December 19, 2025

Alert: Federal Energy Regulatory Commission Orders Major PJM Tariff Reforms for Co-Located Load and Behind-the-Meter Generation

On December 18, 2025, the Federal Energy Regulatory Commission ("FERC" or the "Commission") issued an order requiring changes to the PJM Interconnection, LLC ("PJM") Tariff because the Tariff fails to address with sufficient "clarity or consistency" the rates, terms, and conditions of service applicable to co-location arrangements, including generators serving co located large loads such as data centers.[1] The Commission also found that the PJM Tariff fails to provide for a full accounting of loads with behind-the-meter generation ("BTMG") in resource adequacy planning.[2]

The Commission's order is a direct effort "to establish transparent rules to facilitate service of AI-driven data centers and other large loads co-located with generating facilities."[3] The Commission directed PJM to submit multiple compliance filings on a short timeline and established a paper hearing to determine the just and reasonable rates for newly created transmission services required by the order.

I. Proceeding History

The PJM Order arises from two proceedings concerning co-located loads,[1] which have rapidly proliferated in PJM, particularly in connection with large data centers and other energy intensive loads.[5] Various stakeholders filed comments in both proceedings, raising concerns over jurisdictional issues, the impact of co-location on resource adequacy and energy prices, whether grid-connected resources can truly be isolated and avoid wholesale grid services, and cost allocation.

To address the novel issues raised in the technical conference and the Complaint proceedings, the Commission initiated a show cause proceeding under Section 206 of the Federal Power Act on February 20, 2025. The Show Cause Order directed PJM to respond to these concerns and show cause as to why the Tariff remains just and reasonable absent clear provisions addressing the rates, terms, and conditions of service for co-location arrangements, and to submit tariff provisions to remedy these deficiencies.[6]

II. The PJM Order

FERC Jurisdiction

A significant portion of the PJM Order addresses the scope of federal and state jurisdiction over co-location arrangements. The Commission reaffirms adherence to the Federal Power Act's jurisdictional divide between areas of exclusive state authority (such as terms of retail sales, retail rate design, and retail franchise authority) and areas of clear FERC jurisdiction (the interstate transmission and wholesale sale of electricity). The Commission affirmed that a generator's interconnection to the interstate transmission system does *not* fall outside the Commission's jurisdiction just because there is co-located load behind the generator's point of interconnection.[7]

PJM's Tariff is Unjust and Unreasonable as Applied to Co-Located Load

In the PJM Order, FERC finds that PJM's Tariff is unjust and unreasonable because it does not contain sufficiently clear or consistent enough provisions governing the rates, terms, and conditions of service that apply to generators serving co-located load and Eligible Customers taking transmission service on behalf of co-located load.[8] Specifically, FERC found that PJM's Tariff is unjust and unreasonable because it does not include types of transmission service that reflect Eligible Customers taking service on behalf of co-located loads that are willing and able to limit their use of the transmission system under certain conditions (i.e., curtailing their load).[9] The Commission emphasized that the lack of defined pathways for transmission service and interconnection treatment raises the potential for undue discrimination and cost shifts, in violation of cost causation principles.

Transmission Service for Co-Located Load

In order to create clearer pathways for Eligible Customers serving co-located load, the Commission directed PJM to revise its Tariff to require that an Interconnection Customer who will use its generating facility to serve co-located load specify an Eligible Customer who will take transmission service on behalf of the co-located load.[10] The Commission directed PJM to establish three new transmission services, in addition to its existing Network Integration Transmission Service, to provide for co-located load that is willing and able to limit its energy withdrawals from the transmission system under certain conditions:

1. A new Interim, Non-Firm Transmission Service that only transmission customers seeking NITS may request;
2. A new Firm Contract Demand transmission service; or
3. A new Non-Firm Contract Demand transmission service.

FERC established a paper hearing to determine the just and reasonable rates, terms, and conditions for the three new transmission services, signaling that the Commission expects tailored service options for loads willing and able to curtail use of the transmission system.

New Pathways for Interconnection and Service Flexibility

The Commission additionally ordered PJM to revise its Tariff to clearly define the steps that an Interconnection Customer must follow to implement a co-location arrangement. Specifically, PJM must clarify how Interconnection Customers can make use of:

- Provisional interconnection service;
- The ability to request interconnection service below nameplate capacity;
- The potential to accelerate the interconnection process under certain circumstances (such as where the request has no Network Upgrades and requires no further studies); and
- Surplus Interconnection Service to interconnect new generating facilities seeking to serve Co-Located Load.[11]

Behind the Meter Generation

FERC also found that PJM's existing BTMG rules are no longer just and reasonable as applied to modern, large-scale co-located loads. The Commission specifically found that PJM's BTMG rules are no longer consistent with cost causation principles and do not fully account for the impacts of large loads on resource adequacy planning.[12] The Commission directed PJM to revise its BTMG rules and to establish a transition mechanism for existing BTMG participants.

Cost Allocation

The PJM Order requires changes to the PJM Tariff to ensure that co-located load that causes costs for or benefits from Network Upgrades, and blackstart and regulation services pays for those upgrades and services.[13]

Compliance and Next Steps for PJM

PJM has several compliance requirements as a result of the Order:

- Within 60 days, or by February 16, 2026, PJM must file a compliance filing to revise its Tariff to set forth specific terms and conditions that an Interconnection Customer seeking to serve co-located load must follow in order to effectuate a co-location arrangement.
- Within 30 days, or by January 19, 2026 PJM must file a compliance filing to revise its Tariff to make clear how Interconnection Customers can make use of provisional interconnection service and surplus interconnection service to interconnect new generating facilities seeking to serve co-located load.
- PJM must also revise its Tariff to require that the Eligible Customer taking transmission service on behalf of the co-located load take one of the three above-noted transmission services.
- PJM must revise its Tariff to revise the BTMG rules and to implement a transition process for existing BTMG participants.

III. Implications for Pending Advance Notice of Proposed Rulemaking ("ANOPR") Proceeding and Market Participants

The Ongoing ANOPR Proceeding

Although the PJM Order addresses issues specific to the PJM Tariff, the order provides insight into how the Commission may approach its final rule in the pending ANOPR on Large Load Interconnections.[14] The Commission clarified that it elected to address co-location issues through adjudication first and that this PJM Order would not replace a final rule on large load interconnection.[15] While the Commission stressed that the rulemaking will be separate, the final rule will likely reflect certain principles discussed in the Order.

With respect to jurisdiction, the Commission reaffirmed its commitment to maintaining the careful balance between federal and state regulation. In future orders, the Commission is likely to find that states retain exclusive authority over retail sales, siting, generation mix, and transmission in intrastate commerce as they relate to large loads. At the same time, the Commission will continue to exercise jurisdiction over the interconnection of generator interconnection to FERC jurisdictional facilities. To the extent that large load interconnects to FERC-jurisdictional facilities and may affect transmission service in interstate commerce, such interconnections will likely be governed by FERC, while states will maintain their authority over retail, siting, and intrastate matters.

In addition, the Commission acknowledged the need to address resource adequacy, cost allocation and reliability considerations associated with interconnection of large loads, regardless of whether such load is co-located,[16] but did not require PJM to modify its capacity market, reliability, and resource adequacy rules to address generating facilities' service to co-located load at this time.[17] Accordingly, the extent to which the Commission will require that transmission providers modify these rules to accommodate large load interconnection remains unclear.

Implications for Market Participants, Including Data Centers

The PJM Order reflects significant new requirements for how PJM (and potentially other RTOs after a final rule in the ANOPR proceeding) will address co-located generation and load. Data centers and large loads should expect obligations related to transmission service, network upgrade, and ancillary service costs, and potential increased scrutiny of their impacts on the transmission system. Generators serving such load in a co-location arrangement may face new interconnection, metering, and operational requirements, as well as changes to existing BTMG rules. The PJM Order brings more clarity and certainty to the co-location of loads and BTMG on the transmission system and further prepares the way for a final rule that will apply across the nation to the interconnection of large loads.

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

[2] *Id.* at P 2.

[3] *See,* https://ferc.gov/news-events/news/fact-sheet-ferc-directs-nations-largest-grid-operator-create-new-rules-embrace.

[4] *See* Docket No. AD24-11-000, a technical conference held on November 1, 2024, examining broad issues related to the co-location of large loads and providing a forum for stakeholder input across the industry; and Docket No. EL25-49-000, a complaint proceeding initiated by Constellation Energy, LLC alleging that PJM's Tariff is unjust, unreasonable, and unduly discriminatory because it fails to establish rules governing service to load co-located with BTMG.

[5] The Commission has defined “Co-Located Load” as "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 Interconnection, L.L.C.*, 190 FERC ¶ 61,115 at P 4, note 4 (2025) ("Show Cause Order"); PJM Order at P 1, note 3.

[6] Show Cause Order at Ordering Paragraphs A-B.

[7] PJM Order at P 171.

[8] *Id.* at P 2.

[9] *Id.*

[10] *Id.* at P 160.

[11] *Id.* at P 161.

[12] *Id.* at P 186.

[13] *See id.* at PP 176, 184-186.

[14] Docket No RM26-4.

[15] PJM Order at P 247.

[16] *Id.* at P 243.

[17] *Id.*

Authors



Eric K. Runge
Counsel

Boston, MA | (617) 345-4735

ekrunge@daypitney.com



Valerie L. Green
Partner

Washington, D.C. | (202) 218-4382

vgreen@daypitney.com



Margaret Czepiel
Associate

Washington, D.C. | (202) 218-3906

mczepiel@daypitney.com



Dina A. Goldman
Associate

Washington, D.C. | (202) 218-4381

dgoldman@daypitney.com



Kyle Kammien
Associate

Washington, D.C. | (202) 218-4380

kkammien@daypitney.com