



Data Centers, Grid Reliability, and Large Load Regulation: Recent Developments in Pennsylvania and the Region

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Data Center Development Alert

(by [Justine Kasznica](#) and [Susanna Bagdasarova](#))

Pennsylvania's data center market continues to evolve rapidly as policymakers, regulators, and grid operators respond to growing electricity demand and reliability concerns associated with large-load customers and AI-driven infrastructure development. Recent actions by Governor Josh Shapiro, the Pennsylvania Public Utility Commission (PUC), and PJM Interconnection (PJM) underscore the increasingly complex regulatory and commercial landscape facing data center developers, operators, utilities, and investors in the region.

On May 27, 2026, Governor Shapiro released the [Governor's Responsible Infrastructure Development \(GRID\) standards](#), a new set of guidelines for data center development in Pennsylvania, as previewed in his [2026-2027 budget proposal](#). To qualify for Commonwealth support, including tax benefits and eligibility for streamlined permitting, developers will need to demonstrate engagement in four core areas: (1) energy affordability, (2) transparency and community engagement, (3) workforce and economic development, and (4) environmental protection. The GRID Standards require each developer seeking such incentives to submit plans to outlining its commitment to:

- Provide for its energy needs without imposing additional costs on other utility ratepayers;
- Create a community outreach plan that includes holding public meetings and consulting with local governments to promote public engagement and transparency;
- Commit to a minimum of \$250 million in cumulative new investment, facilitate local job creation and develop community benefit agreements with the local jurisdiction; and
- Submit a sustainability plan detailing how it will protect water and energy resources and commit to environmental protection standards.

On May 13, 2026, the PUC issued a [Final Order](#) establishing what it described as a "first-of-its-kind" model tariff framework for large-load customers, including data centers, which is intended to guide electric distribution companies as they evaluate and serve such customers. The nonbinding framework applies the tariff to customers exceeding 50 megawatts (MW) individually or 100 MW in aggregate (with no reduction for behind-the-meter generation), and recommends that such customers bear the costs of any system upgrades that would not have been required "but for" the customer's interconnection request, regardless of whether other customers may also benefit from the infrastructure. The framework also addresses unprecedented load growth while protecting existing ratepayers through measures addressing cost allocation, financial security requirements, interconnection study timelines, minimum contract terms, and customer responsibility for infrastructure upgrades associated with new large-load projects.

At the regional level, PJM recently issued a [white paper](#) addressing structural issues in its capacity market, recognizing that the region has shifted from surplus to scarcity due to surging demand driven by rapid data center growth, supply chain constraints, delays in new development, and generation retirements. The white paper addresses the current "credibility trap" where high scarcity prices, which should signal the need for new generation, are instead undermined by government intervention, creating uncertainty that discourages investment. PJM outlines three distinct pathways toward reform: (1) stabilizing markets by requiring that most load be covered through long-term commitments; (2) prioritizing reliability based on geography or customer class during periods of scarcity so that users who do not contribute to supply are curtailed first; and (3) shifting revenue recovery from the capacity market to the energy and ancillary services markets, paired with long-term energy contracting requirements.

Together, these developments demonstrate that the regulatory and commercial framework governing data center development in Pennsylvania and the broader PJM region is changing quickly and will continue to evolve alongside rising power demand and reliability concerns. Stakeholders should closely monitor these developments as they assess project siting, utility service arrangements, energy strategy, and long-term investment decisions.

Babst Calland attorneys are tracking the most pressing issues related to data center development. For questions or more information, please contact Justine M. Kasznica at jkasznica@babstcalland.com or (412) 394-6466 or Susanna Bagdasarova at sbagdasarova@babstcalland.com or (412) 394-5434.

