



Insight

FERC Data Center Orders Accelerate Grid Connection

SHUTING POMERLEAU | JUNE 18, 2026

Executive Summary

- On June 18, 2026, the Federal Energy Regulatory Commission (FERC) issued six tailored orders aimed at drastically accelerating grid interconnection for artificial intelligence (AI) data centers and other large-load energy users; this action, taken under Section 206 of the Federal Power Act, fulfills a 2025 request by Department of Energy Secretary Chris Wright.
- The orders compel regional grid operators to: 1) justify within 60 days why their existing utility pricing structures can accommodate massive data centers, or immediately reform them, and 2) submit a mandatory reliability report within 30 days detailing how they will secure sufficient generation capacity to support large loads; additionally, FERC recommends five categories of potential future reform areas, including prevention of cost shifting.
- FERC's aggressive timelines will likely reshape the AI data center landscape by significantly shortening the multi-year interconnection queue backlog and leading to new retail large-load rate categories in more states; furthermore, by deploying targeted, region-specific orders restricted to FERC's jurisdiction rather than a broad national rulemaking, FERC strategically maximizes its actions' legal durability against potential challenges from state-level stakeholders.

Introduction

On June 18, 2026, the Federal Energy Regulatory Commission (FERC), an [agency](#) that “regulates the interstate transmission of natural gas, oil, and electricity,” issued tailored orders under Section 206 of the Federal Power Act to each U.S. regional grid operator. This historic action directly fulfills a 2025 request submitted by Department of Energy (DOE)

Secretary Chris Wright that aimed to drastically accelerate grid interconnection for large-load energy users—specifically AI data centers—amid unprecedented energy demand.

The FERC orders compel regional grid operators to: 1) justify within 60 days why their existing utility pricing structures can accommodate massive data centers, or they must immediately reform them, and 2) submit a mandatory reliability report within 30 days detailing how they will secure sufficient generation capacity to support large loads; additionally, FERC recommends five categories of potential future reform areas.

FERC's aggressive timelines will likely reshape the AI data center landscape by significantly shortening the multi-year interconnection queue backlog and leading to new retail large-load rate categories in more states; furthermore, by deploying targeted, region-specific orders restricted to FERC's jurisdiction rather than a broad national rulemaking, FERC strategically maximizes its actions' legal durability against potential challenges from state-level stakeholders.

FERC's New Orders to the Six Regional Grid Operators

Overview

FERC has [launched](#) “aggressive targeted action” to speed up large load interconnection to the grid following its June 18, 2026, open [meeting](#). The action addresses how large-load energy users, including AI data centers and manufacturing facilities, are connected to the grid. This action is a direct response to DOE's request filed last year (discussion in the background section below).

To many experts' surprise, instead of [issuing](#) a Notice of Proposed Rulemaking (NOPR) that typically takes a long time to finalize, FERC has issued customized show cause orders via Section 206 of the Federal Power Act to each of the six regional grid operators. FERC's press release states that these orders are [aimed](#) at “moving to ensure that Americans have reliable, affordable power—even as electricity demand and technology accelerates.”

These regional transmission organizations (RTOs) or Independent System Operators (ISOs) [are](#) PJM, Interconnection, LLC, Midcontinent Independent System Operator, Inc., Southwest Power Pool, Inc. (SPP), California Independent System Operator Corporation, ISO New England Inc., and New York Independent System Operator, Inc..

Specifically, these tailored orders direct the regional grid operators to:

- **Justify or reform**—FERC has [ordered](#) the operators to either justify why their existing tariffs (utility fees/pricing structures) remain “just and reasonable without provisions

tailored to large loads,” within a 60-day period or to “to file tariff changes that address the issues the Commission identified.”

- **Address five categories of reform**—FERC has [requested](#) they address several reform areas, including 1) developing efficient transmission services, 2) preventing cost shifting and requiring transparency into transmission costs, 3) accommodating co-location agreements (building a power plant next to an AI data center) and behind-the-meter generation (off-grid operation), 4) providing new transmission services for flexible large loads, and 5) developing a process to study generation plants that power large load users.
- **Submit informational reports**—Within 30 days, FERC [ordered](#) that each grid operator and its transmission owners must submit a [report](#) “describing how the grid operator intends to ensure that adequate generation will be available to serve existing and new large loads.”

Background

On October 23, 2025, DOE Secretary Wright [requested](#) that FERC consider an Advance Notice of Proposed Rulemaking (ANOPR) regarding the connection of large electrical loads—specifically those exceeding 20 megawatts (MW), such as the energy demanded by AI data centers—to the interstate transmission system.

Although FERC is an independent agency, Secretary Wright invoked a rarely deployed legal authority via Section 403 of the Department of Energy Organization Act to make the request to the agency.

The request [asked](#) FERC to assert its jurisdiction over “the transmission of electric energy in interstate commerce and the sale of electricity at wholesale in interstate commerce.” DOE also [recommended](#) FERC consider a set of [principles](#) to ensure “large loads, including AI data centers, served by public utilities must be able to connect to the transmission system in a timely, orderly, and non-discriminatory manner.”

Potential Implications

FERC’s actions [have](#) significant implications for stakeholders including utilities, state utility regulators, data center developers, transmission providers, and other large industrial or commercial energy users.

Much-shorter regulatory timelines for large load interconnection

If FERC had issued a NOPR rather than targeted orders, it would likely [take](#) the agency 2-5

years to draft, review public comments, and finalize the rule. Instead, FERC has issued six different tailored orders to the regional grid operators requiring them to move relatively quickly to connect large loads to their grid. The 30-day and 60-day deadlines in the orders demonstrate the agency's acknowledgement of the importance of the issue and recognition of the need for swift solutions.

Notably, FERC [highlights](#) in its factsheet that SPP, the RTO that manages states in the Central and Western United States, "stands out with its High Impact Large Load and High Impact Large Load Generation Assessment processes," highlighting it as a potential model for other regional grid operators.

Currently, it typically [takes](#) at least 5 years for large-scale energy users (200+ MW load) to be connected to the grid from initial submission of the interconnection request to the energy user connecting to the grid and beginning commercial operation. This means that under the existing framework and processes, it would [take](#) AI data centers at least 5 years to gain access to power from the grid to begin commercial operation.

FERC's orders today will likely lead to highly compressed regulatory timelines for AI data centers to be connected to the grid after regional grid operators and state regulators reform the existing processes and requirements.

New rate classes for AI data centers likely ahead

The "justify or reform" order from FERC will likely lead more states to create a new utility rate class for large-load customers, especially AI data centers, to prevent utility rate spikes in the residential sector.

For example, Virginia's state corporation commission (SCC)—a regulator of utilities—has approved a new electricity rate for large-scale customers including AI data centers that will start in January 2027. Under this new framework, affected customers must pay for at least 85 percent of contracted distribution and transmission demand and 60 percent of generation demand. American Action Forum (AAF)'s previous insight [provides](#) a detailed analysis of this new rate class. Under FERC's new orders, it's likely some states will follow Virginia's lead to create a separate rate class for large-load customers.

Bulletproofing potential legal challenges from state and local entities

FERC has taken a strategic preemption approach to avoid legal challenges and pushbacks from state-level stakeholders.

Before this meeting, legal experts had regarded [anticipating](#) federal versus state jurisdiction

as the key point of contention for FERC's pending action. The Federal Power Act [gives](#) FERC authority over the management of interstate transmission and the wholesale market, and leaves the matters of retail sales, local distribution, and siting to the states. Historically, FERC [standardized](#) how generators connect to the grid, while leaving the rules for end-use load interconnections to be managed by states through retail tariffs (pricing related to the transmission and distribution of electricity) and local distribution planning.

Legal experts [believed](#) that a uniform national standardization of processes issued by FERC would be subject to litigation from state and local stakeholders on the grounds of federal overreach on state authority. In fact, state-level stakeholders such as the National Association of Regulatory Utility Commissioners (NARUC)—an organization representing state utility regulators, and the Virginia SCC filed official comments with FERC highlighting the problems of a national standardization of large-load interconnection.

On April 13, 2026, NARUC [filed](#) a public comment with FERC to urge the agency not to encroach upon state jurisdiction to regulate the local electricity market. Specifically, the document [stated](#)

Federal regulation of large load interconnections will impede states' abilities to (i) adapt quickly to industry changes or region-specific challenges as they emerge, and (ii) adequately protect the affordability of service to other retail customers.

FERC's orders appear to reshape the landscape with regard to AI energy load while avoiding any questions or challenges on the basis of jurisdiction. Taking into account the comments and concerns from state-level stakeholders, FERC explicitly [stated](#) that it respects states' jurisdiction in today's orders:

Importantly, nothing in today's orders intrudes either on the authority of states to select, site, and permit generating resources or on the authority of state public utility commissions to set the rates, terms, and conditions of retail sales of electricity. The orders also make clear that the Commission acts today to guard against cost shifting among transmission customers but leaves to the states the responsibility to ensure that there is no cost shifting among retail customers.

In addition, today's 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.

Other Major Federal Energy Policy Response to AI Data Center Boom

These FERC orders represent a significant reform of federal policy affecting the AI data center buildout, but they are far from the only such measures. The Trump Administration has adopted several measures aimed at promoting AI data center development in the country:

- In July 2025, the administration [released](#) a document titled “*Winning the Race, America’s AI Action Plan*” outlining the U.S. strategy of boosting AI and AI data center development in the United States. The action plan includes steps to support innovation, infrastructure, security, and other items. AAF’s [insight](#) provided an overview of the action plan.
- In January 2026, the administration [reached](#) an agreement with a bipartisan group of governors to direct PJM to hold an emergency electricity auction to make tech companies pay for the construction of new power plants, which aims to ensure the rapid expansion of AI data centers does not increase electricity costs for residential customers.

Looking Forward

As the 30-day and 60-day deadlines in FERC’s orders approach, it will be critical to monitor how the six regional grid operators structurally reshape their transmission pricing structures to strike a balance between meeting AI data centers’ demand and protecting residential customers’ utility bills from spiking.

At the same time, state utility commissions are likely to use this compliance period to accelerate their own local distribution and retail rate reforms, potentially using Virginia’s landmark 2027 rate structure as a blueprint.

It remains to be seen whether FERC’s orders will allow the U.S. grid to successfully accommodate the AI boom without sacrificing long-term reliability and affordability for residential ratepayers.