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A Customer-Centric Agenda for the Federal Energy Regulatory Commission

Connecting the dots between AI and economic leadership, grid reliability and security, and customer affordability.

Electricity Customer Alliance

INTRODUCTION

It's become almost cliché to say that the electric power industry is facing unprecedented challenges. Demand for electricity[1] is growing at a pace not seen in a generation, led by several converging trends:

- Rapid growth in data centers and the demands of Artificial Intelligence (AI) development,
- Onshoring and expanding advanced manufacturing and industry, and
- Steady increases in electrification and broader consumer demand.

At the same time, regulatory structures, market rules, and the generation and transmission infrastructure development needed to serve this new demand are not keeping pace, straining reliability and resource adequacy and driving electricity costs higher. Increasing power bills[2] are pinching American family budgets and threatening an affordability crisis that will harm households and make the country less competitive in the global AI and economic development race.

These challenges require leadership from federal and state governments, modernized electricity regulatory constructs and market rules, and greater innovation in the electricity sector.

At the federal level, the Federal Energy Regulatory Commission (FERC or Commission) will play a pivotal role in laying the foundation for the development of wholesale electricity markets and a bulk power system that serve exponentially rising power demands driven by the economic and national security imperatives of the AI race and growth in manufacturing and other critical economic sectors while ensuring that electricity remains affordable and reliable for all customers.

FERC also plays an important role in convening state energy regulators around the challenges of rising demand and affordability and identifying jurisdictional complications between FERC and the states that must be clarified. The Commission has announced that it will conduct just such a convening in February alongside[3] the National Association of Regulatory Utility Commissioners Annual Meeting.

The newly confirmed leadership at FERC has already shown it intends to act swiftly to address the industry's current challenges, recently ordering PJM[4] Interconnection, L.L.C. (PJM) to develop three new transmission services to facilitate the co-location of large customer facilities with generating resources.

FERC also has before it an "Advance Notice of Proposed Rulemaking" (ANOPR)[5] from the Secretary of Energy requesting that it consider broader reforms, applicable across the country, to clarify the procedures and agreements that apply to the interconnection of large loads to the transmission grid.

While the details of implementation of these policies will matter greatly (and the details here are still very much in development), these actions are welcome signs that federal energy regulators will address the uncertainties holding back progress.

TOWARDS A CUSTOMER-CENTRIC AGENDA

FERC's early action on co-location in PJM and the Secretary's ANOPR provide an initial catalyst for the development of a customer-centric agenda of regulatory and market reforms that not only address near-term large load growth challenges and the national security and economic growth imperatives underlying that growth but also harness the benefits that new large loads and associated infrastructure can provide to all ratepayers.

Meeting the challenges and capturing the opportunities of this moment requires policy and regulatory solutions to:

1. Facilitate "speed to power" for large customers in the near term;
2. Ensure that large loads can be fully integrated into the grid in the future; and
3. Center customer affordability by improving regulatory oversight of key cost drivers and enhancing transparency and market governance.

A customer-oriented FERC agenda for 2026 and beyond focused on these three pillars would meet the moment and connect the dots between American AI, manufacturing, and industrial leadership, grid growth for reliability and security, and customer affordability.

HOW CAN LARGE LOAD GROWTH BENEFIT EXISTING RATEPAYERS?

Emerging new large loads are an important new set of customers that can share in the ever-rising fixed costs of the grid, spreading them over more users and putting downward pressure on bills for everyone. Recent studies[6] have shown that states with growing large loads are keeping rates in check. Before this anticipated growth, the electric utility industry was facing a need for new investments to replace aging infrastructure and bolster system resilience. Without new demand, existing would have been forced to foot the bill for those costs on their own.

FACILITATING "SPEED TO MARKET" FOR LARGE CUSTOMERS TODAY

To win the global AI and economic development race, new and expanding large load customers like data centers and manufacturing and industrial facilities require rapid access to power supply. When host utilities cannot provide timely access to power due to long timelines for interconnection, these customers need to pursue alternative power supplies, whether by:

- Supporting construction of generation to meet their needs ("bring your own power"),
- Pursuing co-location arrangements,
- Signing purchased power agreements,
- Utilizing behind the meter generation or microgrids, or
- Engaging in other flexible supply arrangements.

Existing regulatory and market constructs, however, can hinder pursuit of these arrangements, whether because they impose outright barriers or simply lack clear rules.

Addressing these barriers and clearing the path for "speed to power" and "bridge to power" arrangements doesn't just serve data centers or other new large customers. **It is also a win-win for reliability and other customers on the grid, who are protected from cost shifts because new large customers have a pathway to pay for their own growth with private capital rather than ratepayer dollars. This also provides time for utilities and grid planners to devise the most economic infrastructure solutions to interconnect these loads, meet other customer needs, and put downward pressure on rates in the longer-term.**

FERC's recent order requiring PJM to revise its transmission service offerings to clear the path for large load facilities to be co-located with generating plants is a good example of the kinds of actions that can facilitate "speed to power". That order addresses just one potential power supply arrangement in a single market, however.

FERC's directives to PJM, the Secretary's ANOPR proposals, and another recent order[7] approving new procedures to accelerate large load interconnection in Southwest Power Pool (SPP), all provide a further jumping off point to consider what transmission service and interconnection reforms are needed across the country (in Regional Transmission Organization/ Independent System Operator (RTO/ISO) regions and non-RTO/ISO regions alike) to clear paths for large customers to pursue a variety of arrangements to quickly access power they need to grow.

SPP'S HIGH IMPACT LARGE LOAD PROCEDURES

In January 2026, FERC approved new procedures proposed by SPP[8] to integrate new large loads into the system and provide a pathway for expediting the connection of new generators built to serve them. The new procedures include accelerated timelines for completing a large customer's interconnection study work, paired with an accelerated generator interconnection process for new resources that are specifically identified for and limited to serving the large customer. This approach seeks to facilitate "bring your own power" arrangements while protecting existing customers and system reliability.

The new transmission services FERC required PJM to develop could be extended to other transmission providers and regions and could facilitate arrangements beyond co-location. Further examination of the proposed principles in the ANOPR, especially those focused on speeding interconnection of large customers who can provide flexibility by curtailing consumption and on accelerating interconnection of generation paired with new large loads, would also support speed to power and accelerate the construction of generation needed to put downward pressure on prices. Bringing all of this together would provide greater clarity for large loads, new generation developers, and existing customers alike.

NEW FERC-ORDERED PJM TRANSMISSION SERVICES

The three new transmission services FERC ordered PJM to implement are intended to provide new choices for customers who want to locate their facility at a power plant and directly connect to it to serve some or all of their power needs while maintaining a grid connection. They include two new Firm and Non-Firm Contract Demand services, which allow a customer co-located with a generator to contract and pay for service that is less than their total consumption to reflect the actual net withdrawals they plan to make in operation. They include protections to ensure the customer cannot take more service than contracted. The third is a new Interim Service that allows a customer to connect to the grid faster if it agrees to curtail service until grid upgrades are completed to allow for full grid interconnection.

The significant investments large load customers are making (and will continue to make) in on-site power solutions provides an opportunity to expand the concept of "load flexibility"[9] beyond today's focus on strategic curtailment of service to customers to consider how the entire power system can become more flexible and resilient. Expanding this concept is critical, as asking customers to compromise on service is not sustainable in the long term. The new resources being developed at large customer sites have significant potential to be part of that broader flexibility concept and utilized to benefit system reliability and reduce total system costs. FERC can harness this potential by taking a renewed look at the demand side of the wholesale markets and how customer-sited and demand side resources are valued. This includes ensuring that customer-sited resources have opportunities to provide wholesale market services, either individually (as DOE emphasizes in the twelfth principle of the ANOPR) or through aggregation models that comply with Order No. 2222[10], and examining the suitability of legacy demand response programs for today's large customers.

Further, FERC can advance speed to power and customer affordability objectives by continuing to push for the adoption of advanced transmission technologies (also called "Grid Enhancing Technologies ("GETs")) to create new transmission capacity on existing infrastructure and transmission paths. FERC has already required[11] use of technology to adjust line capacity based on ambient temperatures and has a pending proceeding[12] to consider additional requirements to use advanced technologies to allow more power to flow on existing lines when it is safe to do so. It will also soon receive proposals from transmission planners in response to Order No. 1920[13] (finalized in 2024) detailing how they will consider the use of these technologies when planning future transmission investments.

PLANNING FOR THE INTEGRATION OF LARGE CUSTOMER LOADS INTO THE GRID IN THE LONGER-TERM

Even as many large load customers pursue flexible power supply solutions today, most also continue to seek a grid interconnection in the future[14], recognizing the long-term reliability, efficiency, and cost benefits of integration into the broader power system.

Connecting large loads to the bulk power system is also key to capturing the benefits they can provide in spreading fixed costs to new users, helping lower rates for existing customers. **In short, facilitating "speed to power" in the near-term doesn't obviate the acute need for longer-term grid infrastructure deployment.**

This reality requires continued pursuit of more holistic transmission planning processes that better account for large customer demands and associated generation in development to serve them and identify the most efficient transmission expansion opportunities that meet these and other customer needs at the lowest possible cost. Today's still bifurcated planning processes, and overreliance on local solutions to meet discrete needs, are adding customer costs and locking in inefficiencies.

Existing load forecasting practices are also making planning more challenging, with customers losing confidence in the large and uncertain forecasts currently being put forward by utilities and RTOs/ISOs and the distortion they can cause for investment signals and transmission and resource planning.

FERC will have opportunities in 2026 to advance reforms that will ease the pathway for large customer facilities to be interconnected to the grid in the future. As noted above, the Commission will soon receive filings from RTOs/ISOs and non-RTO/ISO transmission providers in compliance with Order No. 1920, which requires these entities to establish transparent long-range multi-value regional transmission planning processes to meet future needs.

While these compliance filings will differ in their details, in many regions they will meaningfully advance the industry closer to the holistic transmission planning processes necessary to ensure long-term grid interconnection of large loads like data centers and manufacturing and industrial facilities. They will also provide new roles for the states to drive transmission deployment and greater transparency for customers in how needs and solutions are analyzed[15]. Prompt FERC action[16] to ensure their implementation in a timely and practical way is necessary.

In addition, FERC can play a role in improving load forecasting practices across the country to address concerns that they are inflated with speculative or duplicative large customer projects that are driving high market prices and creating the risk of stranded grid investments. While states play the lead role in regulating utility load forecasting practices, where those forecasts impact wholesale power and capacity markets prices (as they have in PJM), FERC jurisdiction is implicated.

Commissioner David Rosner's letter[17] last year to RTOs/ISOs gathered important information on existing practices, and at a June 2024 FERC conference[18] on generation resource adequacy, state regulators expressed support for FERC action to develop best practices across RTOs/ISOs.

Customers have suggested several steps FERC can take[19], working jointly with states, in this area, including crafting requirements for new large loads to demonstrate commercial viability or be commitment-backed before being included in load forecasts.

THE ROLES OF STATES IN TRANSMISSION

States play a critical role in advancing the transmission needed to meet load growth and put downward pressure on retail rates. FERC, in the Order No. 1920 proceedings, provided states additional opportunities to engage in transmission planning. Transmission planners must consult with states when they build future planning scenarios to allow them to submit needs they believe should be planned for. FERC has allowed states to propose their own methods for allocating the costs of transmission, and agree on their own to allocating costs of specific projects or portfolios. These options are in addition to states critical role in permitting transmission lines, and the role many states have taken on in creating state-run authorities[16] to advance needed transmission infrastructure within their borders.

CENTERING CUSTOMER AFFORDABILITY AND ENHANCING TRANSPARENCY AND MARKET GOVERNANCE

Last, but certainly not least, every decision that policymakers and regulators make in this environment will have affordability implications for customers. As a result, affordability of service to all customers, and avoiding shifting of costs from new large customers to existing residential customers, must be prioritized by regulators everywhere, including FERC.

Pursuing affordability solutions starts with improving transparency in ratemaking and market governance. Without more sunlight on investment plans and decisions, cost inputs, and other key spending and operational factors underlying rates, it is difficult to identify the key drivers of rising customer bills and opportunities for addressing them.

FERC's reliance on formula ratemaking approaches, while intended to minimize the expense and burden of traditional rate cases, has also sparked concerns about transparency of cost inputs and reviews of those inputs. Enhancing oversight and transparency of formula rates would improve customer confidence in spending and identify opportunities to discipline rising expenses.

In addition, moving forward on the needed expansion of regional and interregional transmission capacity to serve large customer loads and reduce costly system congestion[20] that adds to consumer bills is challenged by rising local transmission costs.

WHAT ARE FORMULA RATES?

FERC allows transmission owners to use this regulatory mechanism to recover costs they incur to build and operate the system using a pre-approved formula that populates automatically with actual financial data. This system replaced traditional fixed or "stated" rates, where periodic rate cases review the inputs to the transmission owner spending plans and set a fixed rate to recover costs. Formula rates were adopted with the intent of providing certainty and timely cost recovery for infrastructure investments and reducing the costs associated with formal rate proceedings. Unlike a formal rate case, where challenges are addressed as part of approving the rate, customers must initiate challenges to formula rate inputs. This makes transparency and understanding of those inputs important to protecting consumers from overcharges or imprudent spending.

Customers support robust regional transmission planning and increasing interregional transmission capability but are facing sharp increases in the transmission and distribution portion of the bill (all of which are fixed costs), driven in significant part by spending on smaller local transmission projects.[21]

FERC can address this situation, and advance overall goals for smart transmission expansion that meets load growth and affordability goals, by taking steps to further examine local transmission project spending, increase transparency of that spending and future planned local investments, and reduce incentives to pursue these piecemeal investments to the exclusion of investments in more efficient multi-value projects.

Transmission ratemaking tools and methodologies are also coming back into focus as FERC and the states seek to reduce overall rates and ensure that the costs of building out infrastructure to serve rising demand are allocated to those who cause, or benefit from, that infrastructure investment.

FERC's use of return on equity (ROE) adders, which boost utility profits to encourage certain investments or actions (like joining an RTO/ISO), have long been controversial and demand increasing scrutiny considering the current affordability crisis.

In addition, recent suggestions[22] that the Commission review current and past ratemaking policies to assess their suitability for clearly and appropriately assigning transmission costs in the face of the large customer-driven investments of today would be a prudent step to improve customer confidence, improve transparency, and aid the states in their work to ensure that new large customers are allocated an appropriate share of system costs.

Finally, despite recent well-publicized challenges in competitive wholesale power markets like PJM in recent months, customers still strongly support competitive market constructs and processes as a key tool to drive down wholesale power costs.

PJM, however, is facing significant load growth, resource adequacy, and customer affordability challenges that threaten the future of these markets and that have the close attention of the Administration, all the Governors of the PJM region, and FERC itself. Making progress on these challenges will be critical to the future success of PJM's competitive markets and consumers in their region.

Addressing load forecasting, as discussed above, will be crucial here, given the outsized impact uncertain load forecasts[23] have had on wholesale prices in PJM. Proposals from the Administration, Governors, and PJM Board for emergency procurements of new generation to fill reliability shortfalls must be carefully designed to meet reliability needs while shielding customers from risks of stranded costs. Finally, ensuring that new large loads pay for their growth and that costs are not inappropriately shifted to existing customers will require states to reexamine existing cost allocation practices at the retail level, and FERC and PJM to ensure that costs incurred at wholesale or for transmission to serve those loads are just and reasonable and transparent.

More broadly, stakeholder and governance processes lack transparency in some RTO/ISO regions, and customers and states in particular have expressed increased frustration that their voices are diluted in these processes. While reforming RTO/ISO governance is a challenging endeavor, greater attention to these issues (whether at FERC, in Congress, or within the RTOs/ISOs themselves) and taking steps to ensure that customer voices are heard would engender more confidence among customers in how those markets are administered.

FOSTERING WHOLESALE AND RETAIL COOPERATION IN COST ALLOCATION

Allocating transmission and wholesale power costs directly to large loads requires jurisdictional coordination. While FERC regulates the allocation of these costs to individual utility zones (generally), the allocation of those costs to specific customer classes is regulated by the states. In this dynamic environment of rapid large load emergence, existing practices for flowing these costs from wholesale to retail could be strained. The Federal Power Act[24] has long contained a tool called "joint boards", which empowers FERC to jointly examine issues, and even hold joint hearings, with states. While adopted in 1935 and seldom used, this tool was designed to allow FERC to work with states on issues like this one where the jurisdiction of both is implicated.

THE PATH FORWARD

To be sure, addressing any of the issues identified above will require significant effort, robust engagement with states and the public, and in some cases the development of new and innovative regulatory approaches. While acknowledging that time and FERC resources are scarce, progress on reforms within each of these pillars would move the nation closer to a market and regulatory paradigm that supports shared national goals of American AI leadership and economic growth, delivers a reliable and resilient electricity, and addresses systemic affordability challenges facing ratepayers of all sizes.

ENDNOTES

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