PJM Reforms in Progress

Addressing Data Center Challenges

PJM Interconnection is attempting to implement reforms to address growing electricity demand driven primarily by new and proposed data centers. These initiatives aim to protect reliability and affordability, which have been critical concerns for all stakeholders – from everyday electric customers, to leaders of the 13 PJM states, all the way to the White House.

Key Challenges

Surging Demand: Energy-intensive industries, specifically data centers, are driving unprecedented electricity demand across the PJM region.

Grid-connection Delays: A backlog in PJM's interconnection queue slowed the addition of new energy generation projects. PJM says the queue will be open to new projects this month.

Capacity Shortfalls: The most recent capacity auction for the 2027/2028 delivery year failed to meet the reliability requirement, underscoring the urgent need for new resources to address growing demand.

Key PJM Initiatives

Reliability Backstop Procurement: PJM proposes a two-phase plan to provide data center customers with power, starting with a platform for private, bilateral contract negotiations between power suppliers and hyperscalers. If phase one doesn't meet the needs of the market, phase two is proposed to be a one-off procurement auction in 2027.

Auction Price Collar: Extended the capacity auction price collar of $175-325/MW-day for the 2028/2029 and 2029/2030 capacity auctions to provide stability during a period of rapid demand growth.

Expedited Interconnection Track (EIT): A new fast-track process for resources of at least 250 MW, allowing up to 10 projects annually to be studied and connected within 36 months, essentially restricting participation from battery storage and renewable energy resources.

Connect and Manage for Large Loads: Requiring data centers that do not bilaterally contract for new capacity or participate in the Reliability Backstop Procurement to curtail their electricity usage during periods of high demand to preserve reliability.

Load Forecasting Improvements: Enhanced process to better account for data center growth, including greater transparency, state-level reviews, and third-party evaluations.

Holistic Market Review: Comprehensive evaluation of PJM's wholesale power markets to ensure alignment with resource adequacy and reliability goals.

Future Considerations

- Ensuring reliability without buying more energy than needed.
- Addressing investor confidence and potential market disruptions.
- Ensuring reforms align with long-term capacity needs and affordability goals.
- At the state level, ensuring that costs are correctly allocated to data centers.

Learn more at **ReliableGrid.org**.

THE RELIABLE GRID PROJECT