



FERC Provides Further Guidance on Co-located Load Interconnection

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On April 16, 2026, the Federal Energy Regulatory Commission (FERC or Commission) issued an [order](#) partially accepting and partially rejecting PJM Interconnection, L.L.C.'s (PJM) compliance filing addressing the Commission's December 2025 determination that PJM's tariff was unjust and unreasonable as applied to generators serving Co-Located Load, including large data centers.¹ FERC accepted tariff reforms that provide clarity on interconnection pathways, but rejected PJM's attempt to alter the Commission-mandated definition of "Co-Located Load" and to revise behind-the-meter application requirements. The Commission also directed an additional compliance filing within 30 days.

Background

On December 18, 2025, FERC issued an [order to show cause](#) in Docket No. EL25-49-000, et al. that found PJM's tariff lacked sufficient clarity and consistency regarding the rates, terms, and conditions applicable to interconnection customers seeking to use new generating facilities to serve Co-Located Load. Acting under section 206 of the Federal Power Act, the Commission directed PJM to revise its tariff to clarify how such projects could access existing interconnection pathways, including reduced capacity interconnection, accelerated processing, provisional interconnection service, and surplus interconnection service. FERC also adopted a specific definition of "Co-Located Load" and required PJM to incorporate that definition into its tariff without modification. PJM submitted its [compliance filing](#) on January 20, 2026.

What FERC Accepted

FERC determined that several elements of PJM's compliance filing satisfied the Commission's prior directives and accepted those tariff revisions effective April 16, 2026. Specifically, FERC accepted PJM tariff revisions confirming that interconnection customers serving Co-Located Load may:

- Request interconnection service below nameplate capacity, with PJM studying interconnection facilities and network upgrades based on the service level actually requested rather than the generator's maximum capability. Project developers must indicate the level of interconnection service being requested, including whether the project developer is requesting service that is less than the full generating capacity of a new generating facility or whether the requested increase is to the capacity of an existing generating facility in order to serve Co-Located Load.

¹ *Order on Compliance and Directing Further Compliance*, 195 FERC ¶ 61,030 (April 16, 2026).

- Use existing interconnection acceleration provisions at Decision Point I and Decision Point II where a request for service for a new or increased generating facility does not require network upgrades or further system studies. Decision Point I and Decision Point II allow an interconnection request to advance early or bypass later study phases if the project causes little or no system impact based on specific criteria;
- Request provisional interconnection service, allowing limited operation prior to completion of required facilities (interconnection facilities, distribution upgrades, network upgrades, stand-alone network upgrades, or system protection facilities), subject to PJM discretion and available or additional studies. Where applicable studies indicate that facilities necessary for the new or increased generating facility's interconnection are not yet in place, PJM will perform a study at the generation project developer's expense to identify the facilities that are required for the provisional interconnection service. Provisional interconnection service is permitted in combination with a request for interconnection service below the full generating capability of a new generating facility or a requested increase in generating capability of an existing generating facility. PJM will re-study annually, and, as applicable, update the level of provisional interconnection service that may be available for the new or expanded generating facility.
- Request surplus interconnection service at an existing point of interconnection to serve Co-Located Load. Surplus interconnection service allows a new generating facility to use unused (surplus) capacity at an existing interconnection point, i.e., capacity that is already available on the transmission system because it is not fully utilized by the original interconnection customer.

These reforms are intended to reduce unnecessary upgrade costs and timelines for projects designed primarily to serve on-site load rather than full injections to the grid.

What FERC Rejected

The key rejection in the order concerns PJM's attempt to revise the Commission's definition of Co-Located Load. FERC adopted the following definition of Co-Located Load: "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 replaced the term "Point of Interconnection" with "Point of Change in Ownership," arguing that the latter more appropriately defined the relevant boundary for Co-Located Load configurations. FERC rejected this change, emphasizing that the Commission had expressly directed PJM to adopt the definition set forth in the original order and that PJM did not seek rehearing or establish that the Commission-mandated definition was unjust or unreasonable. FERC also expressed concern that PJM's proposed revision could introduce

uncertainty or delays, particularly if transmission owners could withhold agreement on ownership transfer points. FERC directed PJM to submit a further compliance filing within 30 days, revising the tariff to conform to the Commission-approved definition using the “Point of Interconnection.”

FERC also rejected PJM’s proposed revisions to the behind-the-meter generation application requirements in Tariff, Part VIII, Subpart B, section 403 that incorporated the term “Co-Located Load” to render the requirements applicable to Co-Located Load. FERC found those changes outside the scope of this compliance proceeding. PJM was directed to remove the proposed language and may address such issues, if appropriate, in a separate filing.

Issues Not Resolved in This Order

Several parties raised broader concerns regarding reliability impacts, cost allocation, and interconnection study process associated with Co-Located Load paired with electric storage resources. Of note, the Internal Market Monitor (IMM) expressed concern that PJM’s filing failed to address how it will prevent unexpected injections onto the grid from a co-located generator when the load drops suddenly; or how it will plan the transmission system to serve the load when the generator trips or is unavailable as a result of an outage.² FERC declined to address these issues as out of scope, explaining that the proceeding was limited to whether PJM’s filing complied with the specific directives in the Commission’s show cause order.

Why This Matters for Data Center Developers and Generators

FERC’s order has immediate and practical implications for entities pursuing co-located generation strategies in PJM. Co-Located Load developers may pursue reduced-capacity interconnection, provisional service, and surplus service options that better align with on-site load profiles which may reduce cost and timeline risk. Additionally, by reaffirming the Commission-approved definition tied to the point of interconnection, FERC curtailed potential disputes regarding the boundary for Co-Located Load that could delay projects. While the Commission’s order provides some clarity, key questions regarding behind-the-meter requirements, reliability, storage modeling, and cost responsibility remain unresolved and are likely to be addressed in future PJM filings and/or Commission proceedings such as the Interconnection of Large Loads to the Interstate Transmission System Rulemaking in RM26-4-000.

Data center developers and generators should closely monitor Commission action on these topics and evaluate how these clarified PJM interconnection procedures and the reaffirmed definition of Co-Located Load affect project siting, ownership structures, and interconnection strategies. PJM’s compliance filing is due May 18,

² The North American Electric Reliability Corporation (NERC) issued a technical paper similarly exploring these issues that was approved by NERC’s Reliability and Security Technical Committee on March 11, 2026. See NERC, *Existing Practices, Requirements, and Reliability Standards for Emerging Large Loads: NERC Large Loads Working Group White Paper* (Mar. 2026), at 14, 50-51, <https://www.nerc.com/globalassets/our-work/guidelines/reliability/white-paper---assessment-of-gaps.pdf>.

2026. The Commission is expected to act on the Interconnection of Large Loads to the Interstate Transmission System Rulemaking in June.³

For More Information

VNF closely monitors and counsels clients on FERC-related issues. If you would like more information on how this development may impact your business, please contact [Malcolm McLellan](#), [Meghan O'Brien](#), or any member of VNF's electric practice.

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³ *Order Regarding Intent to Act*, 195 FERC ¶ 61,045 (April 16, 2026).