

Insights

FERC DIRECTS PJM TO FACILITATE FASTER INTEGRATION OF LARGE ELECTRIC LOADS, INCLUDING DATA CENTERS

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In a much-anticipated order, on December 18, 2025,[1] the Federal Energy Regulatory Commission (“FERC” or “the Commission”) ruled that existing rules for service applicable to generators serving co-located load[2] and customers taking transmission on behalf of such load are unjust and reasonable. The Commission directed PJM Interconnection LLC (“PJM”) to adopt reforms designed to facilitate service to large loads. In doing so, FERC provided its most detailed guidance to date regarding the accommodation of large electrical loads largely driven by data center growth, while attempting to assure that grid reliability would be maintained and customer cost shifts avoided.

The Order, among other things, establishes new categories of transmission service designed to allow a load that is co-located with a generator to pay for service from the grid consistent with actual net withdrawals. Additionally, the Order requires PJM to revise generator interconnection rules to clarify how generators can co-locate with load. The Order further directs PJM to modify rules for behind-the-meter generation (“BTMG”), to address the complexities of loads of the scale associated with data centers.

PJM is required to file a series of future compliance and informational filings, including the initiation of a paper hearing, to implement FERC’s multiple directives. As PJM is the nation’s largest grid operator, the policies established by the Order can be expected to strongly influence how similar tariff rules evolve for transmission providers in regions outside PJM’s footprint.

BACKGROUND

The Order was issued in the context of “significant delays in PJM’s ability to interconnect new generation and load” such that large loads, including data centers, “have preferred co-location arrangements to expedite their access to the PJM system.”[3]

The Order follows establishment of a Show Cause proceeding in February 2025 in which the Commission directed PJM to justify the reasonableness of its existing rules concerning co-location arrangements.[4] The Order also comes within the context of the October 2025 proposal of the Secretary of Energy to the Commission for a broader rulemaking proceeding to set policies applicable to all FERC-jurisdictional transmission providers.[5]

KEY FINDINGS

As a threshold matter, FERC cited a consensus that co-located loads use and benefit from at least some ancillary services that may be reasonably assigned to such loads but that PJM's existing tariff lacked a standard mechanism to address this system use. Therefore, the PJM Tariff will now require Eligible Customers[6] to be charged for transmission associated with co-located load. In doing so, FERC found that all co-located load benefits from and must pay for regulation and black start services regardless of whether they are drawing energy from the system.[7]

But depending on a co-located load's actual use of the system, the new transmission framework otherwise is generally intended to reflect the willingness and technical ability of certain large loads to limit energy withdrawals and therefore not be required to take full network service on a gross demand basis.[8]

The Order established three new[9] options for transmission that Eligible Customers may take on behalf of co-located load.

- First, if co-located load ultimately seeks NITS service, it may take a new interim, non-firm service in the short term until any required network upgrades are complete. The service provides as-available energy withdrawals in addition to the power supplied by a co-located generator.
- Second, a new firm contract demand service will be available under which an Eligible Customer will be supplied on a firm basis up to the megawatts ("MWs") of contracted energy demand. Withdrawals in excess of that amount are not permitted. The rate for this service will include generation capacity charges associated with the stated MWs of contract demand.
- Third, a non-firm contract demand service will be available for co-located load that wishes to take service on an as-available basis. Such service could be called upon, for example, if available during a time that the co-located generator has an outage. However, such service will be limited to times when there is available transmission capacity during non-emergency system conditions. Unlike firm contract demand service, the non-firm service will not include a charge for generation capacity, since PJM will not be required to include load served on a non-firm basis in its resource adequacy planning.

The second and third options each require that the co-located load: (1) have a special protection scheme that limits energy withdrawals under certain conditions; and (2) be metered separately from the associated generator.

The Commission also found that BTMG rules originally adopted to address small-scale loads (e.g., rooftop solar) were ill-suited for large loads like data centers. FERC noted potential reliability concerns if large loads leaned on PJM's system when co-located generation experiences an

outage. FERC therefore directed PJM to propose a new MW threshold for the amount of load at a particular location that Eligible Customers' load could net using BTMG.^[10]

Lastly, there has been debate around the extent to which existing generators can remove capacity that had been serving the grid to serve a new co-located load. The Order directs PJM to clarify that *existing* generators cannot remove such existing grid capacity until all transmission network upgrades needed to maintain reliability are in service, with the costs of such upgrades being allocated to the existing generator.^[11]

NEXT STEPS

While the Order provides clarity for the pathways available to developers to connect large loads to PJM's system, many details will be ironed out in ongoing proceedings. First, by January 17, 2026, PJM is to file new tariff provisions that, among other things, allow interconnection service to be requested below the full capability of a generating facility that intends to serve co-located load. Second, by February 16, 2026, most provisions implementing new categories of transmission service and changes to BTMG rules must be filed for FERC review.

Finally, also by February 16, a paper hearing will be initiated with a PJM filing addressing eleven questions associated with the rates and terms of the new categories of transmission. The issues addressed will include: reasonable rates; the operational practices needed for special protection schemes; and the emergency conditions where it is appropriate to curtail non-firm service.

For additional information, please contact [Jared Johnson](#), [Bryan Keyt](#), [Peter Hansen](#), or [John Kindschuh](#) in the Environmental, Energy, and Infrastructure practice group at BCLP.

[1] *PJM Interconnection, L.L.C.*, 193 FERC ¶ 61,217 (2025) (Order).

[2] FERC defines co-located load as "end-use customer load that is physically connected to the facilities of an existing or planned Customer Facility on the Interconnection Customer's side of the Point of Interconnection to the PJM Transmission System." Order at P 164. Capitalized terms used in this Insight not otherwise defined have the definition given to them in the Order.

[3] See Order, Commissioner Chang *concurring*, at P 2.

[4] *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,115 (2025) (Show Cause Order). The Order also follows an earlier complaint filed by Constellation Energy Generation arguing in part that PJM's Tariff lacked rules for generators to follow when seeking to serve end-use load co-located with BTMG.

[5] *Secretary of Energy's Direction that the Federal Energy Regulatory Commission Initiate Rulemaking Procedures and Proposal Regarding the Interconnection of Large Loads Pursuant to*

the Secretary's Authority Under Section 403 of the Department of Energy Organization Act, Dep't of Energy (Oct. 23, 2025).

[6] An Eligible Customer could be a utility or a power marketer or, depending on state law, the load itself.

[7] Order at PP 183-185. Thus, co-located load will be charged for regulation and black start on a gross demand basis. Regulation service is necessary to provide for the continuous balancing of resources with load and for maintaining frequency at 60 Hz. Black start is the ability of certain generators to start without an outside electric supply or to remain operating when disconnected from the system.

[8] *See Order at P 193; see also* Commissioner Rosner, *concurring* at PP 4-5.

[9] Large loads may also be served by the existing option of Network Integration Transmission Service (or "NITS") which permits load to take firm service at any time, charged on a gross demand basis.

[10] Order at P 221.

[11] Order at P 176; *see also* Commission Rosner, *concurring* at P 9.

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- ESG & Energy Transition
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