

FERC orders six US grid operators to fix or defend rules for connecting data centres

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Insight

FERC Institutes Six Simultaneous Section 206 Proceedings Targeting Large Load Interconnection Across All RTO/ISO Markets

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On June 18, 2026, the Federal Energy Regulatory Commission (“FERC” or the “Commission”) issued a landmark suite of six contemporaneous orders to show cause (the “Show Cause Orders”), under Section 206 of the Federal Power Act (“FPA”). Each order is directed at one of the nation’s six Regional Transmission Organization and Independent System Operator (“RTO/ISO”) markets subject to FERC’s jurisdiction: PJM, CAISO, MISO, NYISO, ISO-NE, and SPP. 1 Together, these regions cover nearly two-thirds of load subject to Commission-jurisdictional rates across the country. The Show Cause Orders preliminarily find that the tariff for each RTO/ISO is unjust and unreasonable with respect to the integration of large loads (i.e. data centers) and direct the RTO/ISOs to demonstrate why the Commission’s concerns are unfounded or to propose modifications to their respective tariffs to address the Commission’s concerns. The Show Cause Orders represent the most comprehensive federal action to date on the integration of large commercial and industrial loads — particularly data centers — into the interstate transmission system. The Show Cause Orders carry significant implications for load-serving entities, transmission owners, generators, data center developers, and state regulators alike.

Background: A Year of Escalating Action

The Show Cause Orders are the culmination of more than a year of intensifying Commission attention to the challenges unprecedented load growth presents to RTOs/ISOs. The North American Electric Reliability Corporation (“NERC”) has documented significant increases in load forecasts across multiple planning regions,

and the Secretary of Energy's October 2025 Advance Notice of Proposed Rulemaking ("ANOPR") under Section 403 of the Department of Energy Organization Act highlighted the risk that new load additions could strain transmission infrastructure and resource adequacy margins if the regulatory framework does not adapt. V&E previously issued a client alert on the ANOPR, available [here](#).

On April 16, 2026, the Commission issued an Order Regarding Intent to Act, signaling that it would use its authority to address RTO/ISO tariffs as they relate to large and co-located loads. 2 Intervenor across all six regions expressed broad support for Commission action, with load-serving entities, state commissions, consumer advocates, and transmission owners each emphasizing the need for clear, uniform standards to manage large load interconnection, cost allocation, and co-location arrangements that preserve reliability and protect existing customers from unjust cost shifts.

What Is a "Large Load"?

Across the Show Cause Orders (with a narrower formulation for SPP, discussed below), the Commission preliminarily finds it reasonable to define a "large load" as: (1) a new commercial or industrial customer, (2) located at a single site behind one or more points of interconnection, (3) with a peak load of 50 MW or greater, (4) interconnecting at a voltage level greater than 69 kV — the typical transmission voltage level, and (5) not part of a co-location arrangement. This definition is designed to capture the data center and advanced manufacturing loads driving much of the current demand surge while excluding smaller commercial customers and co-located configurations addressed separately. We discuss the definition of co-located load below.

Core Directives: Five Categories of Reform

In each order, the Commission preliminarily finds that the respective RTO/ISO's open access transmission tariff appears to be unjust, unreasonable, or unduly discriminatory or preferential. Within 60 days of the Show Cause Order issuance, each RTO/ISO and its transmission owners must either show cause why the tariff remains just and reasonable without provisions addressing the five categories below, or explain what tariff changes would remedy the Commission's concerns. The Commission strongly encourages the RTO/ISOs to propose tariff revisions under their FPA Section 205 filing rights rather than merely respond to the show cause.

Below are the five categories of concern that need to be addressed by each RTO/ISO.

(1) Application Process, Study Procedures, and Operational Requirements

The Commission directs each RTO/ISO to establish or refine tariff provisions requiring rolling acceptance of large load applications (rather than cluster-based processing), appropriate application fees and study deposits to deter speculative requests, readiness requirements demonstrating site control and financial commitment, and study procedures that consider thermal, voltage, stability, short-circuit, and deliverability concerns. Study timelines of 60 to 90 days for initial results are contemplated, along with evaluation of alternative transmission technologies including advanced conductors, grid-enhancing technologies, and storage-as-transmission.

Ongoing operational requirements include real-time metering and telemetry, load management plans (encompassing demand response and curtailment protocols), periodic reporting of actual versus projected load growth, and compliance with applicable reliability standards. The Commission also directs development of a standardized pro forma service agreement for large load transmission service to promote consistency and reduce transaction costs.

(2) Cost Transparency and Cost Recovery

The Commission preliminarily finds that the tariffs currently lack adequate provisions to protect existing transmission customers from unjust cost shifts attributable to large load additions. Each RTO/ISO must establish tariff provisions requiring disclosure of aggregate load additions by study region and planning year, identification of network upgrades by type (reliability, economic, and deliverability), cost estimates for each category attributable to large load additions, and periodic public reporting of actual versus estimated costs.

Each RTO/ISO must also develop a pro forma Cost Recovery Agreement ("CRA") requiring a minimum financial contribution from the large load customer toward directly attributable to network upgrades, credit support (letter of credit, surety bond, or cash deposit), a revenue requirement credit mechanism that returns amounts paid as upgrades, incorporating these amounts into rate base, and workpapers sufficient for Commission and intervenor verification of costs and credits.

(3) Co-Location Arrangements and Behind-the-Meter Generation

Applicable to CAISO, MISO, NYISO, ISO-NE, and SPP (with PJM's co-location issues addressed in a separate proceeding), the Commission adopts preliminary definitions for "co-located load," "co-location arrangement," "behind-the-meter generation" ("BTMG"), and "Eligible Load." The Commission preliminarily finds that the existing tariffs do not adequately address whether a co-located load interconnected below a generating facility's maximum net output must take transmission service, how demand charges should be assessed on a gross versus net basis, and how cost-causation principles apply when a generator simultaneously serves wholesale market obligations and on-site co-located load. Each RTO/ISO is directed to propose tariff provisions establishing clear rules for metering, settlement, capacity obligations, and transmission service requirements for co-location arrangements.

(4) Flexible Large Load Services

The Commission preliminarily finds that the tariffs may be unjust and unreasonable in lacking provisions reflecting the operational characteristics of flexible large loads — loads capable of rapidly curtailing or shifting consumption in response to system conditions. Each RTO/ISO is directed to consider establishing interim Network Integration Transmission Service ("NITS") and firm or non-firm contract-demand-based services tailored to such loads, recognizing the value of load flexibility in deferring or avoiding transmission upgrades, and requiring appropriate control technologies (automated demand response systems, real-time telemetry, and communication protocols) to verify and enforce flexible commitments.

(5) Electrically Proximate Large Load

Applicable to PJM, CAISO, MISO, NYISO, and ISO-NE (SPP is excluded because its existing High Impact Large Load Generation Assessment ("HILLGA") process addresses this issue), the Commission preliminarily finds that the tariffs appear unjust and unreasonable insofar as they lack provisions addressing the rights and obligations of interconnection customers proposing to serve "electrically proximate large load" — defined as a large load located within two substations of the point of interconnection of an existing or proposed generating facility. The Commission identifies three potentially reasonable approaches: a dedicated study process with interim service, modification of existing Energy Resource Interconnection Service ("ERIS") or Network Resource Interconnection Service ("NRIS"), or creation of a new load-limited interconnection service category.

Informational Report on Resource Adequacy

Separate from the show cause directives, each RTO/ISO must submit, within 30 days of the Show Cause Order issuance, an informational report describing how it intends to ensure adequate generation to serve both existing and new large loads. The report should address current reserve margins, projected resource additions and retirements, the impact of pending large load requests on capacity needs, and any market design or planning process changes under consideration to maintain reliability.

Key Deadlines

Deadline Action 21 days from Order (The Orders were issued on June 18, 2026) Deadline for notice of intervention or motion to intervene under Rule 214 30 days from Order RTO/ISO informational report on generation adequacy 45 days from Order Deadline to request a full or partial abeyance (up to 90 days) 3 60 days from Order RTO/ISO and transmission owners show cause or propose tariff revisions; Section 205 filings strongly encouraged 30 days after RTO/ISO filing Interested entities may respond on (1) whether the tariff remains just and reasonable, and (2) if not, replacement-rate changes

Key Takeaways

The Show Cause Orders signal a fundamental shift in how FERC intends to regulate the integration of large commercial and industrial loads into the interstate transmission system. Several practical considerations stand out for stakeholders.

For data center developers and large load customers, the Show Cause Orders indicate that transmission service will come with significantly enhanced application requirements, financial commitments, and ongoing operational obligations. The proposed CRA framework, including mandatory financial contributions toward network upgrades and credit support requirements, will increase the upfront cost of interconnection in certain instances but may also provide greater cost certainty through the revenue requirement credit mechanism. Developers should evaluate their project timelines against the 60-day show cause deadline, the possibility of 90-day abeyances, and the potential for further proceedings before new tariff provisions take effect. FERC clarified that these orders are not

intended to disrupt existing agreements that large loads have negotiated, or are in the process of negotiating, for the provision of transmission service. These orders provide that the RTOs/ISOs should allow a reasonable amount of time to finalize agreements that are nearing completion when any tariff revisions are filed with the Commission.

For transmission owners in RTOs/ISOs, the Show Cause Orders require active participation in the show cause proceedings within 60 days, with the Commission strongly encouraging Section 205 filings. Transmission owners should begin evaluating whether their existing load interconnection processes can be adapted to meet the Commission's directives or whether new tariff provisions are needed. The workpaper transparency requirements in the proposed CRA framework also merit careful attention.

Transmission owners outside of RTOs/ISOs should begin considering how they may address a similar Commission order directed at them. The FERC Chairman, in a concurrence, noted how the challenges addressed in the Show Cause Orders are not unique to RTOs/ISOs. The Commission encourages public utilities in other regions to file Section 205 proposals to address the concerns raised in the orders and the Secretary of Energy's ANOPR.

For existing ratepayers and load-serving entities, the Show Cause Orders' emphasis on cost-causation principles and the Ratepayer Protection Pledge provides a basis for advocacy in the upcoming comment periods. The 21-day intervention deadline is imminent and stakeholders should prepare to participate across multiple dockets.

For generators and interconnection customers, the electrically proximate large load provisions open new pathways — and new obligations — for serving nearby large loads. The three approaches identified by the Commission (dedicated study process, modified ERIS/NRIS, or new load-limited interconnection service) each carry distinct implications for existing capacity commitments and revenue streams.

For state regulators, the Commission has taken care to preserve state authority over retail electric service, facility siting, integrated resource planning, and retail rate design. However, the Show Cause Orders will inevitably intersect with state proceedings on resource adequacy, generation procurement, and siting, and state commissions may wish to intervene to ensure coordination.

The Commission directed each RTO/ISO to show cause as to why its respective tariff remains just and reasonable and not unduly discriminatory and explain what tariff changes would remedy FERC's concerns within 60 days of the Show Cause Order. Region-by-region highlights and in-depth summaries of each Show Cause Order are available upon request.

Vinson & Elkins' energy regulatory team is closely monitoring these proceedings and is available to advise clients on intervention strategies, show cause responses, Section 205 filing options, and the commercial implications of the Commission's emerging framework for large load integration.

1 PJM Interconnection, L.L.C., et al., 195 FERC ¶ 61,211 (2026) ("PJM Show Cause Order"); California Indep. Sys. Operator Corp., et al., 195 FERC ¶ 61,214 (2026) ("CAISO Show Cause Order"); Midcontinent Indep. Sys. Operator, Inc., et al., 195 FERC ¶ 61,212 (2026) ("MISO Show Cause Order"); New York Indep. Sys. Operator, Inc., et al., 195 FERC ¶ 61,216 (2026) ("NYISO Show Cause Order"); ISO New England Inc., et al., 195 FERC ¶ 61,215 (2026) ("ISO-NE Show Cause Order"); Sw. Power Pool, Inc., et al., 195 FERC ¶ 61,213 (2026) ("SPP Show Cause Order") ("Show Cause Orders").

2 Interconnection of Large Loads to the Interstate Transmission Sys., 195 FERC ¶ 61,045 (2026).

3 The Commission will consider requests to hold all or part of a proceeding in abeyance for up to 90 days if filed within 45 days but has signaled it will not grant abeyances reflexively and will disfavor extension requests.

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