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Monitoring Analytics

DATE: **June 10, 2026, Meeting Date**
TO: **CIFP: Reliability Backstop**
FROM: **IMM**
SUBJECT: **Proposed backstop auction design V5**

The most important criterion for evaluating proposals to address how to reliably serve new data center load is the assignment of the costs and risks associated with serving the data center load. For example, the failure to exclude all data center load from the BRAs, as PJM proposes, would by definition impose costs on other customers and therefore violate the basic principle that data center cost should not be imposed on other customers. To date, those capacity costs imposed on customers have been $23 billion. As another example, PJM's proposal assigns the ultimate backstop risk associated with serving data center load to other PJM customers, whether it derives from an expected data center not showing up or the matching new generation not showing up. In contrast, the IMM's proposal assigns the costs and risks to the data centers and the generation which serves them under multiyear contracts.

The preferred option for data centers adding load to the PJM system is for data centers to bring their own new generation. For those data centers that do not bring their own new generation, the IMM proposes that PJM run a backstop auction designed to meet all expected data center load plus the required reserve margin to meet that load.

The IMM proposes a specific backstop auction design. The goal is to incorporate market forces as much as possible, including choices by data centers and generation developers, and to minimize planning choices by PJM or others. The proposed IMM design does not impose data center costs or risks on other customers, consistent with the Principles defined by the National Energy Dominance Council and the PJM Governors and the Pledge by defined hyperscalers.

The IMM design creates a dedicated mechanism for new large data center load designed to complement, not replace, PJM's existing RPM construct. It is intended to ensure long term resource adequacy for data center load by directly linking new data center load with dedicated new generation, creating transparent investment signals based on a 15 year contract term.

Only organic load and existing data center load as of June 1, 2026, would be included in the BRA for 2028/2029 and in the BRA for 2029/2030. The maximum price for these BRAs would be based on the IMM's CT Net CONE calculations from the most recent quadrennial review. There would be no floor price. All forecast data center load would be removed from the BRA for 2028/2029 and from the BRA for 2029/2030. All data center load that was not online on June 1, 2026, would be required to commit to the BYONG option, or to participate in the backstop auction. Data center load would have the option to commit to a specific future BYONG plan and not be included in the auction. If data center load does not bring new generation, that load would be curtailable if that load is allowed to come on line. If data center load takes the BYONG

option, the IMM's proposal is that the bilateral BYONG contracts be required to have the same basic characteristics as the bilateral contracts resulting from the backstop auction, e.g. a 15 year term, must offer obligation in the capacity market, must offer obligation in the energy market, location in the same child LDA, and matching energy output duration with load duration on an hourly basis.

The IMM's design for the backstop auction is to run a full single clearing price auction using the BRA model for data center load. This backstop auction would be run soon after the 2028/2029 BRA. Such an auction design could be repeated in the future as needed to address additional new data center load that is not included in the first backstop auction. The auction would include the location and MW of each data center that participates, the location and MW of proposed generation that participates, full PJM CETO/CETL parameters net of the impacts from the applicable BRA, and any resultant locational price separation. The only product offered would be 15 year capacity at a maximum offer price equal to the nominal levelized equivalent of the IMM's calculated combustion turbine Gross CONE provided in the latest quadrennial review, net of defined energy and ancillary service net revenues in each year of the contract. That equivalent, in $/MW-day, would be higher than the calculated Net CONE in year one because the product is based on a 15 year levelized gross CONE while the current cap is based on a 20 year levelized gross CONE net of net revenues for year one.

The backstop auction would result in cleared capacity by LDA. If offers are less than demand, the highest demand offers would clear. If demand is less than offers, the lowest offers would clear. After the auction, the cleared generation would be matched against the cleared supply subject to locational constraints, such that the unmatched generation and number of bilateral contracts are minimized.

In order to meet the intended incentive goal, the total payments received for new generation should equal Gross CONE, including both net revenue from the energy and ancillary services markets and capacity payments. The net revenues would be explicitly incorporated. The actual annual payments under the contracts would include the defined energy and ancillary service net revenues calculated annually for each year and the remaining Net CONE not covered by the net revenues. The contracts would be for total payments including energy and ancillary services net revenues and the remaining net cost of capacity.

In the backstop auction, the demand for capacity would be equal to the specific demand for 15 year capacity from individual data centers, plus the required reserve margin, for each data center to ensure reliability. There is no forecast of demand. All data centers with demand greater than or equal to 5.0 MW would be included. A goal of the defined size is to prevent artificial segmentation of data center load to circumvent the size threshold. The maximum price for the demand bids would equal the maximum offer price for new generation.

Sellers in the backstop auction would be new generation only, with clearly defined eligibility. New generation would not include uprates to existing generation, uncleared capacity, repowered capacity, units that did not retire prior to June 1, 2025, demand side resources or relicensing. This definition ensures that all cleared capacity represents investment in new physical supply rather than redefining existing resources. The goal is to support new generation and to prevent gaming of the rules by reclassifying existing capacity resources as new. The new generation must be located within the same child LDA as the data center to help ensure long term deliverability to that load over the 15 year life of the contract. The output of the new generation must reasonably match the hour by hour load profile of the data center. (This is not capacity factor matching.) For example, a standalone solar resource would not qualify but a combined solar and battery resource could qualify. The energy output of the new generation must equal or exceed the data center load whenever the new generation is available, subject to locational constraints.

Data centers and generation would be required to comply with all requirements of the PJM capacity market. For example, new capacity is required to have CIRs and to be deliverable and has an RPM must offer requirement. All of this generation must have the same obligations in the energy market as committed capacity resources, including an energy market must offer obligation. This generation would be required to operate whenever physically available, and not be economically dispatched.

When the clearing process is complete and each generation offer is associated with one or more identified data center loads, the generators and data center loads would enter into 15 year bilateral contracts that do not permit any cost or risk shifting to other customers. The contracts would be based on a tariff defined standard contract. The risks associated with the load changing or withdrawing and generation changing or failing would be fully addressed in the bilateral contracts. The risks associated with changes in ELCC values would be fully addressed in the bilateral contracts. New capacity resources clearing in the backstop auction would have a starting ELCC based on the recent EFORd performance of comparable generation and would have unit specific ELCC values based on unit performance and therefore subject to management by the generator.

When the bilateral contracts are final, including bilateral contracts reached under the BYONG option, the data center load plus the reserve margin and the corresponding capacity have an RPM must offer obligation, after the capacity commercial operation date, in future BRAs as price takers for the 15 year contract term. A contract for differences would ensure that the load pays and the generation receives the contract price in the financial settlement.

In order to address any potential jurisdictional issues, LSEs would be required, as a condition of service, in the RAA, to require that all data centers that they serve have a bilateral contract in place with a source of generation for at least 15 years that meets the identified requirements

of such new generation. The bilateral contracts would address all pricing and risk issues solely between the parties with no recourse to other customers.

Under the IMM proposal, neither the EDCs nor the LSEs are the counterparty to the contracts and the EDCs and the LSEs and their other customers are not at risk for any contract related issues. The data center and the capacity seller are the counterparties to the contracts. PJM and other PJM participants provide no credit support of any kind for the contracts. There is no recourse to PJM or its members. Credit issues are entirely between the parties to the bilateral contracts.