PJM's Proposal to FERC Targets Data Centers and Other Large Load Customers

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Data Center Development Alert

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PJM Interconnection ("**PJM**") is confronting unprecedented load growth driven by data centers and other large energy users. In a Board Decisional Letter dated July 27, 2026 (the "**Decisional Letter**"), the PJM Board of Managers (the "**Board**") describes that new large load demand is forecasted to increase by approximately 70 GW by 2038, which will place increased pressure on the region's resource adequacy position, especially when coupled with the retirement of roughly 15 GW of generation since 2022. The stakeholder community provided various proposals through the Critical Issue Fast Path (CIFP) program, with only one proposal (Coalition Reliability Backstop Procurement) receiving a supermajority of votes. The Board determined that this proposal "would not provide sufficient assurance that capacity equal to the identified near-term shortfall would actually be procured."

In the Decisional Letter, the Board decided that it would propose a different proposal with four key features to the Federal Energy Regulatory Commission (the "**FERC**") by the end of July. First, the Board plans to establish a mandatory registry of large-load customers (including data centers) whose electricity may be curtailed during system stress. Additionally, beginning in September 2026, PJM will conduct an extra capacity auction, termed the Reliability Backstop Procurement, which will be intended to address an approximately 60 GW capacity shortfall. Furthermore, Electric Distributors will be required to implement an Interim Resource Adequacy Service for new Large Loads that, as of June 1, 2027, do not bring sufficient capacity to serve their resource adequacy needs and cannot be serviced at a specified reliability standard. Finally, the Board also indicated it would compensate Large Load customers when directed to reduce consumption, similar to other demand-response programs.

Data centers and other large-load customers should monitor PJM's forthcoming proposal to the FERC around the Large Load Registry, Reliability Backstop Procurement, Interim Resource Adequacy Service, and compensation for reduced load. Stakeholders may also wish to engage with state and federal regulators given PJM's emphasis that state action will be necessary to implement and regulate the program.

Babst Calland attorneys are tracking the most pressing issues related to data center development. For questions or more information, please contact Justine Kasznica at (412) 394-6466 or **jkasznica@babstcalland.com**, Kate Cooper at (412) 394-6588 or **kcooper@babstcalland.com**, or Peter Landau at (412) 394-5672 or **plandau@babstcalland.com**.