

# FERC Greenlights PJM Co-Located Load Framework in Part, Calls for Further Tariff Updates

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On June 18, 2026, the Federal Energy Regulatory Commission (FERC) issued a significant order in the PJM co-located load proceeding (the “Order”), bringing PJM closer to establishing a standardized framework for load customers located next to, or behind the meter of, generating facilities.<sup>1</sup> The Order directs PJM to revise its proposed interconnection processes and transmission service options for load with co-located and behind-the-meter generation arrangements. The resulting tariff provisions will impact a broad range of market participants in PJM’s footprint, including large load customers such as industrial users and data center developers considering such generation arrangements as well as generators, PJM transmission owners, and consumer advocates. The Order sets parameters for PJM’s co-location rules and signals what FERC will expect from other grid operators’ efforts to determine how to permit co-location and behind-the-meter generation arrangements without undermining grid reliability, transmission planning, or fair cost allocation.

<sup>1</sup> *PJM Interconnection, L.L.C.*, 195 FERC ¶ 61,209 (2026) (Order on Rehearing, Clarification, Compliance Filing, and Paper Hearing issued under Docket Nos. EL25-49-002, et al.).

In co-location arrangements, large electricity users (“large load”), such as data centers, draw power directly from nearby generation rather than from the broader PJM grid. The end-use load is physically connected to the generator, or interconnection customer’s, side of the point of interconnection rather than the transmission owner’s side of the point of interconnection, which is the transmission system operated by PJM. Co-location arrangements can reduce large load customers’ transmission service needs and may accelerate the energization of large projects. However, FERC emphasized that these customers may still rely on the grid when dedicated generation is unavailable or insufficient.

The Order largely reaffirmed FERC’s earlier conclusion that PJM’s existing tariff is unjust and unreasonable because it does not provide sufficiently clear and consistent rules for interconnection customers seeking to use new generators to serve co-located loads. In FERC’s view, PJM cannot manage the expected growth in large load projects through ad hoc arrangements or inconsistent transmission owner practices. Accordingly, FERC directed PJM to continue developing tariff provisions addressing the steps an interconnection customer must take to serve a co-located load, transmission service options available to be taken on behalf of that load, and applicable charges, while still managing reliability.

This Order was accompanied by [six show cause orders in which FERC directed regional transmission organizations \(RTOs\)](#), including PJM, to justify or reform existing tariff provisions that govern how large load customers connect to and receive transmission service from the grid.<sup>2</sup>

## Background

In February 2025, FERC instituted a show cause proceeding directing PJM to justify that its existing tariff, was just and reasonable, and not unduly discriminatory or preferential for interconnection customers with co-location arrangements.<sup>3</sup> FERC preliminarily found that the tariff appeared unjust and unreasonable because it lacked clear and consistent provisions governing co-location arrangements, including transmission service requirements, interconnection rules, ancillary service provisions, and black start provisions, meaning there was no way to ensure that these customers pay for grid benefits consistent with cost causation principles. FERC directed briefing on these issues and raised questions about PJM’s retail behind-the-meter generation netting rules.

In December 2025,<sup>4</sup> FERC found PJM’s tariff unjust and unreasonable because it lacked clear, consistent rules for interconnection customers serving co-located loads and for eligible customers purchasing transmission service on their behalf. PJM’s tariff produced inconsistent treatment of transmission customers by individual transmission owners and created the risk that co-located loads could benefit from grid services without paying for them. As a remedy, FERC directed PJM to take three actions. First, PJM must adopt clear interconnection procedures for generators serving co-located loads. Second, PJM must require that the eligible customer serving such load take one of three transmission services: (1) the Network Integration Transmission Service (NITS), the standard network

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<sup>2</sup> *Midcontinent Indep. Sys. Operator Inc.*, 195 FERC ¶ 61,212 at P 33 (2026); *Cal. Indep. Sys. Operator Corp.*, 195 FERC ¶ 61,214 at P 30 (2026); *ISO New England Inc.*, 195 FERC ¶ 61,215 at P 32 (2026); *N.Y. Indep. Sys. Operator, Inc.*, 195 FERC ¶ 61,216 at P 38 (2026); *PJM Interconnection, L.L.C.*, 195 FERC ¶ 61,211 (2026); *Sw. Power Pool, Inc.*, 195 FERC ¶ 61,213 (2026).

<sup>3</sup> PJM Interconnection, L.L.C., 190 FERC ¶ 61,115 (2025) (“February 2025 Order”).

<sup>4</sup> PJM Interconnection, L.L.C., 193 FERC ¶ 61,217 (2025) (“December 2025 Order”).

service, including a new interim service; (2) a new Firm Contract Demand service, under which a customer reserves a defined amount of firm grid use for a minimum of one year and is subject to an “anti-toggling” rule that prevents switching between firm and non-firm service to exploit capacity-market conditions; or (3) a new Non-Firm Contract Demand service, under which the customer receives more limited and interruptible grid access. Third, PJM must revise its retail behind-the-meter generation netting rules, which FERC found were no longer just and reasonable for large loads because they enable cost-shifting and raise reliability and resource adequacy concerns. FERC set a paper hearing to establish detailed rates and terms for the new services and for PJM to fix the tariff language and behind-the-meter generation netting rules.

On April 16, 2026, FERC partially accepted and partially rejected PJM’s compliance filing responding to the December 2025 Order.<sup>5</sup> FERC accepted tariff reforms that clarified interconnection service processes and requests for co-located load arrangements but primarily rejected (1) PJM’s proposed definition of “co-located load,” deviating from the FERC-mandated definition and (2) PJM’s revisions of behind-the-meter application requirements. FERC’s adopted definition of “co-located load” is “a configuration that refers to 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.” PJM had replaced the term “Point of Interconnection” with “Point of Change in Ownership.” FERC found that PJM was required to adopt the definition as originally directed and had not sought rehearing or shown the mandated definition was unjust or unreasonable. FERC also reasoned that PJM’s definition revision could introduce uncertainty or delays, especially if transmission owners could withhold agreement on ownership transfer points. FERC also rejected PJM’s proposed revisions to behind-the-meter generation application requirements, as those changes were outside the scope of the compliance proceeding. FERC directed an additional compliance filing.

**Key Rulings and Required Tariff Changes**

In its June 18 Order, FERC accepted, rejected, and modified parts of PJM’s compliance filing and directed PJM and its transmission owners to submit additional tariff revisions within 60 days. The filings will be key to determining how quickly PJM can implement the new framework and how burdensome it will be for co-located load customers and existing behind-the-meter generation users.

Unsurprisingly, FERC continues to support new transmission service options tailored to flexible loads that are willing and able to limit their use of the grid. FERC continued to require PJM to create the three transmission services: (1) NITS, including a new interim service, (2) a new Firm Contract Demand service, and (3) a new Non-Firm Contract Demand service. As a result, large co-located customers may not always need to purchase traditional full network service if they can reliably limit withdrawals from the grid, but the customer must take a transmission service that matches how it actually uses the system and must comply with the operational limits of that service. Notably, FERC rejected PJM’s attempt to make the non-firm service available only when the co-located generator is on outage. Instead, non-firm service must be available on an everyday basis whenever transmission capacity is available and not needed by firm customers.

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<sup>5</sup> PJM Interconnection, L.L.C., 195 FERC ¶ 61,030 (2026) (“April 2026 Order”).

FERC broadened the reach of the new transmission-services in its finding on behind-the-meter generation, which refers to netting rules that let load-serving entities subtract the output of on-site generation when calculating peak demand, thus reducing the transmission charges paid. FERC concluded that eligible customers taking service on behalf of loads with behind-the-meter generation should also be allowed to use the new transmission services if they are willing and able to limit withdrawals from the transmission system under specified conditions.

FERC accepted PJM's proposed 50 megawatt (MW) threshold based on the cumulative nameplate capacity of the generation used to serve retail load, but FERC rejected PJM's proposal to measure the threshold by generator nameplate capacity. Instead, FERC directed PJM to revise its tariff so that the threshold applies to the amount of load that can be netted at a single electrical location. The intent of this directive is to align the service obligation with each customer's actual reliance on the grid rather than treating all customers identically.

FERC accepted PJM's proposed protections for existing users. PJM's proposal allows network customers already using retail behind-the-meter generation netting rules to continue for a three-year period from the December Order, and will grandfather in certain existing contractual arrangements. While these exceptions are intended to protect customers that have made investments under the existing framework, FERC found that the broader retail behind-the-meter netting rules remain unjust and unreasonable. Additionally, FERC rejected PJM's proposal to exempt all qualifying facilities serving as retail behind-the-meter generation as of the December Order and directed PJM to create a further exemption process for certain qualifying facilities. Also, FERC again rejected PJM's attempt to redefine "Co-Located Load" by reference to a "Point of Change in Ownership" rather than the "Point of Interconnection" that FERC had approved in the December Order, finding that PJM had not adequately justified the deviation.

### **Penalties and Timing**

PJM proposed to adopt strict penalties for large load customers that accept new transmission services, and FERC agreed that financial and operational penalties are necessary. If a customer uses a transmission service it has not reserved, it will face financial penalties. If a customer fails to follow a curtailment or load-shedding instruction twice, PJM will terminate the relevant transmission service agreement for the eligible load. Similarly, the first misoperation of necessary control technologies or protection systems will result in suspension for up to 120 days, and the second misoperation will result in the termination of the relevant agreement.

While large customers may obtain more tailored and potentially less burdensome transmission service if they can limit their grid use, FERC seeks to prevent those customers from treating the grid as a backup source without paying for that level of service. The Order seeks to protect ordinary grid users from subsidizing large private arrangements while still allowing flexible large loads to pursue co-location where they can reliably control their impact on the system.

With respect to timing, PJM proposed a June 1, 2029 implementation date, but FERC found that PJM must provide more support in a compliance filing for the proposed implementation timing. PJM must also address whether the interim network service and the non-firm contract demand service can be implemented earlier, which creates a possibility of staggered implementation.

## What This Means for PJM and the Broader Energy Industry

PJM must submit compliance filings within 60 days of the Order. These filings will include tariff revisions addressing, among other things, the revised 50 MW netting threshold, the extension of the new transmission services to certain behind-the-meter generation customers, the treatment of qualifying cogeneration facilities, operating requirements, penalties, and effective dates. PJM transmission owners must also file revisions addressing financial penalties for unreserved transmission use. The compliance filings may prompt protests from stakeholders, including large load developers, industrial customers, generators, transmission owners, state consumer advocates, and environmental groups, especially with regard to the continued risk of cost-shifting, as Commissioner Chang warned in her concurrence.

A solution is sorely needed: the U.S. power sector is facing unprecedented stress. For example, the price that PJM pays generators simply to be available when needed rose from \$28.92 per megawatt-day for the 2024/2025 delivery year to \$269.92 for 2025/2026.<sup>6</sup> The supply-and-demand mismatch underlying these prices is severe. PJM's 2026 long-term forecast indicates that data centers could require more than 50 GW of peak capacity by 2030, enough to power over 20 million homes.<sup>7</sup> However, PJM expects to add only about 2 to 3 GW of new supply each year against 5 to 7 GW of new data-center load.<sup>8</sup> Co-location is attractive precisely because it allows a large load to secure power quickly from an adjacent plant, avoiding the years-long delays new generators face in PJM's congested interconnection queue.

PJM's tariff provides FERC an opportunity to prompt the development of a model tariff that other transmission providers and grid operators can emulate, especially if the tariff incorporates precise and careful rules, contains mechanisms to preserve reliability, and can curb behind-the-meter cost-shifting. Although the Order is limited to PJM, it provides useful guidance on terms FERC finds to be just and reasonable and will serve as useful precedent, particularly as the same issues impact other RTOs that are looking for a path forward. FERC itself has signaled a broader, cross-regional push to integrate large loads across the RTOs it oversees, and its approach to the PJM proceeding serves as a reference for how other operators can address co-location issues.

For clients considering co-location or behind-the-meter generation arrangements in PJM, the Order provides both opportunity and caution. It confirms that FERC is prepared to allow tailored service options for large customers that can manage their grid impact, but it also confirms that those customers will face clearer study obligations, stricter operational requirements, potential penalties for noncompliance, and continued uncertainty as PJM develops the next round of tariff language. For generators and large load customers, the commercial value of co-location will depend on the details of PJM's compliance filings (particularly timing, the mechanics of the 50 MW threshold, the scope of grandfathering and qualifying-facility exemptions, and the final penalty rules).

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<sup>6</sup> Ethan Howland, *PJM capacity prices set another record with 22% jump*, Utility Dive (July 23, 2025), <https://www.utilitydive.com/news/pjm-interconnection-capacity-auction-prices/753798/>.

<sup>7</sup> Amanda Kolling and Rita Yelda, *Rising Demand from Data Centers Driving Reliability, Cost Concerns*, National Resource Defense Council (October 22, 2025), <https://www.nrdc.org/press-releases/rising-demand-data-centers-driving-reliability-cost-concerns>.

<sup>8</sup> Tom Rutigliano, *Building Data Centers Without Breaking PJM*, National Resource Defense Council (September 30, 2025), <https://www.nrdc.org/bio/tom-rutigliano/building-data-centers-without-breaking-pjm>.

In short, the Order moves PJM's co-located load framework forward, but the details—such as final tariff language, effective dates, and cost-allocation safeguards—will be settled in the compliance filings that follow. The impact of the Order is likely to extend well beyond PJM, and companies that develop, finance, own, or supply power to co-located data centers should continue to monitor the proceedings as the compliance filings are made.

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