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Monitoring Analytics

DATE: **June 10, 2026, Meeting Date**
TO: **CIFP: Connect and Manage**
FROM: **IMM**
SUBJECT: **Proposed connect and manage design V1**

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 data center load plus the required reserve margin to meet that load. This would include an interconnection process for large new data center loads that bring their own new generation with locational and temporal characteristics reasonably matched to their load profile. The IMM addresses the obligations of new generation brought by data centers in the IMM's backstop auction design proposal.

Another solution (connect and manage) would require data centers that do not bring their own new generation, either directly or through the backstop auction, to be curtailable prior to current demand side customers but without the pretense that the data centers are providing demand response for which they should be paid. Data centers do not want to be curtailable. Data centers are already critical loads in many applications because they are embedded in the workings of the economy and society. Given the level of data center load growth, this curtailability option, if correctly designed and if enforced on an individual data center basis, would provide an incentive to bring new generation to the market either through bilateral contracts or through a backstop auction. If the connect and manage approach is to serve its intended goal to serve only as a bridge allowing data centers that cannot be served reliably to interconnect while waiting to buy or build new capacity, there must be a strong incentive to not remain as connect and manage for any longer than necessary. If data center load does not bring new generation, that load would be curtailable if that load comes on line.

PJM's (and other) connect and manage proposals share the fundamental and fatal flaw that there is no clear link between identifying the data centers that do not have capacity and curtailment rules and mechanisms. There is no clearly established link between the behavior (no capacity) and the consequence (curtailment). There are no clear rules governing curtailment priorities and order. In addition, PJM asserts that curtailments must be managed by EDCs subject to rules established by the states because data centers are retail customers. The PJM approach ignores the existence of a current model for curtailing customers, the demand response model, that solves the wholesale/retail issue.

The IMM's proposal is that data centers without capacity and therefore subject to connect and manage rules would either establish themselves as curtailment service providers (CSPs) or sign up with a CSP if they prefer not to become wholesale market participants and prefer not to join PJM. The CSP would receive a curtailment directive from PJM and the CSP would send a corresponding directive to the connect and manage data centers. Curtailment would apply to

each data center load individually. The behavior of the CSP and its customers could be directly monitored. Appropriate penalties could be imposed for nonperformance.

The Market Monitor's proposal is that all data center load that was not online on June 1, 2026, would be required to participate in the backstop auction or to commit to the BYONG option. Data center load would have the option to commit to a specific future BYONG plan and not be included in the auction. If such data center load does not bring new generation, that load would be curtailable if that load comes online. In general, data center load without new generation at the beginning of a delivery year would be subject to curtailment.

The trigger for curtailment of curtailable data center load would be that, in the implementation of PJM emergency procedures, data center curtailment would be prior to any PJM EEA1 declaration. Data centers would also be subject to curtailment outside of emergency procedures at PJM's discretion, if such curtailment would contribute to addressing the identified reliability issue. Curtailment would last for the full duration of the emergency procedure or the amount of time necessary to resolve the identified reliability issues.

PJM would curtail data center load on a pro rata basis if the total curtailment MW needed by PJM is less than the total connect and manage data center load on the system.