be without detracting from their established sources of revenue and have significant market share of PJM's existing generation.¹³² NOVEC argues that if more time were afforded, more participants might think through ways to offer at lower rates and still be profitable. JCA argues that not allowing commitment terms ending before 2042/2043 excludes resources that can energize in time for the 2028/2029 delivery year but are unwilling or unable to be bound through the 2042/2043 delivery year. JCA asserts that PJM does not defend the 15-year commitment term as necessary to cure the reliability shortfall or compare the term against shorter alternatives, despite the Charles River Associates Survey Results indicating interest from resources in shorter terms.¹³³

96. To expedite new capacity that can address the reliability shortfall, Amazon requests that the Commission direct PJM to provide an accelerated interconnection

¹³⁰ JCA Protest at 28-29; PIOs Protest at 23; AEP Protest at 17 n.56.

¹³¹ JCA Protest at 17-22. *See also* Market Monitor Protest at 13.

¹³² NOVEC Protest at 5. *See also* OCC Protest at 10.

¹³³ JCA Protest at 14 (citing Charles River Associates Survey Results at 5).

process for RBP Resources and resources supported by executed bilateral capacity arrangements with new large loads.¹³⁴ DCC encourages continued interconnection and permitting reforms.¹³⁵

iii. Determination

97. We are unpersuaded by arguments that PJM's filing is unjust and unreasonable because it lacks locational constraints and direct market power mitigation. First, we find that the proposal's lack of locational constraints does not render PJM's overall proposal unjust and unreasonable. Specifically, the volume of capacity that PJM will procure through the RBP auction—up to 6,831 MW—is relatively small compared with total existing supply in PJM (149 GW), so even if RBP Resources are not located in the exact same Locational Deliverability Areas as new loads, the effect of any locational constraints should be limited. Moreover, as PJM explains, the RBP is designed to address the PJM Region's capacity shortfall, such that it is addressing an effectively region-wide problem.¹³⁶ PIOs are correct that, depending on where RBP Resources choose to site themselves, significant Network Upgrades could be triggered. But one can reasonably assume that RBP Resources will include anticipated Network Upgrade costs in their RBP Sell Offers—meaning that RBP Resources that anticipate significant Network Upgrade costs will be less likely to clear in the RBP auction.

98. Second, we find that the lack of direct market power screens or mitigation for the RBP does not render PJM's overall proposal unjust and reasonable. As PJM explains, in the context of a pay-as-bid structure with a maximum willingness to pay set at \$555/MW-day, the effectiveness of such measures would be limited. In addition, PJM's proposed average-price cap of \$555/MW-day further disciplines costs by increasing the risk that high offers do not clear. And as PJM argues, the exercise of market power is unlikely if even a portion of the more than 130 GW of supply identified in the Charles River Associates Survey Results decides to participate and drive down prices.¹³⁷

¹³⁴ Amazon Comments at 6.

¹³⁵ DCC Comments at 6-8.

¹³⁶ Transmittal at 33.

¹³⁷ Charles River Associates Survey Results at 5.

3. Topics for Discussion in Paper Hearing Procedures

a. PJM's RBP Proposal May Be Unjust and Unreasonable Absent Modifications

i. Cost Allocation

(a) Cost Allocation at the Electric Distributor Zone/Area Level¹³⁸

(1) Filing

99. PJM proposes to allocate the Initial RBP Target MW to each Electric Distributor zone/area using that zone/area's pro rata share of the difference between the forecasted Load Adjustments¹³⁹ for the 2026/2027 delivery year and the 2028/2029 delivery year.¹⁴⁰ An Electric Distributor zone/area's initial difference in Load Adjustments may then be reduced by Qualifying RBP Offset UCAP MW (referred to hereinafter as "offset capacity"), converted to load MW, and opt-outed load, as summarized further below.¹⁴¹ PJM also proposes to decrement the Initial RBP Target MW by both the amount of regionwide offset capacity and the UCAP obligation value of opted-out load to derive the Final RBP Target MW.¹⁴² PJM proposes then to allocate the costs of the RBP based on each Electric Distributor zone/area's final assigned share of the Final RBP Target MW, which shall remain constant throughout the fixed 15-year term.

100. PJM argues that the proposed Electric Distributor zone/area cost allocation method roughly assigns RBP Charges to the zone/areas with reported new load that is not

¹³⁸ The PJM Region is divided into about 20 Electric Distributor-administered Zones that are further divided into numerous "zone/areas" comprised of LSEs.

¹³⁹ As discussed further below, Load Adjustments are "any MW quantity of adjustments to summer peak load at the 'zone/area' level and summed by Zone as further detailed in PJM Manuals." PJM, Intra-PJM Tariffs, RAA, art. 1 (Definitions) (48.2.0).

¹⁴⁰ Proposed Tariff, attach. DD, § 18.3 (0.0.0), § 18.3(a).

¹⁴¹ PJM proposes to divide submitted offset capacity MW by the 2028/2029 BRA Forecast Pool Requirement "to identify the amount of load that is being served by those offset MW." Transmittal, attach. C (Affidavit of Danielle Croop) ¶ 48 (Croop Aff.).

¹⁴² Proposed Tariff, attach. DD, § 18.1 (0.0.0), § 18.1(b).

matched with new capacity.¹⁴³ According to PJM, these Electric Distributor zone/areas and underlying LSEs can be said to have caused the resource adequacy shortfall reflected in the 2028/2029 BRA. PJM therefore contends that applying the method set forth in RAA, Schedule 8, with adjustments for offset capacity roughly assigns Electric Distributor zone/areas that caused the shortfall with a share of the RBP Charges.

(2) Responsive Pleadings

101. Parties express numerous concerns with PJM's proposed cost allocation method for RBP costs at the Electric Distributor zone/area level. Several parties argue that PJM's proposal to fix the cost allocation for 15 years conflicts with PJM's proposal to base that cost allocation on only one snapshot of forecasted load growth.¹⁴⁴ AEP contends that PJM's proposal is unreasonable absent some allowance for adjustment to the allocation over time.¹⁴⁵ Amazon states that PJM's proposal to base cost responsibility on a single snapshot of forecasted load growth, rather than updating the allocation as load actually materializes, is inconsistent with cost causation and beneficiary pays principles.¹⁴⁶ Amazon argues that the proposed method is problematic because a capacity allocation determined before load materializes will begin to diverge from actual cost causation. NOVEC asserts that PJM has not explained why this snapshot in time is appropriate beyond references to Schedule 8 of the RAA.¹⁴⁷ Vistra argues that although PJM claims that the 15-year contract term will provide financing certainty, it is not clear why the cost allocation at the Electric Distributor zone/area level needs to be frozen to accomplish that goal.¹⁴⁸ AEP believes that the RBP financial obligations should follow the LSE serving

¹⁴³ Transmittal at 103.

¹⁴⁴ ICC and JCA emphasize that by offering only contract terms that terminate in 2042/2043, the RBP may compound the impact of forecasting errors. ICC Comments at 4; JCA Protest at 34. JCA asserts that PJM's only support for the 15-year payout period is that it is needed to comply with the NEDC/PJM Governors' Principles. *See also* Blue Ridge Comments at 3-4 (expressing concern that a one-time allocation of costs may become unjust and unreasonable over the 15-year period).

¹⁴⁵ AEP Protest at 28.

¹⁴⁶ Amazon Comments at 2, 4-5.

¹⁴⁷ NOVEC Protest at 11, 18.

¹⁴⁸ Vistra Protest at 6.

the large load customer whose load growth gives rise to the RBP responsibility, not the Electric Distributor for the zone/area in which that customer happens to be located.¹⁴⁹

102. JCA questions the initial accuracy of PJM's forecasted load growth, noting that PJM's large load forecasts have fallen by more than half since April, from 14.8 GW to 6.8 GW.¹⁵⁰ According to ICC, even if the regional load forecasts remain roughly accurate, failure to accurately forecast the locations where such growth will materialize may result in the wrong zones shouldering the costs.¹⁵¹ Policy Integrity contends that if this is the case, PJM's proposed RBP cost allocation is unlikely to even be "roughly commensurate" with the participants who receive the benefit of that capacity.¹⁵² NOVEC argues that the problem with relying on Load Adjustments is that, even if they are "firm," they are based on economic circumstances that no longer exist. NOVEC believes that the RBP will raise the costs of data center loads, which will either prompt marginal data center projects to withdraw or cause data centers to relocate to areas not assessed RBP Charges.¹⁵³

103. To address the perceived problems caused by a static RBP cost allocation, Amazon urges the Commission to require PJM to update the allocation of RBP costs periodically to reflect actual incremental load growth over the RBP commitment period. Amazon argues that this would reduce the risk of allocating stranded costs to existing customers and eliminate the perverse incentive for new large load customers to strategically site in zones initially assigned small obligations.¹⁵⁴ ICC maintains that PJM

¹⁴⁹ AEP Protest at 31.

¹⁵⁰ JCA Protest at 12 (citing PJM, *Reliability Backstop Procurement Design: Reliability Backstop CIFP11* (Apr. 2026), <https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260416/20260416-item-05---pjm-reliability-backstop-procurement-design---pjm-presentation.pdf>; Croop Aff. ¶ 4).

¹⁵¹ ICC Comments at 4.

¹⁵² Policy Integrity Comments at 19. *See also* JCA Protest at 5 (arguing that if forecasted load fails to materialize, "other customers in the affected zone will be assigned the RBP costs, barring a binding agreement for the large load to cover its stranded costs").

¹⁵³ NOVEC Protest at 18-19.

¹⁵⁴ Amazon Comments at 4-5.

should have proposed a mechanism to moderate any potential forecasting error, such as cost reconciliation.¹⁵⁵

104. NOVEC argues that PJM's proposed cost allocation method violates the cost causation principle by failing to recognize the structural causes of the capacity shortfall beyond load growth, such as generator retirements due to state policies. NOVEC asserts that many generator retirements were precipitated by the policies of states whose Electric Distributors will not be bearing RBP Charges and the RBP Collateral requirement for LSEs.¹⁵⁶ According to the Market Monitor, the inclusion of all loads in PJM's initial procurement target (due to Load Adjustments including all types of load) is unduly discriminatory because non-data-center loads do not present the extraordinary circumstances—large volumes of MW being added quickly—that the RBP should address.¹⁵⁷

105. NOVEC contends that PJM's cost allocation method does not adequately account for the market-wide benefits that RBP Resources may provide by lowering prices in the RPM Auctions through their \$0/MW-day offers.¹⁵⁸ NOVEC argues that the RBP's contract-for-difference settlement structure compounds this mismatch. Noting that RBP Resources receive RPM revenues that offset their RBP commitment payments, NOVEC argues that if the mandatory \$0/MW-day offers of RBP Resources contribute to a lower RPM clearing price, those resources would receive less RPM revenue and the corresponding RBP settlement obligation would increase. NOVEC maintains that RBP buyers therefore may bear larger RBP Charges while capacity purchasers in the RPM benefit from the lower RPM price.

106. Parties also fault PJM for not providing a fuller explanation of why and how it uses Load Adjustments as the foundation of its cost allocation method.¹⁵⁹ EKPC argues that it is unclear whether PJM is properly using the information from Table B9b from the 2026 PJM Load Forecast to ensure Electric Distributor zone/areas receive correct

¹⁵⁵ ICC Comments at 4.

¹⁵⁶ NOVEC Protest at 9-11 (citing PJM, *Energy Transition in PJM: Resource Retirements, Replacements & Risks* 6-7 (Feb. 2023), <https://www.pjm.com/-/media/DotCom/library/reports-notice/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>).

¹⁵⁷ Market Monitor Protest at 18.

¹⁵⁸ NOVEC Protest at 15-16.

¹⁵⁹ See, e.g., NOVEC Protest at 18 (arguing that PJM's Load Adjustment process is "somewhat of a black box").

allocations, given that some Electric Distributor zone/areas cross state lines.¹⁶⁰ Equinix asks the Commission to direct PJM to provide affected loads with sufficient transparency into the Load Adjustment data underlying RBP cost allocation, subject to appropriate confidentiality protections, together with a process to correct demonstrable errors or duplication.¹⁶¹

(3) Answers

107. In response to protests regarding PJM's proposed cost allocation method for RBP costs at the Electric Distributor zone/area level, PJM argues that (1) the Commission has long held that relying on snapshots is an acceptable and appropriate method for establishing baselines or targets, (2) the capacity shortfall 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 (3) the target 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. PJM argues that Load Adjustments need not identify specific non-jurisdictional loads or be limited to one type of load (e.g., new data center customers) when the resource adequacy shortfall is caused by all types of loads that comprise the subject Load Adjustments.¹⁶²

108. Parties filed answers in response to PJM's answer. NJBPU is concerned that substantial discrepancies exist in the inputs each Electric Distributor used to develop their Load Adjustments, and that these discrepancies will result in a discriminatory cost allocation outcome.¹⁶³ NJBPU explains that its staff recently met with Electric Distributors to discuss 2027 Load Adjustments, pursuant to a new process established under recent revisions to PJM Manual 19.¹⁶⁴ NJBPU maintains that it is now clear that the 2026 Load Adjustments used to determine PJM's proposed RBP cost allocation method relied on data with substantially different characteristics across the PJM footprint. NJBPU explains that, in New Jersey, while some Electric Distributors reported load growth only for new large loads of 50 MW and above, other Electric Distributors

¹⁶⁰ EKPC Protest 20.

¹⁶¹ Equinix Comments at 2.

¹⁶² PJM Answer at 60-61, 64.

¹⁶³ NJBPU Answer at 3.

¹⁶⁴ *Id.* at 4 (citing PJM, *Manual 19: Load Forecasting & Analysis*, attach. B (June 30, 2026), <https://www.pjm.com/-/media/DotCom/documents/manuals/m19.pdf> (adding the RERRA Review requirement)).

reported all Load Adjustments with no MW threshold. Furthermore, NJBPU states that presentations from PJM's September 2025 Load Analysis Subcommittee suggest that these inconsistencies could be regional, with the result being that Electric Distributors receive different RBP cost allocations based not on load growth alone, but on their chosen characteristics for Load Adjustments. For example, NJBPU notes that FirstEnergy's presentation states it uses loads 50 MW or greater as inputs to the Large Load Adjustment, while Duke Energy states that it reported expansions of 20 MW or greater—and PJM later removed Duke Energy's Load Adjustment because PJM determined its economic models would capture the load growth.¹⁶⁵ According to NJBPU, it is unclear how pervasive these different treatments were because reporting Electric Distributors generally did not specify whether they used a MW threshold. NJBPU contends allocating costs using these inputs is thus unduly discriminatory because some loads less than 50 MW in one zone/area will take on RBP obligations, while loads of the same size in a different zone/area will not, solely based on whether their Electric Distributors included the loads in their Load Adjustments. NJBPU believes that PJM can resolve this issue after the RBP is held but before cost allocation by submitting a compliance filing to implement a consistent MW threshold for Load Adjustments.¹⁶⁶

109. The Market Monitor argues that PJM's proposed 6,831 MW procurement target, based on the capacity shortfall recorded for the 2028/2029 BRA, is no longer correct because of changes in data center loads.¹⁶⁷ The Market Monitor states that the data center load forecast for the 2028/2029 BRA was based on Load Adjustments received by PJM before September 5, 2025.¹⁶⁸ The Market Monitor asserts that, since then, 4,017 MW of

¹⁶⁵ *Id.* at 4-5 (citing FirstEnergy, *PJM LAS Large Load Adjustment Presentation*, at 4 (Sept. 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/subcommittees/las/2025/20250916/20250916-item-04h---first-energy-large-load-request.pdf>; Duke Energy, *Approach to Large Load Adjustments* 3 (Sept. 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/subcommittees/las/2025/20250916/20250916-item-04l--duke-large-load-request.pdf>; PJM, *Load Adjustment Request Summary for 2026 Load Forecast – Preliminary* 9 (Nov. 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/subcommittees/las/2025/20251124/20251124-item-03---large-load-adjustment-requests-summary.pdf>).

¹⁶⁶ *Id.* at 5-6.

¹⁶⁷ Market Monitor Answer at 15.

¹⁶⁸ *Id.* at 14-15 (citing PJM, *Large Load Adjustment Discussion* (Oct. 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/subcommittees/las/2025/20251028/20251028-item-05---large-load->

data center load, or 42% of the forecasted increase in the data center load between the 2026/2027 delivery year and 2028/2029 delivery year, have been cancelled or delayed as of September 21, 2026.¹⁶⁹ The Market Monitor states that of this 4,017 MW, the Dominion Electric Distributor accounts for 51%, while the AEP-Ohio Electric Distributor accounts for 29%. The Market Monitor contends that after accounting for these data center cancellations and delays, the capacity shortfall for the 2028/2029 BRA would be reduced from 6,831 MW to 3,055 MW.¹⁷⁰

(b) Cost Allocation at the LSE Level

(1) Filing

110. PJM proposes that cost allocation to LSEs within an Electric Distributor zone/area be based on the state- and/or RERRA-determined allocation of cleared RBP UCAP MW, as reported by each Electric Distributor to PJM.¹⁷¹ PJM thus proposes a new defined term, the RBP Obligation or RBO, to refer to this state- and/or RERRA-determined allocation. PJM argues that the RBO permits states and/or RERRAs to rely on their own, disparate definitions of data centers and large loads, and to determine which retail customers should be allocated RBP Charges.¹⁷² According to PJM, its authority over wholesale markets does not extend to dictating the allocation of costs to retail load and, for purposes of cost allocation to large loads, each state and/or RERRA may have its own

adjustments.pdf).

¹⁶⁹ The Market Monitor states that its calculation of 4,017 MW is based on tracking of data center project status by Industrial Info Resources (<https://www.industrialinfo.com>) corroborated by publicly available data. *Id.* at 15 n.29. The Market Monitor explains that it does not have access to project-level data behind Load Adjustments requested by Electric Distributors. The Market Monitor further states that it considered only cancelled and delayed data center projects that were originally scheduled to be in service by 2029 as indicated by the Industrial Info Resources tracking data. Regarding its claim that 4,017 MW represents 42% of PJM's calculated increase in data center load, the Market Monitor states that PJM included 11,993 MW of data center load in the 2026/2027 BRA and 21,474 MW in the 2028/2029 BRA. *Id.* at 15 n.28. The Market Monitor states that the cancelled or delayed data center load of 4,017 MW as of September 21, 2026, represents 42% of the 9,481 MW increase (21,474 MW minus 11,993 MW).

¹⁷⁰ *Id.* at 18.

¹⁷¹ Proposed Tariff, attach. DD, § 18.3(b).

¹⁷² Transmittal at 98.

method, developed in accordance with its unique needs and considerations. If Electric Distributors with allocated RBP UCAP MW do not report RBOs by 60 days prior to the 2028/2029 delivery year, PJM proposes to 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 already determined in RAA, Schedule 8. That is, PJM would allocate the RBP costs assigned to an Electric Distributor zone/area among the LSEs in that zone/area in the same manner that it currently allocates RPM costs.

111. In support of its proposed cost allocation method, PJM states that it relies on the best information available to track detailed information about the large loads and the various LSEs serving such large loads from every state and RERRA in the PJM Region. PJM argues that states and RERRAs are in a better position to identify large loads and allocate the cost of RBP Charges to the LSEs that serve them.¹⁷³ PJM asserts that states and RERRAs have granular information about large loads within their borders. PJM explains that it has tracked Load Adjustments in zone/areas to the level of granularity that is feasible.¹⁷⁴ PJM notes that the proposed cost allocation method roughly assigns RBP Charges to the Electric Distributor zone/areas with reported new load that is not matched with new capacity. PJM argues that these Electric Distributor zone/areas and LSEs can be said to have caused the resource adequacy shortfall reflected in the 2028/2029 BRA. Thus, PJM argues, a cost allocation method that provides PJM states and/or RERRAs the ability to determine the specific RBOs that should be assigned to LSEs within an Electric Distributor zone/area, as well as the ability to cost allocate to end-use customers in their respective states in accordance with their laws and policies, supports the NEDC/PJM Governors' Principles, including the principle that the cost of new capacity should be allocated to data centers that have caused the need for additional capacity in the PJM Region.

(2) Responsive Pleadings

112. Several parties contest PJM's proposed cost allocation method for RBP costs at the LSE level, including its primary component that depends on RERRAs and states to report RBOs. According to some parties, PJM's proposal unreasonably relies on state laws that do not exist yet.¹⁷⁵ NOVEC contends that PJM's proposal provides insufficient

¹⁷³ *Id.* at 102-03, 107.

¹⁷⁴ *Id.* at 103 (citing *S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41, 88 (D.C. Cir. 2014) ("feasibility concerns play a role in approving rates, such that the Commission is not bound to reject any rate mechanism that tracks the cost-causation principle less than perfectly.")).

¹⁷⁵ EKPC Protest at 37 ("PJM cannot make an otherwise insufficient federal rate design just and reasonable by requiring Electric Distributors, states, or RERRAs to

time for states to pursue cost allocation methods by the 2028/2029 delivery year.¹ JCA calls for a true-up mechanism or abeyance if states do not implement their cost allocation methods in time.¹⁷⁶ Amazon argues that state regulators can allocate only the costs that PJM has first assigned to the relevant Electric Distributor zone/area, meaning protests applicable to that level of cost allocation also apply at the LSE level.¹⁷⁷ OCC describes various risks of cost shifts to consumers if state cost allocation fails.¹⁷⁸

113. RESA asserts that PJM's proposal does not explain how RBP costs will be assigned to LSEs serving large load customers in retail-choice states as those customers may switch from one LSE to another during the 15-year term.¹⁷⁹ AEP similarly argues that PJM's proposal is lacking in details because it does not explain which party bears responsibility if LSEs decide not to pay their allocated share of RBP Charges, or if their load commitments shift over time, or if an LSE disputes their previously allocated share of RBP Charges.¹⁸⁰

114. PA OCA argues that for states to determine the RBO values, they would have to determine and approve methods for RBO Peak Load Contributions, but that states lack jurisdiction to do so. PA OCA states that the Commission should exercise its jurisdiction over the Transmission Owners' RBO methodologies, which would be a "natural extension" of the Commission's jurisdiction over the Peak Load Contribution and Network Service Peak Load methodologies in Tariff Attachment M-2s.¹⁸¹ PJMICC similarly argues that PJM must require utilities to set forth their RBP-related methodologies in their Tariff Attachment M-2s or some other filing subject to review by

supply the missing cost-causation analysis"); EKPC September 18 Answer at 7-8; FirstEnergy Protest at 14 (citing *N.Y. State Pub. Serv. Comm'n v. FERC*, 104 F.4th 886 (D.C. Cir. 2024); *N.Y. Indep. Sys. Operator, Inc.*, 183 FERC ¶ 61,130 (2023); *Kan. Corp. Comm'n v. FERC*, 881 F.3d 924 (D.C. Cir. 2018)); Movants Protest at 16-17; OCC Protest at 7. Ohio FEA and DCC, to the contrary, support allowing states to determine cost allocation to large loads. DCC Comments at 6; Ohio FEA Comments at 4.

¹⁷⁶ JCA Protest at 35-36.

¹⁷⁷ Amazon Comments at 4.

¹⁷⁸ OCC Protest at 6-15.

¹⁷⁹ RESA Protest at 9.

¹⁸⁰ AEP Protest at 31.

¹⁸¹ PA OCA Protest at 11, 14-16, 24.

state commissions. Otherwise, PJMICC argues, “retail cost protections for existing customers will inevitably fail.”¹⁸²

115. EKPC and SMECO argue that PJM’s proposal improperly expands the role of an Electric Distributor in PJM. They contend that PJM’s proposal assigns Electric Distributors a series of functions that exceed the metering and data-reporting functions Electric Distributors have historically performed for PJM under section 11.3 of the PJM Operating Agreement (OA). They assert that these functions include responsibilities related to not only LSE cost allocation, but also the proposed RBP rules pertaining to offset capacity, opt-outs, DER and Demand Resource participation, and collateral requirements.¹⁸³ SMECO, for example, contends that PJM has called on Electric Distributors to develop and provide distribution-impact studies for RBP DER Aggregation Resources.

116. EKPC argues that, pursuant to the OA definition of Electric Distributor, Electric Distributors may or may not engage in Commission-jurisdictional activities. Thus, EKPC argues, there is no way to know whether they are “public utilities” over which the Commission may exercise plenary jurisdiction under Part II of the FPA.¹⁸⁴ EKPC states that under FPA section 201(b), the Commission is explicitly precluded from exercising jurisdiction over “facilities used in local distribution or only for the transmission of electric energy in intrastate commerce.”¹⁸⁵ More generally, EKPC argues that the RBP proposal is inconsistent with the boundaries of federal and state jurisdiction because it inappropriately places obligations on Electric Distributors and states or RERRAs. EKPC asserts that determining cost allocations to LSEs and the associated collateral requirements is within the Commission’s primary regulatory authority. EKPC further argues that because not all electric distribution companies are PJM Members, an attempt to delegate such a role to distribution-level utilities creates jurisdictional overreach by bringing such entities into a Commission-jurisdictional ratemaking role. EKPC also questions how PJM’s proposal will be implemented in zones where not all of the load is served by Electric Distributors.¹⁸⁶

¹⁸² PJMICC Comments at 6, 8 (also arguing that PJM “must revise its billing practices to tag/track RBP-related costs”).

¹⁸³ SMECO Comments at 2, 4-7; EKPC Protest at 12, 35-41 (citing EKPC Protest, attach. 1 (Affidavit of Adam Bednarczyk)).

¹⁸⁴ EKPC Protest at 40 (citing 16 U.S.C. § 824(e)).

¹⁸⁵ *Id.* (citing 16 U.S.C. § 824(b)(1)).

¹⁸⁶ *Id.* at 41-45.

117. Vistra argues that PJM’s default proposal to allocate RBP costs to all LSEs, regardless of whether they contributed to the current resource adequacy shortfall, is also unjust, unreasonable, and unduly discriminatory. Vistra asserts that the resource adequacy shortfall is the result of certain LSEs committing to serve more demand than they have supply. According to Vistra, allocating the cost of covering the cumulative shortfall to LSEs that had no shortfall, and thus did not contribute to it, would be patently inconsistent with cost causation. Vistra further argues that such entities will not meaningfully benefit from RBP because they already procured the capacity they need. Vistra contends that to the extent those entities enjoy any benefits from the RBP, they are trivial in relation to the costs that RBP promises to impose.¹⁸⁷

118. ODEC similarly argues that using LSEs as the default payer, with no assurance of the level of costs or that those costs will be allocated to large loads, does not adhere to principles of cost causation.¹⁸⁸ PPL asserts that PJM’s backup cost allocation to LSEs could result in LSEs that do not serve large loads receiving these obligations, thereby having nowhere to assign them except to other customers, which would be inconsistent with the Ratepayer Protection Pledge.¹⁸⁹

119. EKPC argues that LSEs will be harmed due to the uncertainty of whether they will face the RBO cost allocation in which only some LSEs are charged or the default cost allocation in which all LSEs are charged. EKPC asserts that PJM thus has failed to provide “clear and transparent procedures” to allow an LSE to determine the amount of costs it may be allocated under the RBP.¹⁹⁰ EKPC also notes that under the proposal, costs to LSEs are not fixed over the 15-year payment period, leading to further uncertainty.

120. Several parties advocate for PJM to share RBP cost allocation data with states.¹⁹¹ AEU asserts that PJM should commit to monitoring and supporting state-level rate design

¹⁸⁷ Vistra Protest at 2-4; *see also* Blue Ridge Comments at 3-4; EKPC Protest at 37-38; Movants Protest at 16-17; NCEMC Comments at 20-21; RESA Protest at 5.

¹⁸⁸ ODEC Comments at 4.

¹⁸⁹ PPL Protest at 13.

¹⁹⁰ EKPC Protest at 17-18 (citing *Tri-State Generation & Transmission Ass’n*, 175 FERC ¶ 61,229 (2021)).

¹⁹¹ *See, e.g.*, DCC Comments at 6; Equinix Comments at 9-11; Google Comments at 8.

mechanisms and report progress to the Commission and to stakeholders.¹⁹² Without both information sharing and regulatory accountability, PJMICC argues that PJM's proposal "leaves ultimate retail cost allocation rudderless" because states cannot determine retail prices "in a vacuum."¹⁹³ ICC states that it is unclear how states, particularly retail access states like Illinois, would be able to assign wholesale capacity costs to retail load in the manner PJM proposes and that developing such mechanisms will take time. ICC requests that PJM clarify how states will determine RBOs and whether and how PJM plans to assist states in that process.¹⁹⁴

(3) PJM Answer

121. In response to protests concerning the role of Electric Distributors in the RBP, 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. PJM argues that the RBP proposal calls for Electric Distributors to report information and act as a go-between—roles that are harmonious with the existing role that Electric Distributors have played in PJM. PJM states that the RBP proposal requires that Electric Distributors only: (1) communicate opt-out requests and provide supporting materials to PJM; (2) report capacity offsets and provide supporting evidence to PJM; (3) report state- or RERRA-determined allocation; (4) report information that feeds the Electric Distributor zone/area allocation of the RBP procurement target and LSE daily formula; and (5) provide inputs that impact LSE collateral. Ultimately, PJM states, it is PJM and, where applicable, states and RERRAs—not the Electric Distributors supplying the underlying inputs—that will determine how such inputs inform cost allocation and credit requirements.¹⁹⁵

122. PJM also argues that SMECO's claim that PJM has called on Electric Distributors to develop and provide distribution-impact studies for RBP DER Aggregation Resources misconstrues the proposed Tariff language, which states that RBP Sell Offers from RBP Demand Resources and RBP DER Capacity Aggregation Resources must be accompanied by applicable Electric Distributor requirements.¹⁹⁶ PJM states that it is not imposing requirements on Electric Distributors to develop new or additional studies or

¹⁹² AEU Comments at 27-28.

¹⁹³ PJMICC Comments at 2-3, 7-9.

¹⁹⁴ ICC Comments at 5.

¹⁹⁵ PJM Answer at 10-11.

¹⁹⁶ *Id.* at 11 (citing Proposed Tariff, attach. DD, § 18.5 (0.0.0), §§ 18.5(f)(i)(12), 18.5(f)(i)(13)).

requirements.¹⁹⁷ PJM also clarifies that Electric Distributors perform a reporting or administrative role in the RBP and 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.

123. Responding to protests regarding the default cost allocation approach, PJM argues that the backup method of allocation is an established, clear, and transparent method. PJM states that it lacks the necessary data to assign cost responsibility to the LSEs serving the retail load that gave rise to the Load Adjustment in every instance and thus, in the absence of state coordination, it is reasonable to use such a backup method.¹⁹⁸

(c) Related Provisions: Offset Capacity, Opt-Outs, and FRR Entities Exclusion

(1) Filing

124. To prevent double procurement, PJM proposes to decrease the Initial RBP Target by the amount of offset capacity.¹⁹⁹ PJM proposes to credit offset capacity (converted to load MW) against an Electric Distributor zone/area's change in forecasted load between 2026/2027 and 2028/2029 and then recalculate all the procurement targets under that Electric Distributor given that forecast change. Any entity can report offset capacity to PJM during the bid submission window, but Electric Distributors are required to provide reports and evidence of offset capacity in each of their respective zone/areas. PJM determines the amount by which offset capacity may reduce the Initial RBP Target based on the applicable Effective Load Carrying Capability (ELCC) Class Ratings for the 2028/2029 BRA or, where the relevant resources do not have ELCC Class Ratings, the estimated unit-specific UCAP values for such resources. The capacity must not have previously cleared in RPM nor been previously committed in an FRR plan, as of the beginning of the RBP. Offset capacity may be: (1) a new build generation resource, including new resources that obtain Capacity Interconnection Rights (CIR) transferred from either deactivated resources or resources that have announced deactivation as of April 10, 2026;²⁰⁰ (2) incremental capacity created by an uprate of existing Generation

¹⁹⁷ *Id.* at 11-12.

¹⁹⁸ *Id.* at 69.

¹⁹⁹ Transmittal at 37; Proposed Tariff, attach. DD, § 18.2.

²⁰⁰ PJM argues that because April 10, 2026 is the day that PJM first posted this eligibility requirement, such a cutoff date guards against resource owners potentially gaming retirements by, for example, entering a deactivation notice after this date only to claim that it is being repowered in advance of the RBP. Transmittal at 41 n.111.

Capacity Resources, but only to the extent such incremental capacity is created through an increase in such Generation Capacity Resource's ICAP and increase in CIRs associated with that Generation Capacity Resource; (3) incremental capacity created by the use of Surplus Interconnection Service; (4) repowering of a deactivated generation resource that deactivated prior to April 10, 2026; (5) incremental capacity, whether due to greater unforced capacity or a higher level of CIRs, created by an existing Generation Capacity Resource's changing fuel type to a more efficient fuel type; or (6) Planned Demand Resource or Planned Distributed Energy Resources (DER) Capacity Aggregation Resources. Under these rules, Energy Storage Resources are eligible.

125. Offset capacity may be supported by signed bilateral contracts for at least five delivery years or by self-supply generation that is in an integrated resource plan with either associated generation in the PJM interconnection queue or signed bilateral contracts for at least five delivery years.²⁰¹ To serve as offset capacity, both signed bilateral contracts and self-supply must be supported by documentation of an expected in-service date of no later than June 1, 2032.²⁰² The evidence must also demonstrate that the new capacity is matched with new load. PJM argues that the five-year requirement ensures capacity is not transitory while not being so lengthy as to undermine the flexibility needed for commercial contracting.²⁰³

126. New load can provide offset capacity by participating as a Demand Resource or DER Capacity Aggregation Resource.²⁰⁴ Such load must offer their full load MW quantity into the RPM Auctions starting in the 2028/2029 Second Incremental Auction and continuing through the 2032/2033 delivery year. Such new load can subsequently replace UCAP MW provided through such participation by purchasing offset capacity that comes from eligible generation or storage resources.

127. The Initial RBP Target is also decremented where an Electric Distributor elects to opt out a zone/area in one of two circumstances.²⁰⁵ First, an opt-out may be requested where the Electric Distributor's zone/area has rates that are not regulated by the states (e.g., cooperatives or municipal utilities) and is unable to address cost allocation associated with capacity procured in the backstop. PJM states that during the stakeholder process, cooperatives raised the concern that Electric Distributors in a retail choice state

²⁰¹ Proposed Tariff, attach. DD, § 18.2(a).

²⁰² Proposed Tariff, attach. DD, § 18.2(b).

²⁰³ Transmittal at 39.

²⁰⁴ Proposed Tariff, attach. DD, § 18.2(c)(iii).

²⁰⁵ Proposed Tariff, attach. DD, § 18.1(d).

not regulated by the state and not otherwise serving as the LSE for generation to the load would be forced to have its customers absorb the costs of an “overbuy” if a forecasted large load failed to materialize. PJM states that unlike a state-regulated, investor-owned utility, cooperatives and municipal utilities are not governed by a state regulatory authority that would be responsible for addressing the potential reallocation of RBP costs to either other large loads or other zones within the state.²⁰⁶ The opt-out request must specify the associated MW quantity of load in the zone/area that will be opted out of the Initial RBP Target and be accompanied by supporting documentation demonstrating an inability to address cost allocation associated with capacity procured in the backstop, along with written support for such opt-out from the relevant state governor, RERRA, and interconnection customer(s). Second, an Electric Distributor may also request to opt out of the RBP for up to the associated MW quantity of load that participates in a peak shaving adjustment program codified in state law, where an Electric Distributor’s zone/area addresses its capacity needs through such a program.²⁰⁷

128. Finally, PJM explains that FRR Entities are excluded from the Initial and Final RBP Targets as well as the RBP overall.²⁰⁸ PJM argues that the FRR, by design, is an opt-out of RPM, and the RBP is curing a resource adequacy gap from which FRR load and FRR capacity are already removed.

(2) Responsive Pleadings

(i) Offset Capacity

129. Parties contest various aspects of PJM’s proposal to decrease the Initial RBP Target by the amount of offset capacity. JCA and OPSI argue that to be consistent with PJM’s proposal to account for offset capacity, the Commission should require PJM to reduce the Initial RBP Target also to reflect demand reductions. OPSI states that it views this modification to PJM’s proposal as “critical to protecting other customers.”²⁰⁹ In response, PJM argues that even if there have been some withdrawals of prospective large loads, that forecast nevertheless continues to predict steep load growth. Thus, PJM

²⁰⁶ Transmittal at 45.

²⁰⁷ PJM cites one such law. *Id.* at 45 n.121 (citing N.J. P.L.2026, C.32 (July 7, 2026) (to be codified at N.J. Rev. Stat. Title 48); *NJ A796*, Bill Track 50 (last updated July 7, 2026), <https://www.billtrack50.com/billdetail/1954539>).

²⁰⁸ *Id.* at 31 n.92; Proposed Tariff, attach. DD, § 18.1(c).

²⁰⁹ JCA Protest at 5, 12, 34; OPSI Comments at 3-4 (arguing that if “new load,” as defined by PJM, terminates an electric service agreement or transmission service agreement, PJM should remove that load from its procurement target during the RBP).

argues, it does not need to decrease the RBP procurement target to account for large load withdrawals.²¹⁰

130. PSCWV argues that the proposed offset qualifications are so complex and discouraging that PJM will likely understate the amount of offset capacity, resulting in an excessive Final RBP Target.²¹¹ EKPC contends that PJM's proposal unfairly socializes the benefit of prudent resource planning by LSEs by allowing Electric Distributors to report offset capacity at only the Electric Distributor zone/area level.²¹² Equinix argues that it will be unfair if new loads providing offset capacity nevertheless face RBP Charges because their states or RERRAs fail to credit loads providing offset capacity.²¹³ DCC requests that the Commission ensure PJM provides customers with sufficient information to understand what documentation will be required for offset capacity and how confidential commercial information will be protected.²¹⁴

131. Amazon, FirstEnergy, and Talen argue that PJM should account for contracts between loads and existing generators if those contracts were executed prior to a certain date. Otherwise, they argue, PJM's proposal will disrupt existing commercial agreements and lead to double payments.²¹⁵ In response, PJM argues that the purpose of the RBP is to procure new capacity to match new loads. PJM argues that this approach helps ensure that capacity offsets and RBP procurements result in a genuine increase in regional capacity rather than simply shifting existing commitments among procurement mechanisms. PJM argues that the fact that new load has contracted with an existing generation resource means that the existing generation resource is no longer serving existing load and the shortfall remains. PJM argues that allowing such existing generation to offset this target would not contribute to closing the shortfall. PJM also asserts that LSEs and large loads should have been on notice that change was coming,

²¹⁰ PJM Answer at 25.

²¹¹ PSCWV Comments at 2-3.

²¹² EKPC Protest at 15, 28-31; EKPC September 18 Answer at 16-17.

²¹³ Equinix Comments at 9. *See also* NCEMC Comments at 3 (arguing that PJM's proposal lacks clarity for LSEs on whether their own costs will be decreased in line with decrements to procurement targets resulting from offset capacity and opt-outs).

²¹⁴ DCC Comments at 3-4.

²¹⁵ Amazon Comments at 2 (advocating that PJM grandfather in existing contracts as of PJM's filing date); First Energy Protest at 13; Talen Comments at 1 (asking PJM to recognize contracts executed prior to the release of the NEDC/PJM Governors' Principles in January 2026).

and as sophisticated parties, they would have priced and valued in their contractual negotiations the risk of how PJM and the Commission would address the impacts of large loads causing the resource adequacy shortfall.²¹⁶

132. Dominion and NOVEC note that PJM proposes to credit offset capacity (converted to load MW) against an Electric Distributor zone/area's change in forecasted load between 2026/2027 and 2028/2029 instead of against the Electric Distributor zone/area's Initial RBP Target. They argue that this approach leads to double payments because some supply to serve incremental load was procured in the RPM Auctions. They also note that PJM's approach effectively socializes offset capacity among all an Electric Distributor's zone/areas rather than targeting only the zone/area providing the offset capacity. As an example, NOVEC explains that although its share of the Initial RBP Target is 1,303 MW, PJM's proposal would require NOVEC to procure about 1,619 MW to fully offset its share. NOVEC argues that is unjust and unreasonable to force RBP buyers to procure an excess of the target MW amount. NOVEC contends that the RBP reduces other buyers' obligations when a single buyer procures offset capacity, which creates a perverse incentive for buyers willing to risk assignment of the RBP Charges to do nothing with the hope that other RBP buyers enter bilateral arrangements and reduce the Final RBP Target.²¹⁷

133. In response, PJM asserts that it is the Load Adjustments that drive the need for the RBP and therefore drive cost allocations to each Electric Distributor zone/area. PJM contends that the fact that the actions of some LSEs or loads may reduce the RBP obligations of others is not inherently unjust and unreasonable and, instead, the benefit of pooled resources is a key feature of being in a Regional Transmission Organization.²¹⁸

134. The Market Monitor argues that the proposed offset capacity rules allow inferior five-year capacity to displace 15-year capacity. The Market Monitor asserts that PJM's proposal creates strong incentives to provide inferior and shorter-term capacity to meet the 15-year demand. In general, the Market Monitor asserts that PJM does not explain why offset capacity is held to a weaker standard than RBP Resources given that both are

²¹⁶ PJM Answer at 23-24, 65-67.

²¹⁷ Dominion Protest at 3, 6-7; NOVEC Protest at 17-18.

²¹⁸ PJM Answer at 70, 73.

being used to satisfy the reliability shortfall.²¹⁹ The Market Monitor argues that all capacity that addresses the shortfall should be required to meet the same conditions.²²⁰

135. Equinix, on the other hand, supports the five-year minimum term for the bilateral contracts and bilateral procurement arrangements that may produce offset capacity because it strikes the right balance between supporting resource adequacy needs and maintaining commercially reasonable structures.²²¹

136. Voltus notes that the proposed criteria for offset capacity will count “reactivated” generation and storage resources against an Electric Distributor’s RBP procurement target but not reactivated Demand Resource and DER sites, which may unduly discriminate against demand-side resources.²²² Voltus argues that this difference in treatment ignores existing arrangements with Demand Resource sites willing to reactivate to contract with large loads. In response, PJM states that it is amenable 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 RAA, Schedule 6 and Schedule 6.2, where such incremental capacity are not reliant on locations which previously provided capacity unless such previous locations represents additional capacity resulting from an investment in new generation or new storage resources at that location.²²³

137. Voltus responds that this Tariff language still fails to include reactivated Demand Resource and DER sites, which will disincentivize large volumes of potential new capacity with near-term availability in the 2027/2028 and 2028/2029 delivery years.²²⁴

138. Calibrant requests clarification that behind-the-meter generation projects can provide evidence that they are eligible as offset capacity under proposed Tariff, Attachment DD, section 18.2(c)(i), which Calibrant states is consistent with PJM’s

²¹⁹ Market Monitor Protest at 19-20.

²²⁰ *Id.* at 21.

²²¹ Equinix Comments at 13.

²²² Voltus Protest at 3-9.

²²³ PJM Answer at 29.

²²⁴ Voltus Answer at 2-6.

position during the stakeholder process.²²⁵ In response, PJM reiterates that the eligibility requirements for offset capacity and RBP Resources are not the same. PJM states that to the extent that generation provides capacity meeting the qualifications set forth in either proposed Tariff, Attachment DD, section 18.2(c), to provide offset capacity, or 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.²²⁶

139. AEU requests clarification of the offset capacity eligibility rules. AEU states that proposed Tariff, Attachment DD, section 18.2(c) offers eligibility through three evidentiary pathways, but it is unclear whether behind-the-meter generation or storage backing a demand response arrangement may rely on the signed bilateral contract pathway in section 18.2(c)(i), available on equal terms to front-of-the-meter resources, or whether it is instead confined to the demand response pathway in section 18.2(c)(iii), which imposes two requirements not applicable under (c)(i): that the resource offset the new load's full MW quantity rather than a partial share, and that it be in place by the 2028/2029 Second Incremental Auction or the load purchase replacement offset capacity. AEU requests that PJM clarify that behind-the-meter generation and storage backing a demand response arrangement is not categorically confined to the more restrictive pathway in section 18.2(c)(iii) solely because of its behind-the-meter configuration.²²⁷

140. AEU argues that the offset capacity provision also raises a threshold eligibility question. According to AEU, proposed Tariff, Attachment DD, section 18.2(a), appears to limit offset capacity eligibility for demand-side resources to Planned Demand Response or Planned DER Capacity Aggregation Resource as described in RAA Schedule 6 and Schedule 6.2, potentially excluding reactivations of previously active sites and new capacity at existing sites, categories that generation and storage resources are expressly permitted to rely on under section 18.2(b). AEU requests that PJM amend section 18.2(a) to align demand-side offset eligibility with the treatment already afforded to generation and storage under section 18.2(b), consistent with the stakeholder consensus reached on this issue.²²⁸

²²⁵ Calibrant Comments at 1-2.

²²⁶ PJM Answer at 29.

²²⁷ AEU Comments at 17.

²²⁸ *Id.* at 17-18.

141. Constellation requests that the Commission direct PJM to modify the criteria for resources eligible to supply offset capacity to include energy resources that obtain new CIRs through an interconnection request.²²⁹

142. Equinix requests that the Commission direct PJM to publish requirements for demonstrating offset capacity, including the evidence PJM will accept and the process by which large loads may submit that evidence directly, before the RBP bid submission window opens.²³⁰

143. Tract argues that PJM should clarify the scope of agreements load can provide as evidence of qualifying as “new load” for the purposes of offset capacity. Tract requests that PJM clarify that the undefined terms “electric service agreement” and “transmission service agreement” encompass executed agreements with LSEs or Transmission Owners that evidence a binding commitment by new load to achieve commercial operation by or during the relevant delivery year. In response to Tract, 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.²³¹ 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.²³²

(ii) **Opt-Outs and FRR Exclusion**

144. Regarding PJM’s proposed RBP opt-outs, parties take various stances. FirstEnergy argues that the opt-out targeted at cooperatives and municipal utilities is unduly discriminatory because large load in those territories is no less real than large load in any other territory, and PJM provides no reasonable basis for treating such loads differently.²³³ In response, PJM reiterates that the opt-out was designed to address a limited regulatory gap faced by cooperatives and municipal utilities whose rates are not regulated by the states. PJM argues that to the extent that cooperatives and municipal utilities’ rates are not governed by a state regulatory authority that would be responsible

²²⁹ Constellation September 8 Answer at 3; Constellation September 21 Answer at 2-4.

²³⁰ Equinix Comments at 2, 6.

²³¹ Tract Protest at 4.

²³² PJM Answer at 28.

²³³ FirstEnergy Protest at 19-20.

for addressing the potential reallocation of RBP Costs to either large loads or other Electric Distributor zone/areas within the state, there is risk that those cooperatives and municipal utilities' customers would absorb the costs of an "overbuy" if a particular large load fails to materialize. Thus, PJM argues, the proposed opt-out should appropriately be limited only to those Electric Distributors that are not regulated by the state.²³⁴

145. ODEC notes that its members are rate-regulated and thus not eligible for the opt-out. ODEC thus argues for an unrestricted opt-out, asking the Commission to evaluate the opt-out consistent with its broader purpose of protecting smaller utilities from undue procurement risk while preserving flexibility for those entities best positioned to manage that risk.²³⁵ In response, PJM states that to the extent that ODEC is the LSE for its member cooperatives and ODEC is not subject to rate regulation by state commissions, 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.²³⁶ NOVEC counters that a result of PJM's proposal is that one Virginia cooperative, ODEC, can opt out while another Virginia cooperative, NOVEC, cannot.²³⁷ NOVEC argues that its RBP exposure is not reduced by being regulated by the state because its customers may still have to absorb the cost of an overbuy.

146. JCA advocates for an opt-out for any LSE in an Electric Distributor zone/area that is allocated RBP Charges that has no large load customers.²³⁸ OELC calls for an opt-out for non-data-center large loads that are under 150 MW to protect existing manufacturers.²³⁹

147. Equinix supports the proposed opt-out for load participating in a state-codified peak shaving adjustment program because such load has already addressed its capacity needs.²⁴⁰ Base Power also seeks clarification that to qualify for the peak shaving opt-out, the deadline for any peak shaving adjustment plan submitted pursuant to the requirement

²³⁴ PJM Answer at 30-31.

²³⁵ ODEC Comments at 2, 6-9.

²³⁶ PJM Answer at 31.

²³⁷ NOVEC Answer at 8.

²³⁸ JCA Protest at 35.

²³⁹ OELC Comments at 1.

²⁴⁰ Equinix Comments at 12.

of Tariff, Attachment DD-2 will be September 2027.²⁴¹ In response, PJM confirms that peak shaving adjustment plans for the 2028/2029 Third Incremental Auction can be submitted as late as September 2027.²⁴²

148. Base Power seeks clarification from PJM that the peak shaving opt-out is not discounted and will be one-to-one.²⁴³ NJBPU also states PJM should clarify that planned peak shaving adjustments can qualify for the opt-out, one-for-one, if they are being pursued under a requirement codified in state law even if the program's details are not yet finalized.²⁴⁴ In response, PJM 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 one-to-one ratio.²⁴⁵

149. Regarding PJM's proposal to exclude FRR Entities from the RBP, EKPC and Vistra assert that the proposal is unduly discriminatory because PJM proposes to include LSEs that meet their reliability requirements through self-supply, even though such LSEs are similarly situated to FRR Entities.²⁴⁶ In response, PJM argues that the scope of RBP is to procure capacity for new large loads that did not bring their own capacity, which does not implicate FRR Entities who by definition must bring new capacity for all new loads within their territory or otherwise be subject to FRR Commitment Insufficiency Charges.²⁴⁷ EKPC answers that it does not argue that FRR Entities should be subjected to the RBP, but rather that PJM fails to explain why similar planning conduct by FRR Entities and self-supply LSEs warrants different treatment under the RBP.²⁴⁸

²⁴¹ Base Power Comments at 2, 7-8.

²⁴² PJM Answer at 25-26.

²⁴³ Base Power Comments at 2, 6-7.

²⁴⁴ NJBPU Comments at 7.

²⁴⁵ PJM Answer at 26.

²⁴⁶ EKPC Protest at 45-47; Vistra Protest at 4-5.

²⁴⁷ PJM Answer at 55-56 (citing PJM, Intra-PJM Tariffs, RAA, art. 1 and Schedule 8.1D § 7).

²⁴⁸ EKPC September 18 Answer at 11.

(d) PJM's Proposal May Be Unjust and Unreasonable

150. For purposes of determining whether a proposed cost allocation method is just and reasonable, both “[the Commission] and federal courts have long understood the [FPA’s] just-and-reasonable requirement ‘to incorporate a cost-causation principle.’”²⁴⁹ Under the cost causation principle, all Commission-jurisdictional rates and charges must “reflect to some degree the costs actually caused by the customer who must pay for them,”²⁵⁰ and costs must be allocated in a manner that is at least roughly commensurate with benefits.²⁵¹ Compliance with this principle is evaluated by “comparing the costs assessed against a party to the burdens imposed or benefits drawn by that party.”²⁵² Courts and the Commission have acknowledged that adherence to the cost causation principle does not require that cost allocation methods balance costs and benefits with “exacting precision.”²⁵³ Instead, the Commission may approve a given cost allocation framework if it “has an articulable and plausible reason to believe that the benefits are at least roughly commensurate with” the assigned costs.²⁵⁴ Consistent with this longstanding precedent, we apply the cost causation principle to evaluate PJM’s proposed method for allocating RBP costs.

151. As an initial matter, we find PJM’s proposal to exclude FRR Entities from the RBP to be just and reasonable, and thus we do not include it in the list of topics that will be the subject of the paper hearing procedures established in this order. We agree with PJM that the FRR Alternative, by design, is an opt-out of RPM and that the RBP addresses a resource adequacy gap from which FRR load and FRR capacity are already

²⁴⁹ *Tri-State Generation & Transmission Ass’n v. FERC*, 170 F.4th 1254, 1261-62 (10th Cir. 2026) (quoting *Consol. Edison Co. of N.Y. v. FERC*, 45 F.4th 265, 271 (D.C. Cir. 2022)).

²⁵⁰ *KN Energy Inc. v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992); *see also Ky. Pub. Serv. Comm’n v. Am. Elec. Power Serv. Corp.*, 193 FERC ¶ 61,110 (2025) (Ky. Comm’n).

²⁵¹ *See, e.g., Ill. Com. Comm’n v. FERC*, 576 F.3d 470, 477 (7th Cir. 2009).

²⁵² *Id.* (citing *Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361, 1368 (2004)).

²⁵³ *Coal. of MISO Transmission Customers*, 172 FERC ¶ 61,099 at P 83 (quoting *Midwest ISO Transmission Owners*, 373 F.3d at 1369); *see also Ill. Com. Comm’n*, 576 F.3d at 477.

²⁵⁴ *Ill. Com. Comm’n*, 576 F.3d at 477.

removed.²⁵⁵ FRR Entities are required to demonstrate in their FRR Capacity Plan that they have sufficient resources to meet their load obligations. Accordingly, we find that FRR Entities have not contributed towards the resource adequacy gap that the RBP will address and, therefore, it is just and reasonable and consistent with the cost causation principle to exclude FRR Entities from being allocated costs associated with the RBP. We disagree with protesters who argue that PJM's proposal is unduly discriminatory against LSEs that meet their reliability requirements through self-supply.²⁵⁶ Specifically, we find that such LSEs are not similarly situated to FRR Entities because, while both FRR Entities and LSEs that self-supply own or have contracted for the capacity needed to meet their load obligations, FRR Entities' load and capacity are removed from RPM, while the load and self-supplied capacity of such LSEs are not. Moreover, only FRR Entities entirely take on the risks of over- or under-supply in their own regions; LSEs that self-supply, on the other hand, continue to participate in RPM such that they can procure additional capacity or sell excess capacity in the RPM Auctions.

152. We find that PJM's proposed opt-out for qualifying cooperatives and municipal utilities may be unjust, unreasonable, and unduly discriminatory. PJM states that qualifying cooperatives and municipal utilities should be permitted to opt out of the RBP because they lack state regulatory oversight, and therefore may be unable to assign costs to specific large loads. Because cooperatives and municipal utilities serve large loads that are similarly situated to large loads served by other LSEs, allowing an opt-out may be unduly discriminatory.

153. With respect to cost allocation, as a general matter, we find that PJM's proposed RBP cost allocation method may be unjust and unreasonable. As discussed below, we make this finding because, based on the current record, PJM has not adequately demonstrated that its proposal is just and reasonable and consistent with the cost causation principle.

²⁵⁵ Transmittal at 31 n.92.

²⁵⁶ See *TranSource, LLC v. PJM Interconnection, L.L.C.*, 168 FERC ¶ 61,119, at P 240 (2019) ("undue discrimination can only occur when two similarly situated customers are treated differently, and there is no justification for the differing treatment. . . . In other words, a finding of undue discrimination requires a showing that (1) two classes of customers are treated differently; and (2) the two classes of customers are similarly situated."); *Solar Energy Indus. Ass'n v. Midcontinent Indep. Sys. Operator, Inc.*, 185 FERC ¶ 61,186, at P 18 (2023) (to "prevail on an undue discrimination claim," the party must show that it is similarly situated to others and that any different treatment between the similarly situated entities is not justified).

154. Under the proposed tariff revisions, PJM “shall allocate the Initial RBP Target MW to each Electric Distributor’s zone/area using that zone/area’s pro-rata share of the difference between the forecasted Load Adjustments for the 2026/2027 Delivery Year and the 2028/2029 Delivery Year.”²⁵⁷ As a general matter, allocating RBP costs to Electric Distributor zone/areas based on a “snapshot” of load growth between 2026/2027 and 2028/2029, adjusted down by qualifying offset capacity, may be just and reasonable, because it reasonably assigns costs to those responsible for the near-term capacity shortfall. Thus, such zone/areas benefit from procurement of new resources to fill this urgent gap. We generally find that PJM’s proposal to initially assign RBP costs to Electric Distributor zone/areas, with the ultimate cost allocation to the LSEs as determined by the state and/or RERRA and as reported to the Electric Distributor by PJM, may be just and reasonable, as it reflects the authority of PJM under the Tariff and respects the authority of the states and/or RERRAs. However, we agree with concerns in the record that relying on Load Adjustments to measure load growth may be inconsistent or not reasonably capture forecasted load growth or actual large load growth; thus, PJM’s method for allocating RBP costs may be unjust and unreasonable.

155. Specifically, based on PJM’s explanation in a previous proceeding of the way in which it avoids double counting when accounting for Load Adjustments,²⁵⁸ and comments in this record,²⁵⁹ it appears some large loads may never have been accounted for as Load Adjustments because PJM accounted for them when calculating the initial load forecast. In short, the delta accounts for net load growth associated with any size or type of load, while excluding any new large loads that PJM knew of and accounted for when calculating the initial load forecast. As such, the Initial RBP Target MW may only capture a portion of new load growth, potentially leaving out some new large loads. This could lead to the costs imposed on certain entities not being at least roughly commensurate with the benefits they will receive from the procurement.

156. As discussed above, while a cost allocation method need not allocate costs with “exacting precision,”²⁶⁰ in order to be just and reasonable it must allocate costs in a manner that is at least roughly commensurate with benefits.²⁶¹ We find that a cost

²⁵⁷ Proposed Tariff, attach. DD, § 18.3(a).

²⁵⁸ *PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,200, at P 21 (2024).

²⁵⁹ See, e.g., NJBPU Answer at 3-6.

²⁶⁰ *Coal. of MISO Transmission Customers*, 172 FERC ¶ 61,099 at P 83 (quoting *Midwest ISO Transmission Owners*, 373 F.3d at 1369); see also *Ill. Com. Comm’n*, 576 F.3d at 477.

²⁶¹ *Ill. Com. Comm’n*, 576 F.3d at 477.

allocation method that results in fixed cost assignments over the 15-year RBP commitment period that is based on accurate load forecast information may be just and reasonable and consistent with the cost causation principle. However, PJM has not demonstrated that reliance on the Load Adjustment process is just and reasonable. The RBP is a one-time procurement of capacity resources to address a shortfall attributable to load growth in certain Electric Distributor zone/areas. Allocating RBP costs based on a snapshot of this shortfall over the term of the RBP commitment period may provide greater certainty to the LSEs in the Electric Distributor zone/areas ultimately bearing responsibility for those costs.

157. Having found that PJM's proposed method for allocating RBP costs among Electric Distributor zone/areas may be unjust and unreasonable, and because we are ordering paper hearing procedures to examine a reasonable cost allocation method, we decline to further address arguments raised in the protests related to PJM's proposed cost allocation method at this time.

(e) PJM's RBP Proposal May Be Just and Reasonable if Modified

158. Having found that PJM's proposed RBP cost allocation method may be unjust and unreasonable, and having also initiated an investigation into PJM's existing Tariff under FPA section 206, we now conclude that additional record evidence is needed to determine whether PJM's proposed RBP cost allocation method could be just and reasonable if modified. We therefore establish paper hearing procedures and direct further briefing on the issues discussed below. However, we note that the Commission encourages PJM to carefully consider the issues we raise in this order and determine the most expeditious path to resolving them. In particular, we encourage PJM to consider swiftly submitting a new FPA section 205 filing without delay.

159. While we find that PJM's proposal to allocate RBP costs based on its Load Adjustment process may be unjust and unreasonable, we note that it may be just and reasonable for PJM to allocate RBP costs based on updated load forecast information. PJM could base the RBP allocation on the difference between the actual load for 2026/2027 delivery year in each Electric Distributor zone/area with the most recent 2028/2029 delivery year load forecast for each Electric Distributor zone/area.²⁶² This could ensure that the load forecast information on which the allocation relies reasonably captures all forecasted load growth. Such a method for allocating RBP costs among Electric Distributor zone/areas may be consistent with the cost causation principle because it would appropriately assign RBP costs to the Electric Distributor zone/areas

²⁶² As an alternative to the use of Load Adjustments, PJM could consider using other measures of large load growth or potentially aggregate load growth.

with the reported new load that is driving the need for the procurement. Similarly, PJM should employ the most up-to-date load and resource forecasts to inform the Initial RBP Target.

160. We reiterate that we encourage PJM to swiftly submit a new section 205 filing without delay. We anticipate that the Commission would grant a motion to hold the briefing in this proceeding in abeyance if PJM submitted a new section 205 filing within 30 days from the date of this order. However, absent such an FPA section 205 filing, initial briefs are due 45 days from the date of this order. Briefs should address whether the above-described method for allocating RBP costs would be just and reasonable.

161. We recognize that the rapid emergence of large loads presents a shared regulatory challenge that implicates both federal and state authority. Under the FPA, the Commission oversees rates and practices affecting wholesale service, including PJM's procurement of capacity through the RBP. However, "states determine how Commission-approved rates are collected among the relevant retail consumers along with the rates for state-jurisdictional matters."²⁶³ Specifically, states have authority over how the wholesale costs of providing electricity, including transmission of such electricity to the retail customers, are recovered through retail rates. We are encouraged by the NEDC/PJM Governors' Principles, in which the governors of all 13 PJM states agreed 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 [RBP] to new data center loads that have not otherwise procured capacity or agreed to be curtailable."²⁶⁴ We are also encouraged by the execution of the President's Ratepayer Protection Pledge, through which data center developers have committed to shield retail ratepayers from increased electricity prices.²⁶⁵ Our partners in the states are more than capable of ensuring that these promises reach fruition. While we appreciate and take seriously the issues that PJM's RBP proposal is designed to address, as well as the concerns surrounding the unprecedented influx of large loads more broadly, having only such powers as are given to us by Congress, we

²⁶³ *PJM Interconnection, L.L.C.*, 195 FERC ¶ 61,211, at P 69 (2026); *see also* Transmittal at 106 (quoting the same).

²⁶⁴ U.S. Department of Energy, *Statement of Principles Regarding PJM 2* (Jan. 2026), <https://www.energy.gov/documents/statement-principles-regarding-pjm>.

²⁶⁵ The White House, *President Trump's Ratepayer Protection Pledge Secures American AI Dominance, Protects Consumers* (July 2026), <https://www.whitehouse.gov/releases/2026/07/president-trumps-ratepayer-protection-pledge-secures-american-ai-dominance-protects-consumers/>.

will not pretend that all of these issues can be solved exclusively by market design in the federal sphere. The PJM states have their own role to play.

ii. Transmission Owner Exit Rules

(a) Filing

162. PJM proposes to set forth the responsibilities of various parties in the event a Transmission Owner exits from PJM. PJM states that establishing these rules in the RBP proposal will provide the requisite notice of how RBP commitments will be honored and recognizes that a primary incentive for developers to participate in the RBP is the revenue certainty afforded developers through a 15-year commitment.²⁶⁶ PJM's proposal is described below.

163. First, if a Transmission Owner exits PJM and committed RBP Resources are physically in that Transmission Owner's service territory, the Transmission Owner may, prior to exiting PJM, enter into a separate agreement with the impacted RBP Resources that would maintain appropriate rates, terms, and conditions of the RBP commitments. If the exiting Transmission Owner does not enter into such an agreement, PJM proposes to require the exiting Transmission Owner to cover all costs necessary for those RBP Resources that exceed the Transmission Owner's withdrawn load to be pseudo-tied back into PJM pursuant to Tariff, Attachment DD, section 5.5A, thus allowing such resources to continue providing capacity to serve PJM's load. PJM states that RBP Resources would be exempted from the electrical distance test to allow for such resources to be pseudo-tied back into PJM, which will allow such resources to qualify as external capacity resources that can continue to serve PJM loads even if such resources are physically located beyond the usual electric distance requirement. In the event PJM does not elect to retain such RBP Resource or the resource is unable to be pseudo-tied back into PJM, the exiting Transmission Owner would be obligated to pay for the remaining term of the RBP Resource's commitment on an accelerated basis prior to exiting PJM as determined through a separate filing with the Commission.²⁶⁷ In the latter two cases, PJM states it would pay the collected revenues from the Transmission Owner to the impacted RBP Resources.

164. Second, if a Transmission Owner withdraws from PJM and net load leaves with the Transmission Owner, resulting in stranded committed RBP Resources remaining within the PJM Region, PJM similarly proposes to allow such exiting Transmission Owner, prior to exiting PJM, to enter into agreements that would maintain appropriate rates, terms, and conditions and preserve the RBP commitments with the owners of the

²⁶⁶ Transmittal at 91.

²⁶⁷ *Id.* at 92-94; Proposed Tariff, attach. DD, § 18.7 (0.0.0), § 18.7(a).

RBP Resource(s). Absent such an agreement, PJM proposes to require the Transmission Owner to pay for all forward obligations associated with the net load that was allocated RBP Charges, the exact amount which would be determined through a separate filing with the Commission.²⁶⁸ PJM argues that this would ensure that the remaining load within the PJM Region will not be stranded with increased costs necessary to pay for the remaining term of RBP Resources that are not located within the Transmission Owner's service territory. PJM states that the revenues collected from the Transmission Owner and credited to remaining loads will help offset any cost increases to remaining loads that may be necessary to continue honoring the commitments of RBP Resources remaining in the PJM Region through the rest of the 15-year term.²⁶⁹

165. PJM states that establishing these rules in the Tariff now avoids any potential arguments that changes to cost allocation associated with the RBP Resources after the commitments have already made may be impermissibly retroactive.²⁷⁰ PJM adds that these rules predominately affect RBP Resources and load commitments, particularly in relationship to how they interact with other obligations and assurances provided by suppliers and buyers, and are thus properly addressed in the Tariff, as part of the rules concerning the RBP framework.²⁷¹

(b) Responsive Pleadings

166. PPL and Indicated PJM TOs argue that the Transmission Owner exit provisions should be placed in the CTOA, not the Tariff, as evidenced by the existing CTOA requirements in sections 3.2 and 3.4 governing an exiting Transmission Owner's obligations.²⁷² PPL argues that the Transmission Owner exit provisions predominately affect the rights and responsibilities of the PJM Transmission Owners and PJM and therefore should be placed in the CTOA.²⁷³ Indicated PJM TOs argue that PJM lacked

²⁶⁸ Transmittal at 94; Proposed Tariff, attach. DD, § 18.7, § 18.7(b).

²⁶⁹ Transmittal at 94-95.

²⁷⁰ *Id.* at 95-96.

²⁷¹ *Id.* at 96 (citing *Duquesne Light Co.*, 189 FERC ¶ 61,181, at P 55 (2024) (citations omitted), *order addressing arguments raised on reh'g*, 192 FERC ¶ 61,051 (2025)).

²⁷² PPL Protest at 6; Indicated PJM TOs Protest at 6.

²⁷³ PPL Protest at 4, 7 (citing *Duquesne Light Co.*, 189 FERC ¶ 61,181, at P 55 (2024); *order on reh'g*, 192 FERC ¶ 61,051, at P 73 (2025); *ISO New Eng. Inc.*, 106 FERC ¶ 61,280 (2004) (internal citations omitted)).

authority to file the Transmission Owner exit provisions because they effectively amend the CTOA. Indicated PJM TOs assert that allowing PJM to alter the CTOA's substance simply by casting the change as an OATT amendment would effectively provide PJM unilateral discretion to amend the CTOA in clear contravention of section 8.5.1 of the CTOA, which requires a supporting vote from the Transmission Owners to amend the terms of the CTOA. Indicated PJM TOs state that if the Transmission Owner exit provisions are somehow viewed as imposing transmission-related costs, these provisions would fall within the Transmission Owner's unilateral and exclusive filing rights under CTOA section 7.5.1(iv). Indicated PJM TOs add that, at a minimum, the Transmission Owner exit provisions relate to or affect transmission-related costs, and thus PJM was required to, but did not, provide the Transmission Owners with 45-days notice of the intended filing pursuant to CTOA section 7.5.1(ii).²⁷⁴

167. In response, PJM argues that the Transmission Owner exit provisions are not required to be in the CTOA, as they do not relate to or affect transmission-related costs.²⁷⁵

168. EKPC and AEP similarly argue that the Transmission Owner exit provisions could meaningfully and unfairly expand the negotiated terms of exit embedded in the CTOA, OA, and RAA. AEP states that PJM's governing documents do not contain an exit fee, and Commission precedent confirms that a departing member's obligation with regard to generating capacity charges extends only through the last RPM auction in which that departing member's load was included.²⁷⁶ AEP and EKPC request that the Commission clarify that any acceptance of these exit provisions is limited to these charges and does not undermine existing precedent.²⁷⁷ In response, PJM states that these provisions do not, and are not intended to, alter any of the existing responsibilities for Transmission Owners that seek to exit PJM.²⁷⁸

169. EKPC and Indicated PJM TOs assert that the Transmission Owner exit provisions are inconsistent with Commission precedent and violate the cost causation principle by assigning generation- and capacity-related costs to Transmission Owners rather than to LSEs. Indicated PJM TOs cite to Duquesne Light Company's (Duquesne) prior planned

²⁷⁴ Indicated PJM TOs Protest at 2, 4, 6-8.

²⁷⁵ PJM Answer at 105-106.

²⁷⁶ *See also* AEP Answer at 6.

²⁷⁷ EKPC September 4 Answer at 3, 6; AEP Protest at 10-11, 20, 26-27 (citing *Duquesne Light Co.*, 122 FERC ¶ 61,039, at PP 83, 93 (2008) (*Duquesne*)).

²⁷⁸ PJM Answer at 102-103.

exit from PJM, under which the Commission found that it was only in the context of Duquesne's role as an LSE pursuant to the RAA that it was responsible for capacity charges. Indicated PJM TOs argue that the Transmission Owner exit provisions violate the cost causation principle because Transmission Owners neither cause the costs of procuring generation capacity over the RBP's 15-year term (nor the costs of procuring generation capacity under BRAs), nor do they directly benefit from those costs, while LSEs and their customers do.²⁷⁹ PJM responds that these provisions are consistent with Commission precedent because RBP commitments are established at the time of the RBP and are set for 15 years.²⁸⁰

170. EKPC and AEP assert that these rules are inconsistent with the cost causation principle because they would impose an exit fee that could exceed the RBP Charges allocated to a departing transmission owner's zone. AEP argues that the lack of a locational element in RBP undermines the requirement that a departing transmission owner assume responsibility for RBP Resources in its zone/area.²⁸¹ AEP contends that this requirement could create an undue barrier to the transmission owner's ability to exercise its right to leave PJM and may result in exit charges that are materially greater than the RBP Charges initially allocated to that zone/area. EKPC contends that requiring entities that did not cause RBP to bear costs to pseudo-tie generation into PJM is not consistent with cost causation.²⁸²

171. AEP argues that the exit provisions are unjust and unreasonable for failing to provide the same contract-for-difference structure to departing transmission owners and instead requiring them to fund the full RBP strike price. AEP asserts that requiring a departing transmission owner and its customers to pay more for RBP Charges (with no opportunity to offset the charge) than similarly situated load that stays in PJM is unduly discriminatory and not tied to the cost causation principle. AEP contends that this would be particularly significant in the event that future load reductions, market changes, or a departure of an Electric Distributor or transmission owner result in RBP Resources becoming surplus to PJM's capacity needs. AEP and EKPC requests that the

²⁷⁹ EKPC September 4 Answer at 5; Indicated PJM TOs Protest at 2, 10 (citing *Duquesne* 122 FERC ¶ 61,039 at P 83); Indicated PJM TOs Answer at 2-3.

²⁸⁰ PJM Answer at 103 (citing *Duquesne* 122 FERC ¶ 61,039; *Midwest Indep. Transmission Sys. Operator, Inc.*, 124 FERC ¶ 61,219 (2008)).

²⁸¹ EKPC September 4 Answer at 4; AEP Protest at 11, 18.

²⁸² EKPC September 18 Answer at 10-11.

Commission require PJM to limit a departing Transmission Owner's liability to the RBP Charges allocated to its zone under PJM's proposed cost allocation method.²⁸³

172. In response, PJM argues that AEP's arguments fail to appreciate the options provided to an exiting Transmission Owner, which mitigate against the argued uncertainty. PJM contends that permitting Transmission Owners to enter into agreements with RBP Resources to negotiate appropriate rates, terms, and conditions will allow the Transmission Owner to develop cost recovery provisions that it believes are appropriate. PJM states that only in the event that the Transmission Owner opts not to enter into an agreement must the Transmission Owner pay forward obligations on an accelerated basis, which PJM argues is necessary to ensure that the load remaining in PJM is not forced to bear the costs of increased RBP Charges. PJM adds that, even in that instance, the Transmission Owner would have the opportunity to advocate for further cost recovery through (1) disputing any allocated costs either prior to the filing or once the filing is submitted with the Commission, and (2) recovering costs from large loads. In contrast to AEP's assertion that load outside of PJM is similarly situated to load that stays in PJM, PJM argues they are not similarly situated because load that leaves PJM would no longer be obligated under the 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.²⁸⁴

173. AEP, EKPC, and PPL argue that the Transmission Owner exit provisions lack sufficient detail and clarity.²⁸⁵ PPL also states that the Transmission Owner exit provisions require that the Transmission Owner enter into agreements with RBP Resources, but it is unclear how that could be effectuated without coordination between a Transmission Owner's transmission business and generation/marketing business, which raises concerns under the Commission's Standards of Conduct.²⁸⁶ PPL adds that the Transmission Owner exit provisions may not apply to every Transmission Owner seeking

²⁸³ AEP Protest at 13-16, 19; EKPC September 4 Answer at 6.

²⁸⁴ PJM Answer at 99-102 (citing AEP Protest at 14-15).

²⁸⁵ PPL Protest at 12 (arguing the provisions do not clearly and specifically set forth the rates and charges that are to be imposed on an exiting Transmission Owner); EKPC September 4 Answer at 5-6 (agreeing with PPL and AEP); AEP Protest at 12-13 (asserting that (1) it is not clear what is required to pursue a voluntary agreement under section 18.7(a); (2) PJM does not explain or justify its request to elect not to retain an RBP Resource that can be pseudo-tied back to PJM; (3) it is not clear what contract would satisfy section 18.7(b)).

²⁸⁶ PPL Protest at 7-8 (citing 18 C.F.R. pt. 358 (2025)).

to exit PJM because not all Transmission Owners are LSEs that have executed the RAA, in which many of the RBP requirements are located.

174. PJM responds that it disagrees with protesters that the proposed Tariff language lacks specificity. PJM states that there is sufficient detail provided in the Tariff 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. PJM states that, in the event a Transmission Owner does exit, there will be extensive negotiations that take place with respect to RBP and a variety of other obligations.²⁸⁷ PJM argues that the proposed Tariff language in Attachment DD, sections 18.7(a) and 18.7(b) is sufficiently clear that the purpose of such agreements is to ensure that the exiting Transmission Owner preserves the RBP commitments with the owners of RBP Resources.²⁸⁸ With respect to concerns that PJM may elect to retain an RBP Resource as a capacity resource, PJM contends that it must retain the discretion necessary to ensure resource adequacy and reliability, including the ability to consider the topology of the transmission system at the time of the desired exit. With respect to arguments concerning the requisite Commission filing and costs, PJM argues that final cost determinations are appropriately decided at the time of the Transmission Owner's exit because it is impossible to determine what those circumstances will be. In response, AEP argues that PJM's answer is unresponsive to its concerns and would ultimately afford PJM considerable discretion over a Transmission Owner's ability to withdraw.²⁸⁹

175. PJM also disputes that the proposed Tariff revisions violate the separation of functions requirements of the Commission. PJM states that the proposed requirements are merely intended to honor obligations that would have pre-existed the exit of a Transmission Owner from PJM. PJM adds that activity that may otherwise violate separation of functions is permissible, pursuant to 18 C.F.R. § 358.2(d), § 358.1(d) (2025), respectively, where ordered by the Commission or where the Commission has granted waiver of such requirements.²⁹⁰

²⁸⁷ PJM Answer at 95-96.

²⁸⁸ *Id.* (citing PJM, Intra-PJM Tariffs, ATTACHMENT DD.18.7, ATTACHMENT DD.18.7 Exiting Transmission Owner RBP Obligation (0.0.0)).

²⁸⁹ AEP Answer at 4-5.

²⁹⁰ *Id.* at 106-107.

176. EKPC and PPL argue that the Commission need not address this issue preemptively, particularly given the absence of any pending withdrawal requests and PJM's own acknowledgement that the possibility of this contingency is "remote."²⁹¹

(c) **PJM's Proposal May Be Unjust and Unreasonable**

177. We find that, as proposed, the Transmission Owner exit provisions may be unjust and unreasonable.

178. As protesters note, the Commission has previously found that it is just and reasonable to impose generation capacity costs on LSEs located within an exiting Transmission Owner's zone.²⁹² In *Duquesne*, the Commission assessed a withdrawing LSE's RPM obligations and noted that "[u]nder RPM, PJM is responsible for procuring capacity on behalf of LSEs in each zone three years in advance based on the auction results, and PJM's obligation to pay the generators is fixed at the time of the auction."²⁹³ The Commission stated that "Duquesne understood that PJM was procuring capacity on its behalf and therefore should be obligated to pay for that capacity."²⁹⁴ Under its RBP proposal, PJM similarly proposes to procure capacity through the RBP on behalf of LSEs, establish obligations to pay RBP Resources at the time of the procurement, and later allocate those costs to LSEs. PJM fails to explain why Transmission Owners—who are not the buyers for which PJM procures capacity under the RBP—should be responsible for RBP Charges.

179. Based on the current record, it appears that the proposed Transmission Owner exit provisions may be inconsistent with the cost causation principle because they do not assign costs to the entities that cause the costs and benefit from the capacity procurement under the RBP, i.e., LSEs. As explained in Section IV.B.3.a.i(d) above, under the cost causation principle, all Commission-jurisdictional rates and charges must "reflect to some degree the costs actually caused by the customer who must pay for them,"²⁹⁵ and

²⁹¹ PPL Protest at 10 (citing Transmittal at 91 (internal citations omitted)); EKPC September 4 Answer at 7.

²⁹² *Duquesne* 122 FERC ¶ 61,039 at PP 89-94 (2008). See Indicated PJM TOs Protest at 8-10; EKPC September 4 Answer at 5.

²⁹³ *Duquesne*, 122 FERC ¶ 61,039 at P 89.

²⁹⁴ *Id.*

²⁹⁵ *KN Energy Inc. v. FERC*, 968 F.2d at 1300; see also *Ky. Comm'n*, 193 FERC ¶ 61,110.

costs must be allocated in a manner that is at least roughly commensurate with benefits.²⁹⁶ Here, it appears that PJM has not demonstrated that the proposed obligations and “exit fees” associated with RBP costs—which PJM proposes to impose on the exiting Transmission Owner—reflect the benefits that the RBP will provide. PJM’s RBP proposal is necessary to address capacity shortfalls in the PJM Region, and the beneficiaries of the RBP are the LSEs on whose behalf PJM will procure capacity through the RBP. Therefore, we find that PJM’s proposed exit provisions may be unjust and unreasonable because they would assess RBP Charges to exiting Transmission Owners, rather than the LSEs in the relevant Transmission Owner’s zone.

180. However, we disagree with protesters that establishing exit provisions in the Tariff would unnecessarily constrain the parties involved in effectuating a Transmission Owner’s withdrawal from PJM. As PJM states, the cost obligations will be “appropriately decided at the time of Transmission Owner’s exit and subject to Commission approval.”²⁹⁷

(d) PJM’s RBP Proposal May Be Just and Reasonable if Modified

181. As a general matter, we recognize that it may be just and reasonable to have provisions to protect against cost shifts should a Transmission Owner exit PJM during the RBP term (i.e., before the end of the 2042/2043 delivery year). As discussed above, the Commission has found that a withdrawing LSE’s obligations under the RAA and Attachment DD of the Tariff may include capacity costs.²⁹⁸ Similar to the costs of capacity that PJM procures through its RPM Auctions, PJM here proposes to allocate the costs of procuring capacity through the RBP to LSEs. Therefore, a just and reasonable approach could require LSEs in an exiting Transmission Owner’s zone to pay RBP exit fees commensurate with their cost allocation under the RBP, to prevent cost shifts to other LSEs in the PJM Region. As PJM proposes, exit provisions could still leave flexibility for LSEs to enter into agreements with RBP Resources (which they may need to serve their load) or pay to pseudo-tie RBP Resources located within the exiting Transmission Owner’s zone back into PJM.

182. As discussed elsewhere, we conclude that additional record evidence is needed to determine a just and reasonable approach to preventing RBP cost shifts should a Transmission Owner exit PJM before the end of the 2042/2043 delivery year (i.e., the completion of the term of RBP Resources’ commitments). Among other topics, the

²⁹⁶ See, e.g., *Ill. Com. Comm’n*, 576 F.3d at 477.

²⁹⁷ PJM Answer at 98.

²⁹⁸ *Duquesne*, 122 FERC ¶ 61,039 at PP 86, 90-91.

Commission directs further briefing on whether (1) it would be appropriate for LSEs in an exiting Transmission Owner's zone to be responsible for RBP exit charges, rather than the Transmission Owner, and (2) it would be just and reasonable to assign LSEs RBP exit charges based on the cost of capacity that PJM procures through the RBP on behalf of LSEs in a Transmission Owner's zone, i.e., the LSE's cost allocation under the RBP.

iii. LSE Collateral Requirement

(a) Filing

183. PJM proposes to require both RBP Sellers and buyers of RBP UCAP MW (i.e., LSEs) to provide collateral.²⁹⁹ The collateral for RBP Sellers, required to be posted at the time of the auction, reflects three years of RBP UCAP MW shortfall charges for that resource. PJM returns the collateral when an RBP Resource no longer gives rise to credit exposure (e.g., after the resource fails to clear). The RBP collateral requirement for LSEs is the product of the RBP Credit Rate and the total RBP MW committed. PJM explains that the initial RBP Credit Rate of \$1.5 million ensures that PJM holds sufficient collateral to cover about 50% of the notional value of all RBP commitments.³⁰⁰ PJM proposes to require that LSEs post collateral 45 days before the first delivery year in which RBP Resources are expected to be in service (i.e., 2028/2029), and that the collateral be returned as financial exposure lessens. Citing elevated risks in the current marketplace, PJM also proposes strict criteria for acceptable collateral. PJM states that, "like the credit requirements imposed on inherently riskier Financial Transmission Rights," sellers and buyers of RBP UCAP MW are limited to providing RBP Collateral in the form of either a cash deposit or Letter of Credit.

184. If an LSE defaults and fails to pay an RBP Charge, the defaulted amount is reallocated to all remaining LSEs responsible for paying RBP Charges based on their pro rata share of the total RBP Charges for all such LSEs.³⁰¹ Such amounts may be offset by the RBP Collateral posted by the defaulting LSE. If an RBP Resource defaults on payment of RBP shortfall charges, the corresponding credits are not allocated to the LSEs that would otherwise receive them.³⁰²

²⁹⁹ Proposed Tariff, attach. DD, § 18.8.

³⁰⁰ Transmittal at 116, 109-110, 120.

³⁰¹ Proposed Tariff, attach. DD, § 18.9(a).

³⁰² Proposed Tariff, attach. DD, § 18.9(b).

(b) Responsive Pleadings

185. Parties contest both the proposed RBP Collateral requirement for LSEs and the proposed criteria for acceptable collateral. FirstEnergy, for example, faults PJM's proposal for several reasons, arguing that PJM's filing lacks the support typically provided for credit requirements. FirstEnergy also faults PJM's proposal for assuming all classes of LSEs present the same credit risk, regardless of whether they have regulated cost recovery. FirstEnergy contends that the proposal is also unduly discriminatory because under similar Public Utility Regulatory Policies Act contracts, the purchasing entities generally have been subject to low or no collateral requirements because of their ability to recover costs from retail customers.³⁰³

186. EKPC argues that PJM has not linked the RBP collateral requirement to exposure, as evidenced by (1) the timing gap between when the exposure is identified and when the collateral is required and (2) the misalignment between the buyer collateral requirement and the seller collateral requirement.³⁰⁴ EKPC contends that PJM's proposal would result in the same obligation being collateralized twice, once under RBP and once under Attachment Q of its existing Tariff. EKPC argues that it is also unjust and unreasonable to require LSEs to post collateral prior to the finalization of the cost allocation because it does not provide LSEs with sufficient transparency and time to challenge the obligation.³⁰⁵ EKPC asserts that it is not just and reasonable to concentrate the collateral requirements among LSEs that receive RBOs because this creates system liquidity risk.³⁰⁶

187. SMECO notes that LSEs could have as few as 15 days from the time they learn their final collateral requirement to the deadline to post that collateral.³⁰⁷ This is the case because the deadline for Electric Distributors to report RBO allocations is 60 days before the delivery year, while the collateral deadline is 45 days before the same delivery year.

188. Equinix argues that the RBP Collateral requirement for LSEs is not just and reasonable for three reasons. First, Equinix asserts that the collateral requirements are

³⁰³ FirstEnergy Protest at 8-9.

³⁰⁴ EKPC Protest at 22-23 (citing NOVEC Protest, attach. 2 (Affidavit of Carl F. Coscia) ¶¶ 203, 204 (Coscia Aff.)).

³⁰⁵ *Id.* at 24.

³⁰⁶ *Id.* at 27.

³⁰⁷ SMECO Comments at 7; *see also* Constellation Protest at 16 ("That [15-day] period is not reasonably practicable and creates an unnecessary risk of credit default and resulting cost reallocation.").

disproportionate and inconsistent because sellers have the most control over risks of development and non-performance but have lower collateral requirements than buyers. Second, Equinix disagrees with PJM that RBP exposure is analogous to FTR exposure because the latter is volatile while RBP Charges are fixed in advance, which is similar to the risk PJM manages under Attachment Q of its existing Tariff. Third, Equinix argues that the collateral requirement does not protect ratepayers because it will require LSEs to finance the posting of the collateral, which will materially raise rates. Equinix requests that the Commission modify the proposed buyer-side RBP Collateral provisions so that collateral is calibrated to reasonably foreseeable forward exposure and the forms of credit support available under Attachment Q are permitted.³⁰⁸

189. NOVEC argues that its highest possible collateral requirement, estimated to be about \$1.95 billion, would exceed NOVEC's total assets and disrupt NOVEC's ordinary business operations. NOVEC adds that it is uncertain whether it would even be able to secure \$2 billion in collateral. NOVEC argues that PJM's proposal to require the collateral obligation of the buyers to span the entire 15-year period is not necessary, as the risk could be significantly mitigated by a shorter period, such as three years. NOVEC contends that the most significant obstacle to NOVEC fulfilling its RBP obligations is the size of the RBP collateral obligation itself and not the RBP Charges. NOVEC notes that PJM's proposal limits the RBP Sellers' collateral obligation to three years to avoid making the collateral requirement "onerous."³⁰⁹

190. NOVEC and Constellation also take issue with the assumptions PJM makes when calculating the initial RBP Credit Rate of \$1.5 million.³¹⁰ NOVEC and Constellation argue that PJM's calculation assumes that RBP buyers have to collateralize the entire \$555/MW-day, when the RBP Charges will be the RBP clearing-price average (which can be less than \$555/MW-day) net of revenues from the capacity auction.³¹¹ EKPC and Constellation aver that PJM has sized collateral as though load owed the full contract price, when the Tariff obligates load to pay only a difference between two prices under

³⁰⁸ Equinix Comments at 2,6, 15-16; *see also* SMECO Comments at 2, 8 (claiming that the LSEs' collateral requirement is 14.5 times the size of the requirement for sellers).

³⁰⁹ NOVEC Protest at 20 (citing NOVEC Protest, attach. (Affidavit of Wilbur Rollins) at 2-3). *See also* EKPC Protest at 13 (arguing that requiring so much collateral at once creates a systemic liquidity risk).

³¹⁰ *Id.* at 21 (citing Coscia Aff. ¶¶ 38, 46); Constellation September 8 Answer at 5-6.

³¹¹ NOVEC Protest at 21; Constellation September 8 Answer at 6-7. *See also* EKPC Protest at 25.

the contract for differences approach.³¹² Effectively, NOVEC argues, RBP buyers are providing collateral to ensure that everyone in PJM pays the capacity costs associated with the RBP Resources. NOVEC notes that RBP buyers themselves already provide PJM collateral to ensure that they pay their capacity rates under Attachment Q, and so do all other capacity buyers.³¹³ NOVEC argues that PJM is thus requiring duplicative collateral. Constellation also expresses concerns that (1) the credit rate relies on 15 years of gross contract value rather than the net RBP Charges that LSEs will be billed; (2) the Tariff does not identify the time needed to draw collateral and reallocate any residual default, or the stress assumptions used to estimate net exposure; (3) it applies the same \$1.5 million/MW base rate without explaining why credit quality may increase—but never reduce—the base requirement; and (4) the Tariff establishes no mandatory recalculation schedule, prescribed inputs, or objective collateral-release standard.³¹⁴

191. NOVEC further argues that the proposed Tariff provision is ambiguous as to when the collateral obligation will be reduced and does not appear to properly reduce it over time. NOVEC notes that according to the proposed Tariff provision, “the 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.” NOVEC argues that PJM should not have the discretion to determine whether RBP buyers should be required to post more collateral than the total existing RBP obligations, especially given that the calculation already overstates the likely RBP Charges. NOVEC further argues that there are too few circumstances in which the collateral obligation is reduced. According to NOVEC, if PJM believes that 50% of the total payment obligations at the start of the 15-year term is sufficient, then the same percentage of the total remaining payment obligations should be the cap for each year.³¹⁵

192. AEP asks the Commission to direct PJM to clarify that collateral obligations attach only to LSEs allocated responsibility for RBP Charges, not to Electric Distributors acting solely in an administrative or delivery-service role. AEP argues that this clarification would be consistent with PJM’s statement that RBP Buyer collateral is intended to mitigate the risk of non-payment of RBP Charges and that only LSEs allocated

³¹² EKPC Protest at 25; Constellation September 8 Answer at 6-7.

³¹³ NOVEC Protest at 21 (citing *Coscia Aff.* ¶ 26).

³¹⁴ Constellation September 8 Answer at 6.

³¹⁵ NOVEC Protest at 22, 23 (citing Proposed Tariff, § 18.8(b)(i)(A) (emphasis added)). *See also* FirstEnergy Protest at 9 (criticizing PJM’s proposal to retain absolute discretion on how quickly it returns excess collateral).

responsibility for RBP Charges generally will have a credit requirement. AEP further argues it would be inconsistent with the cost causation principle to improperly shift credit risk from the entities serving and benefiting from the load to an Electric Distributor that neither controls generation supply decisions nor receives the revenues associated with serving that load.³¹⁶

193. PPL states that it understands that if there are no RBOs reported to PJM for an Electric Distributor zone/area with RBP UCAP MW assigned, or if there are “stranded” RBOs, then the credit requirements will move to all LSEs in the zone/area based on Peak Load Contributions. Presumably, PPL continues, once credit requirements are assigned based on Peak Load Contributions, RBP Charges will also flow to those LSEs. EKPC and PPL are concerned that this scenario could result in LSEs that do not serve large loads receiving these obligations, thereby having nowhere to assign them except to other customers.³¹⁷ EKPC, ODEC, and PPL request that PJM clarify that if an LSE defaults and fails to pay an RBP Charge, whether the defaulted amount will be allocated to all remaining LSEs in the Electric Distributor zone/area or to all LSEs in the PJM Region.³¹⁸

194. Constellation recommends that large load customers be permitted to post collateral for the responsible LSE to avoid unnecessary intermediation through the LSE and duplicative credit postings.³¹⁹ Constellation states that the record is not sufficiently developed to prescribe a durable collateral methodology and requests that the Commission establish an expedited paper hearing on the matter.³²⁰

(c) Answers

195. PJM argues that 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 allocated cost responsibility for RBP Resources from having to pay for such resources.³²¹

³¹⁶ AEP Protest at 33-34.

³¹⁷ EKPC Protest at 28; PPL Protest at 13.

³¹⁸ EKPC September 18 Answer at 12, 16; PPL Protest at 13; ODEC Comments at 10.

³¹⁹ Constellation September 8 Answer at 8.

³²⁰ *Id.* at 9-10.

³²¹ PJM Answer at 74-75.

196. In response to protesters' claims that the proposed LSE collateral requirement is duplicative of exiting PJM credit rules, PJM argues that its existing requirements (i.e., Peak Market Activity collateral) serve a different purpose and tracks different types of financial exposure than the proposed RBP credit requirement.³²² PJM states that the Peak Market Activity metric manages immediate, rolling operational risk from daily transactions based upon a rolling, backward-looking billing history, 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 states that the proposed RBP credit requirement is to cover forward-looking risk over a long-term, up-to-15-year commitment to sellers. PJM also argues that an LSE's obligation to pay RBP Charges should not be shunted to a provider of last resort because the large load driving the need for RBP should bear these costs.

197. In response, NOVEC maintains PJM's proposal does require suppliers to provide duplicative collateral because PJM proposes to determine RBP collateral obligations as if suppliers were paying the entire RBP Charge—which means suppliers are providing collateral for the cost of capacity of their RBP MW *and* providing collateral for the RBP clearing price, and not just for the difference between the RBP price and the capacity clearing price.³²³

198. Regarding protests that the credit requirements should be tailored to the credit risk presented by specific LSEs, PJM states that it looked at the forward obligation to the RBP Resources instead of individual LSE's creditworthiness because (1) it better safeguards the payment and reduces exposure in case of default, (2) it allows for a uniform credit rate applicable to each allocated MW, which ensures non-discriminatory requirements for all LSEs, and (3) creditworthiness of individual LSEs may change considerably during a 15-year term.³²⁴

199. In response, NOVEC argues that PJM overstates the risk of declining creditworthiness because the RBP Charges that NOVEC could be responsible for represent, in any given year, a tiny fraction of the collateral PJM would require NOVEC to post.³²⁵ NOVEC therefore argues that the greatest threat to NOVEC's credit rating is PJM's own RBP collateral requirement.

³²² *Id.* at 78.

³²³ NOVEC Answer at 16-17.

³²⁴ PJM Answer at 80-81.

³²⁵ NOVEC Answer at 18.

200. In response to protesters' claims that the credit requirements are excessive, PJM argues that the credit requirements are 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. PJM asserts its approach is consistent with Commission policy because it reasonably balances protecting PJM's members against the risk of default and appropriately correlating the credit requirement with the risk level.³²⁶ PJM adds that it limited the forms of collateral to letters of credit and cash because it determined there would likely not be sufficient unsecured credit available from these LSEs to cover the up-to-15-year forward credit obligation. PJM argues that the initial RBP Credit Rate of \$1.5 million per RBP UCAP MW is just and reasonable and supported because it 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.³²⁷ PJM contends that this represents approximately 50% of a quantifiable potential contractual exposure, rather than full collateralization, and can decline as the remaining exposure declines, which undermines claims that the amount is excessive or insufficiently correlated to credit risk. PJM argues that protesters ignore the fact that standard business practices for LSEs signing up new large loads include requiring collateral.³²⁸

201. PJM clarifies that the LSE collateral requirement for a delivery year is based only on RBP UCAP MW committed for that delivery year and that "no collateral would be required for RBP Resources [that] are not in service for that Delivery Year, and no RBP Charges would be assessed."³²⁹ In response, NOVEC argues that PJM's interpretation relies on the meaning of the term "committed" used in proposed Tariff, section

³²⁶ PJM Answer at 84 (citing *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,055, at PP 27-28 (2024) (internal citation omitted)).

³²⁷ *Id.* at 88.

³²⁸ *Id.* at 88-92. PPL responds that PJM's reliance on PPL's Rate Schedule LP-6 as an example in its answer is misplaced and inaccurate. PPL states that this rate schedule relates only to its role as an Electric Distribution Company, not an LSE, and does not relate to PPL's role or obligations as an LSE nor any security or collateral that may be required to satisfy RBP credit obligations. PPL Answer at 2-3. NOVEC similarly argues that PJM's assertion that NOVEC could use its existing collateral obligations with its customers is immaterial to the question of whether the proposed RBP collateral requirements are just and reasonable. NOVEC Answer at 20.

³²⁹ PJM Answer at 78 n.234.

18.8(b)(i)(A).³³⁰ NOVEC points out that proposed section 18.6(e) permits a resource to remain “committed” for up to three delivery years, and proposed section 18.8(b)(i)(A) does not have an “in-service” limitation, creating the risk that NOVEC could post collateral for an RBP Resource that does not operate during those three delivery years. NOVEC asks the Commission to require PJM to revise this section to state that LSEs with RBP obligations will not be required to post collateral for RBP Resources that are not in service.

202. PJM states that, while it has proposed a just and reasonable approach to determining the proper buyer-side LSE RBP credit requirement, it also consents to a modified approach where the credit rate is 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 maximum of such value.³³¹ PJM states that it would consent to the Commission resolving the applicable buyer-side LSE RBP Credit Rate through additional procedures.³³²

(d) PJM’s Proposal May Be Unjust and Unreasonable

203. First, although it is related to the broader topic of RBP Collateral, we find PJM’s proposed collateral requirements for RBP Sellers just and reasonable, and thus we do not include that aspect of the proposal in the list of topics that will be the subject of the paper hearing procedures established in this order. Specifically, PJM’s proposed collateral requirements for RBP Sellers are just and reasonable because they will reduce the risks to PJM markets associated with non-payment of RBP Shortfall Charges without posing an unreasonable barrier to market participation.

204. However, we find that the proposed RBP Collateral requirement for LSEs (i.e., LSE Collateral requirement) may be unjust and unreasonable.

³³⁰ NOVEC Answer at 21.

³³¹ PJM Answer at 92-93 (citing NOVEC Protest at 22).

³³² Constellation states that it supports PJM’s proposal to resolve the credit and collateral issues through additional procedures. Constellation September 21 Answer at 9. EKPC states that any further proceeding must define the exposure being secured, the quantity to which the rate applies, the date on which the obligation arises, objective reduction and release standards, the interaction with OA section 15.2.2, and the liquidity and default consequences created by the requirement. EKPC September 18 Answer at 12.

205. PJM proposed an initial credit rate of \$1.5 million per committed RBP MW because it would collateralize approximately 50% of the estimated contractual value associated with RBP commitments. However, as FirstEnergy notes, PJM does not support its 50% estimate with any quantitative measures, including an expected probability of default, a loss-given-default assumption, a historical LSE default experience, a liquidation or replacement period, or any other quantitative measure.³³³ PJM also fails to demonstrate how the LSE Collateral requirements strike 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.³³⁴ PJM otherwise provides little flexibility for LSEs to manage their collateral requirements, including a short timeline for posting collateral³³⁵ and limited, acceptable forms of collateral. Taken together, we find that PJM's proposed LSE Collateral requirements may be unjust and unreasonable because they do not strike 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.

(e) **PJM's RBP Proposal May Be Just and Reasonable if Modified**

206. We find that additional record evidence is needed to determine if PJM's proposed LSE Collateral requirement is just and reasonable. Therefore, as discussed elsewhere, we establish paper hearing procedures and further briefing on appropriate collateral requirements for RBP buyers. As part of their responses, parties should address (1) what initial RBP Credit Rate is appropriate and (2) whether 45 days before the start of the delivery year is sufficient time for LSEs to post collateral.

³³³ FirstEnergy Protest at 9.

³³⁴ See *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,055 at P 29 (finding PJM's proposed changes to its Peak Market Activity credit calculation strike 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).

³³⁵ See SMECO Comments at 7 ("PJM proposes that the Electric Distributor's RBO allocation be reported at no later than sixty days before the start of the [delivery year]; PJM proposes to require the affected LSE to post the resulting collateral just fifteen days later, at forty-five days before the [delivery year] begins. That leaves just a fifteen-day window to arrange collateral for an obligation whose amount it could not have predicted in advance, using a \$1.5 million/MW RBP Credit Rate.").

iv. **Miscellaneous**

(a) **Timing Requirements**

(1) **Filing**

207. PJM states that the RBP procurement window will open if and when a Commission order accepts PJM's proposed RBP framework. PJM states that, 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, 2026.³³⁶

(2) **PJM's Proposal May Be Unjust and Unreasonable**

208. As discussed above in Section IV.B, we accept PJM's proposal for filing and suspend it for five months to become effective February 28, 2027, subject to refund and to the outcome of paper hearing procedures. Because we are suspending the tariff records for five months, we find that PJM's tariff records that propose actions during the suspension window may be unjust and unreasonable. For example, the proposed Tariff provides that the closing date of the bid solicitation for RBP is in October 2026.³³⁷

(3) **PJM's RBP Proposal May Be Just and Reasonable if Modified**

209. We find that it may be just and reasonable to revise any deadlines set forth in the tariff records in accordance with the Commission's action to suspend the tariff records for five months.

(b) **RAA, Schedule 8.1D, Section 1.1**

(1) **Filing and Responsive Pleadings**

210. PJM's proposed tariff revisions state that "[a]n 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."³³⁸

³³⁶ Transmittal at 3 n.5.

³³⁷ Proposed Tariff, attach. DD, § 18.5(f).

³³⁸ Proposed RAA, Schedule 8.1D, § 1.1.

211. AEP and EKPC note that this provision appears to be a drafting error. They argue this provision would unreasonably disallow FRR Entities from using both owned and contracted resources.³³⁹

212. In response, PJM states that it inadvertently submitted this revision and did not intend to include this revision as part of the RBP proposal. PJM requests that the Commission reject this revised tariff record.³⁴⁰

(2) Determination

213. In accordance with PJM's request to reject this inadvertently submitted tariff record, we reject PJM's proposed tariff revisions to RAA, Schedule 8.1D, section 1.1.

4. EL26-108-000

214. As stated earlier, we are establishing a new FPA section 206 proceeding in Docket No. EL26-108-000. In cases where, as here, the Commission institutes a section 206 investigation on its own motion, section 206(b) of the FPA requires that the Commission establish a refund effective date that is no earlier than the date of publication by the Commission of notice of its intention to initiate such proceeding nor later than five months after the publication date. In such cases, in order to give maximum protection to customers, and consistent with our precedent, we have historically tended to establish the section 206 refund effective date at the earliest date allowed by section 206, and we do so here as well.³⁴¹ That date is the date of publication of notice of initiation of the section 206 proceeding in Docket No. EL26-108-000 in the Federal Register.

215. Section 206(b) of the FPA also requires that, if no final decision is rendered by the conclusion of the 180-day period commencing upon initiation of the section 206 proceeding, the Commission shall state the reason why it has failed to render such a decision and state its best estimate as to when it reasonably expects to make such a decision. As we are setting the section 206 proceeding in Docket No. EL26-108-000 for further proceedings, we expect that we would be able to render a decision within five months of the date of this order.

The Commission orders:

³³⁹ AEP Protest at 34-35; EKPC Protest at 47.

³⁴⁰ PJM Answer at 55 n.160.

³⁴¹ See, e.g., *Idaho Power Co.*, 145 FERC ¶ 61,122 (2013); *Canal Elec. Co.*, 46 FERC ¶ 61,153, *order on reh'g*, 47 FERC ¶ 61,275 (1989).

(A) PJM's proposed Tariff and RAA revisions are hereby accepted for filing, suspended for five months, effective February 28, 2027, subject to refund and the outcome of the further procedures ordered in this proceeding, as discussed in the body of this order.

(B) Paper hearing procedures are hereby established to address issues raised by certain aspects of PJM's proposal, as discussed in the body of this order.

(C) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Energy Regulatory Commission by section 402(a) of the Department of Energy Organization Act and the FPA, particularly section 206 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the FPA (18 C.F.R. Chapter I), the Commission hereby institutes a proceeding in Docket No. EL26-108-000 concerning the justness and reasonableness of PJM's tariff, as discussed in the body of this order.

(D) The Secretary shall promptly publish in the Federal Register a notice of the Commission's initiation of the proceeding under section 206 of the FPA in Docket No. EL26-108-000.

(E) The refund effective date in Docket No. EL26-108-000 established pursuant to section 206 of the FPA shall be the date of publication in the Federal Register of the notice discussed in Ordering Paragraph (D) above.

By the Commission. Chairman Swett is concurring with a separate statement attached.
Commissioner Rosner is concurring with a separate statement attached.
Commissioner See is concurring with a separate statement attached.
Commissioner LaCerte is concurring with a separate statement attached.

(S E A L)

Debbie-Anne A. Reese,
Secretary.

Appendix A – Tariff RecordsPJM Interconnection, L.L.C.
Intra-PJM Tariffs

- [C-D, OATT Definitions – C-D \(47.0.0\)](#)
- [E-F, OATT Definitions - E - F \(45.0.0\)](#)
- [O-P-Q, OATT Definitions - O - P - Q \(39.0.0\)](#)
- [R-S, OATT Definitions – R - S \(47.0.0\)](#)
- [ATTACHMENT DD.5.5, OATT ATTACHMENT DD.5.5 Eligibility for Participation in RPM \(7.0.0\)](#)
- [ATTACHMENT DD.5.5A, OATT ATTACHMENT DD.5.5A Capacity Resource Types \(13.0.0\)](#)
- [OATT ATT DD.5.14, OATT ATTACHMENT DD.5.14 Clearing Prices and Charges \(45.0.0\)](#)
- [OATT ATT DD.6.6, OATT ATTACHMENT DD.6.6 Offer Requirement for Capacity Resour \(4.0.0\)](#)
- [OATT ATT DD.6.6A, OATT ATTACHMENT DD.6.6A Offer Requirement for Capacity Perfo \(6.0.0\)](#)
- [ATTACHMENT DD.16, OATT ATTACHMENT DD.16. RELIABILITY BACKSTOP \(3.0.0\)](#)
- [ATTACHMENT DD.18, OATT ATTACHMENT DD.18 RELIABILITY BACKSTOP PROCUREMENT \(0.0.0\)](#)
- [ATTACHMENT DD.18.1, ATTACHMENT DD.18.1 Determination of Final RBP Target \(0.0.0\)](#)
- [ATTACHMENT DD.18.2, ATTACHMENT DD.18.2 Qualifying New UCAP MW \(0.0.0\)](#)
- [ATTACHMENT DD.18.3, ATTACHMENT DD.18.3 Cost Allocation of RBP Charges, Credits \(0.0.0\)](#)

- [ATTACHMENT DD.18.4, ATTACHMENT DD.18.4 Scope of the Reliability Backstop Procure \(0.0.0\)](#)
- [ATTACHMENT DD.18.5, ATTACHMENT DD.18.5 The Reliability Backstop Procurement Proc \(0.0.0\)](#)
- [ATTACHMENT DD.18.6, ATTACHMENT DD.18.6 RBP Resource Obligations \(0.0.0\)](#)
- [ATTACHMENT DD.18.7, ATTACHMENT DD.18.7 Exiting Transmission Owner RBP Obligation \(0.0.0\)](#)
- [ATTACHMENT DD.18.8, ATTACHMENT DD.18.8 Credit Requirements for RBP Sellers \(0.0.0\)](#)
- [ATTACHMENT DD.18.9, ATTACHMENT DD.18.9 RBP Default Allocation \(0.0.0\)](#)
- [RAA ARTICLE 1, RAA ARTICLE 1 -- DEFINITIONS \(56.0.0\)](#)
- [RAA Article 7 Sec 2B, RAA Article 7 Sec 2B Responsibility to Pay RBP Charges \(0.0.0\)](#)
- [RAA Article 7 Sec 2C, RAA Article 7 Sec 2C Provision of RBP Obligations \(0.0.0\)](#)

Appendix B – Intervenor

***Filed Comments**

Advanced Energy United (AEU)*
 Amazon Energy LLC (Amazon)*
 Ameren Services Company
 American Council on Renewable Energy
 American Electric Power Service Corporation (AEP)*
 American Municipal Power, Inc. (AMP)*
 Appalachian Voices
 Avangrid Networks, Inc.
 Avangrid Power, LLC (Avangrid, collectively with Avangrid Networks, Inc.)
 Base Power Inc. (Base Power)*
 Blue Ridge Power Agency (Blue Ridge)*
 Boston Energy Trading and Marketing LLC
 Brookfield Renewable Trading and Marketing LP
 Buckeye Power, Inc.
 Calibrant Energy (Calibrant)*
 Citizens' Electric Company of Lewisburg, PA
 Consolidated Edison Company of New York, Inc. (ConEd)³⁴²
 Constellation Energy Generation, LLC (Constellation)*
 CPV Power Holdings, LP (CPV)*
 CyrusOne LP
 Data Center Coalition (DCC)*
 Delaware Division of the Public Advocate³⁴³
 Dominion Energy Services, Inc. (Dominion)*
 Duke Energy Corporation
 Duquesne Light Company (Duquesne) (Indicated PJM Transmission Owners (Indicated PJM TOs), collectively with FirstEnergy Transmission Companies)*
 E-Cubed Policy Associates, LLC (E-Cubed)*
 East Kentucky Power Cooperative, Inc. (EKPC)*
 EDF Power Solutions, Inc.
 Edison Electric Institute
 Electric Power Supply Association

³⁴² ConEd filed two motions to intervene, one out-of-time.

³⁴³ Delaware Division of the Public Advocate, District of Columbia Office of People's Counsel, Illinois Citizens Utility Board, Office of the Illinois Attorney General, Maryland Office of the People's Counsel, and New Jersey Division of Rate Counsel (collectively, Joint Consumer Advocates (JCA)) submitted a joint protest.

Enel X North America, Inc.
 Energy LLC
 Energy Trading Institute
 ENGIE North America Inc.
 Equinix Inc. (Equinix)*
 Exelon Corporation
 FirstEnergy Service Company³⁴⁴ (FirstEnergy)*
 Google LLC*
 Illinois Citizens Utility Board
 Illinois Commerce Commission (ICC)*
 Illinois Municipal Electric Agency
 Institute for Policy Integrity at New York University School of Law (Policy Integrity)^{345*}
 Invenergy Solar Development North America LLC
 Invenergy Thermal Development LLC
 Invenergy Wind Development North America LLC
 J-POWER USA Development Co., Ltd.
 Kentucky Attorney General
 LS Power Development, LLC
 Maryland Office of People's Counsel
 Maryland Public Service Commission
 Michigan Public Service Commission
 MN8 Energy LLC
 Monitoring Analytics, LLC, acting in its capacity as Independent Market Monitor for
 PJM (Market Monitor)*
 National Grid plc³⁴⁶
 New Jersey Board of Public Utilities
 New Jersey Division of Rate Counsel
 Nicholas Max Neal and David Neal, Delaware Standard Offer Service Ratepayers

³⁴⁴ FirstEnergy Service Company submitted a motion to intervene as agent for its franchised public utility and transmission-owning public utility affiliates Ohio Edison Company; The Cleveland Electric Illuminating Company; The Toledo Edison Company; FirstEnergy Pennsylvania Electric Company; and the FirstEnergy Transmission Owners (collectively, Jersey Central Power & Light Company; Monongahela Power Company; The Potomac Edison Company; American Transmission Systems, Incorporated; Keystone Appalachian Transmission Company; Mid-Atlantic Interstate Transmission, LLC; and Trans-Allegheny Interstate Line Company).

³⁴⁵ Policy Integrity filed comments but did not file a motion to intervene.

³⁴⁶ National Grid plc submitted a motion to intervene on behalf of its competitive energy development corporation National Grid Ventures.

(Movants)*

North Carolina Electric Membership Corporation (NCEMC)*
 Northeastern Rural Electric Membership Corporation
 Northern Virginia Electric Cooperative, Inc. (NOVEC)*
 NRG Business Marketing LLC³⁴⁷*
 Office of the Illinois Attorney General
 Office of the Ohio Consumers' Counsel (OCC)*
 Office of the People's Counsel for the District of Columbia
 Ohio Energy Leadership Council (OELC)*
 Old Dominion Electric Cooperative (ODEC)*
 Organization of PJM States, Inc. (OPSI)*
 Pennsylvania Office of Consumer Advocate (PA OCA)*
 Pennsylvania Public Utility Commission
 Persistence Analytics Group LLC*
 PJM Industrial Customer Coalition (PJMICC)*
 PJM Power Providers Group (P3)*
 PPL Electric Utilities Corporation*
 Public Citizen, Inc
 Public Service Commission of West Virginia (PSCWV)*
 Public Utilities Commission of Ohio's Office of the Federal Energy Advocate (Ohio FEA)*
 Retail Energy Supply Association (RESA)*
 Shell Energy North America (US), L.P.
 Sierra Club³⁴⁸*
 Solar Energy Industries Association (SEIA)*
 Southern Maryland Electric Cooperative, Inc. (SMECO)*
 Talen Energy Corporation (Talen)*
 The Williams Companies, Inc.
 Tract Holding Company I, LLC (Tract)*
 Verrus LLC

³⁴⁷ NRG Business Marketing LLC submitted a motion to intervene on behalf of its public utility affiliates Aspen Gen Funding, LLC; Direct Energy Business, LLC; Doswell, LLC; Energy Plus Holdings LLC; Enerwise Global Technologies, LLC dba 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 Companies, collectively).

³⁴⁸ Sierra Club filed comments jointly with the National Resource Defense Council, who did not file a motion to intervene.

Virginia Municipal Electric Association No. 1

Virginia State Corporation Commission

Vistra Corp. (Vistra)*

Voltus, Inc.

Wellsboro Electric Company (Citizens' Electric, collectively with Citizens' Electric
Company of Lewisburg, PA)

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	Docket No.	ER26-3380-000 EL26-108-000
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(Issued September 29, 2026)

SWETT, Chairman, *concurring*:

1. American ratepayers and utilities need urgency, clarity, and discipline—none of which PJM appears capable of delivering at this time. The Reliability Backstop Procurement proposal came before us on the *last* possible statutory day to open a procurement window on September 30. Whether by accident or incompetence, that timing left the Commission no meaningful opportunity to issue a deficiency letter, seek additional record development, or establish hearing procedures to attempt to rehabilitate the mess we received.
2. This Commission will not be forced into accepting a deeply flawed, eleventh-hour procurement mechanism with billion-dollar implications for consumers. Today we triage the issues and urge PJM to promptly remedy them in a Federal Power Act Section 205 filing. We accept certain parts of the proposal that advance urgently needed capacity procurement, find that other components require reform, and provide guidance to inform expeditious resubmission.
3. We are prepared to promptly act on a subsequent proposal that addresses the concerns raised in this order and meets the standards of the Federal Power Act. The region's reliability hangs in the balance.

For these reasons, I respectfully concur.

Laura V. Swett
Chairman

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket No. ER26-3380-000

(Issued September 29, 2026)

ROSNER, Commissioner, *concurring*:

1. I concur in today's order because, at its core, our responsibility to the 67 million people in PJM is to keep the lights on. While the record reflects a wide range of views on how best to address the emerging reliability challenges, the downside risk of inaction far outweighs the risk of an imperfect solution. It is not a close call.
2. The limited set of guidance we give PJM to revise its proposal will enable PJM to assign costs to those responsible (i.e. to the zones with data center growth) for the resource adequacy shortfall, consistent with cost causation principles, and it is my hope that PJM will act on this guidance swiftly so that needed generation may be procured.
3. Many of the issues driving this filing extend beyond PJM's jurisdiction to solve alone. States and retail authorities must play an active role – particularly in establishing large-load retail tariffs, enforcing collateral requirements, and establishing clear rules for which customers should be curtailed first when circumstances require it (Hint: homes, hospitals, and schools should never be curtailed before data centers). As the order acknowledges,¹ these are decisions that sit squarely with states and their regulators, and meaningful progress requires their continued leadership.
4. In the longer term PJM and its stakeholders must return to market fundamentals. Load and supply should have strong incentives to hedge, manage their risks, and procure the capacity they rely upon. Market discipline – not ad hoc backstops – must again become the primary safeguard for reliability.
5. For these reasons, while acknowledging the imperfections in the filing, I agree that taking action today is warranted, and I respectfully concur.

For these reasons, I respectfully concur.

David Rosner
Commissioner

¹ *PJM Interconnection, L.L.C.*, 196 FERC ¶ 61,245, at P 161 (2026).

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket Nos. ER26-3380-000

(Issued September 29, 2026)

SEE, Commissioner, *concurring*:

1. PJM needs more generation: Soaring electricity demand from data centers, artificial intelligence, domestic manufacturing, and other strategic industries continues to challenge a region that faces increasingly tight supply. Meeting that demand requires sufficient generation, including dependable resources that support the system around the clock. PJM must move fast to secure the resources to serve its growing system.
2. But how PJM—really, PJM’s ratepayers—pays for those resources matters. As I have said before, customers that drive new costs should bear appropriate responsibility for them. Existing customers should not be left paying costs attributable to new demand. That principle is particularly important here where PJM proposes a backstop procurement specifically to deal with the capacity shortfall that rapid load growth largely drove.
3. PJM needs urgent action and this mechanism, the RBP, can be a critical tool to bring additional capacity to the region. Unfortunately, though, PJM missed the mark on an important element of its proposal: it did not adequately ensure that the procurement’s costs will be allocated to the customers who drive its need.
4. Today’s order is not perfect; the filing it responds to, even less. But today the Commission provides PJM a path forward to solve what its current proposal lacks when it comes to fair cost allocation. PJM should move quickly to take it.
5. That work must include a serious focus on load forecasting. After years of relatively flat electricity demand, regulators and grid operators need to adjust to sustained and asymmetric growth. That means better load forecasts, a clearer picture of which projects will materialize, and enough generation and infrastructure to serve them. Better information about where, when, and why load is growing also provides a stronger foundation for determining who should bear the costs associated with serving that growth.
6. PJM does not have the luxury of standing still. The region needs additional generation, and I encourage PJM to swiftly return to the Commission with a section 205 filing we can accept so that the procurement can move forward quickly. In doing so, PJM must better ensure that the customers driving new costs bear appropriate responsibility for them and that existing customers are not left paying the bill instead.

For these reasons, I respectfully concur.

Lindsay S. See
Commissioner

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket Nos. ER26-3380-000
 EL26-108-000

(Issued September 29, 2026)

LACERTE, Commissioner, *concurring*:

1. I concur in today's order but write separately as a reminder of what this order is—or should be—about. Reliability Backstop Procurement is designed to make sure the costs of the large load at issue here are appropriately allocated to that load and not to other consumers and, in that vein, it is also an attempt to get new assets onto the PJM grid in a time of desperate need.
2. This is not a problem with an exceedingly easy or even single solution. While a perfect solution may not exist, it does not mean this is an unsolvable problem.
3. This moment must be met. We must do so not only because it is one of the many vital issues we are presented with in PJM and other regions of this country, but because it is important for Americans to do so.
4. The vital nature of the large load integration issue to all Americans is highlighted by the very existence of the January 2026 Statement of Principles Regarding PJM¹ in which the White House National Energy Dominance Council and the governors of all 13 PJM states joined together to address these large load issues as well as the March 2026, White House Ratepayer Protection Pledge which addressed that new large loads will, at a minimum, “build, bring, or buy the new generation resources and electricity needed to satisfy their new energy demands, paying the full cost of those resources”² and which received broad consensus from utilities, cooperatives, data center developers, and governors.³

¹ U.S. Department of Energy, Statement of Principles Regarding PJM (Jan. 2026), <https://www.energy.gov/documents/statement-principles-regarding-pjm>.

² The White House, Ratepayer Protection Pledge (Mar. 4, 2026), <https://www.whitehouse.gov/wp-content/uploads/2026/07/Ratepayer-Protection-Pledge-Signed.pdf>.

³ The White House, Ratepayer Protection Pledge (Mar. 2026),

5. What all of this tells me is that *time is of the essence*. While we could orbit these issues in additional briefings that would cause additional delay to the reliability backstop auction and the hope for relief it provides.

6. PJM: you must take action. You alone have the ability to resolve the outstanding issues in the most time efficient manner by making a section 205 filing under the timelines set forth in this order—or sooner—that thoughtfully addresses the infirmities of the original filing addressed in this order. Do not deviate from the principles of ratepayer protection in that filing.

7. A competent and effective RTO can take this half-baked cake and finish the job. Does PJM meet that description? They're on the clock.

For these reasons, I respectfully concur.

David LaCerte
Commissioner