Regulatory, Policy, and Technology Trends Digest

February 20, 2026

Dear DCFlex Advisor,

Thank you for your participation in DCFlex, which explores how flexible data center operations can support the electric grid, enable better asset utilization, and advance the energy transition. We are pleased to issue our sixth “Regulatory, Policy, and Technology Trends Digest”, a product of *Workstream 2 – Transformational Utility Programs*, which showcases notable developments and trends in regulations, policies, power agreements, and energy technologies relevant to data centers, large load flexibility, and their integration with the grid.

New to Workstream 2 or DCFlex? See the New Advisor Overview at the end of this email.

In this Issue

In US federal news, a unanimous FERC ruling now enables data centers in the PJM region to directly co-locate with power plants, unlocking privately negotiated supply arrangements, new transmission service options, and accelerated development of on-site or behind-the-meter generation. Complementing this, the proposed federal SHIELD Act would encourage states to recognize large loads as a distinct customer class and prioritize interconnections that incorporate zero-emission generation or peak-reducing measures. FERC has also approved SPP’s new “High Impact Large Load” framework, pairing enhanced reliability safeguards with an expedited 90-day interconnection process when large loads bring generation on-site or nearby. Together with DOE’s targeted emergency orders allowing expanded use of backup generation during extreme demand events, federal legislation is constantly responding to the emergent needs and demand from large load growth.

In retail markets, policymakers across multiple states are converging on a common set of themes aimed at managing the rapid growth of data centers and other large electricity users: (a) ensuring that these customers shoulder the costs and operational impacts they impose on the grid, (b) tying interconnection priority to clean energy or flexible-load commitments, and (c) protecting existing ratepayers from financial risk. Maryland's HB 940 exemplifies this shift by creating a surplus-interconnection market, imposing self-supply and demand-response obligations, and linking interconnection priority to clean or dispatchable capacity. Virginia, Illinois (ComEd), New York, Pennsylvania, and Colorado similarly advance frameworks requiring large loads to fund necessary infrastructure through deposits, surcharges, or minimum-billing commitments, while also pushing load-flexibility measures such as energy storage, demand response, and automated peak-reduction technologies. At the federal level, the proposed SHIELD Act reinforces these trends by encouraging separate rate classes for very large loads and prioritizing interconnections for customers that bring their own zero-emission or peak-reducing resources. Collectively, these developments reflect the emerging trend of conditioning the grid-integration of large load customers like data centers to terms aimed at ensuring cost accountability, grid stability, and alignment with state and federal clean-energy policy goals.

US Federal News

- FERC ruling enables data centers to directly collocate with power plants in PJM system
- Federal SHIELD Act proposes new customer class, prioritized interconnection requests for large loads
- FERC approves SPP's HILL proposal
- DOE Emergency Orders Allowing Expanded Generator Use During Peak Load Events
- Senate Introduction of the "DATA Act of 2026"

Retail Markets

- Maryland bill proposes new interconnection requirements and demand response program for large load customers
- Virginia data center legislation targets ratepayer protection, load flexibility
- ComEd: New agreements protect customers from costs of large loads
- New York: Surcharges and load flexibility proposed for data centers
- Pennsylvania: Proposals for new regulations for large loads, load forecast accountability, and responsible data center development standards

US Federal News

FERC ruling enables data centers to directly colocate with power plants in PJM system

FERC issued a unanimous order on December 18, 2025, directing PJM to establish clear rules for data center co-location at power plants. This ruling allows data centers in PJM to connect directly to power plants, effectively opening the door for co-location agreements between data centers and generators through privately negotiated supply arrangements that bypass conventional PPAs.

The ability of data centers to secure dedicated generation without traditional utility-delivered supply creates transmission service structures that let operators contract for grid capacity while drawing primary power from on-site generation. The ruling creates three new transmission service options, reforms rules to accelerate the development of on-site or behind-the-meter generation, and it sets compliance deadlines starting January 2026. The order opens a faster path to power by allowing customer facilities to contract for specific grid capacity while drawing primary power from co-located generators. The ruling arrives as interconnection wait times in PJM have stretched beyond eight years, making direct power plant connections increasingly attractive for operators facing urgent AI deployment timelines.

Federal SHIELD Act proposes new customer class, prioritized interconnection requests for large loads

On January 14, 2026, Reps. Mike Levin (CA-49) and Rep. Kathy Castor (FL-14) introduced the Stopping Hikes In Electricity from Large Load Demands (SHIELD) Act (H.R.7066). The bill seeks to amend the Public Utility Regulatory Policies Act of 1978 (PURPA) by directing state regulators to consider (1) creating a separate rate class for large load customers with demand greater than 75 MW, with consumer protection requirements for that class; and (2) prioritizing interconnection requests for large loads that either provide zero-emission on-

site generation, or employ measures that reduce peak demand, such as demand response.

FERC Accepts SPP's HILL Rules

FERC accepted Southwest Power Pool's (SPP) proposed market tariff revisions creating a new category for "High Impact Large Loads," which include large commercial or industrial loads such as data centers. The rules impose enhanced study, forecasting, and operational requirements to address reliability risks associated with very large new loads connecting to the transmission system. FERC also approved the HILL Generation Assessment (HILLGA) process, which reduces the study-and-approval process for large load interconnection to 90 days when a HILL brings new generation on-site or nearby.

These processes will determine enhanced study requirements and additional operational requirements for loads that are over 50 MW if connected at 69 kV and above or 10 MW if connected below 69 kV. The operational requirements primarily relate to reliability, including following all non-confirming load requirements, providing telemetry, having the ability to disconnect remotely, and a 20 MW/minute max ramp rate.

DOE Emergency Orders Allowing Expanded Generator Use During Peak Load Events

DOE issued multiple emergency orders under Section 202(c) of the Federal Power Act authorizing utilities—and, in PJM and Duke Energy territory, data centers—to rely more heavily on backup generation during extreme cold-weather demand conditions. These temporary orders were explicitly tied to reliability concerns arising from unprecedented electricity demand, including from large computing facilities. The order enabled the use of these assets before declaring an Energy Emergency Alert (EEA) 3, even if they were over their emissions limits.

Proposed Legislation: Senate Introduction of the "DATA Act of 2026"

Sen. Tom Cotton introduced legislation that would exempt fully grid isolated data centers and their dedicated power suppliers from key federal energy statutes, including the Federal Power Act and certain DOE and FERC regulations. The bill suggests new categories of "consumer regulated electric utilities" serving large loads, provided they remain physically isolated from the bulk power grid.

Retail Markets News

Maryland bill proposes new interconnection requirements and demand response program for large load customers

Maryland House Bill 940 (HB 940), introduced into session on February 5, 2026, proposes a comprehensive new framework for interconnecting large load customers in the state —

defined as commercial or industrial users with at least 25 MW of monthly demand and load factors above 80%.

HB 940 is novel in its surplus-interconnection market design, which would allow large load customers to directly purchase unused interconnection capacity available to generators at existing grid nodes, thereby bypassing the requirement for a Certificate of Public Convenience and Necessity (CPCN)—an approach rarely seen in load interconnection policy. The bill would also require the Maryland Public Service Commission (PSC) to create standardized and expedited interconnection timelines.

The bill also obligates large load customers to supply at least 25% of their demand through behind-the-meter storage, new storage or carbon-free resources, or demand response participation, with customers meeting 100% of their load via these mechanisms receiving priority in studies, interconnection, and permitting. HB 940 further establishes a dedicated Demand Response Program for large load customers and mandates load studies and associated fees—partially funding low-income energy programs—before service contracts may be executed.

The bill's explicit tie between interconnection prioritization and self-provisioning of clean or dispatchable capacity (including behind-the-meter storage) is unusual, effectively blending supply-side and demand-side obligations into the load-interconnection process. This combination of fast-track interconnection, performance-based prioritization, and structured demand response participation positions Maryland's proposal as one of the most comprehensive attempts to manage the grid impacts of large data centers and other high-consumption facilities through regulatory design.

DCFlex will publish further insights on this proposed bill in an upcoming Quick Insights piece.

Virginia data center legislation targets ratepayer protection, load flexibility

Virginia legislators introduced several bills in the 2026 session pertaining to various aspects of data centers and their energy usage. Key among these, are SB466, which would prohibit the costs of data center distribution infrastructure from being recovered from other customers, and HB503 which would similarly require direct cost recovery through rates and charges designed for data centers with a peak demand of 100 MW or greater. HB591 would establish state policy for the responsible operation of data centers, including provisions pertaining to cost allocation, reporting requirements, flexible energy practices, and incentives for "data centers to participate in demand response programs, implement energy storage and management systems, and leverage automated technologies to reduce peak demand and support grid stability."

ComEd: New agreements protect customers from costs of large loads

On January 6, 2026, Commonwealth Edison (ComEd), an Illinois subsidiary of Exelon, announced new Transmission Security Agreements (TSAs) designed to protect existing customers from the costs of bringing data centers and large loads online. The TSAs, signed with eight large customers who represent a total forecasted load of more than 6.5 GW, require financial commitments and collateral for 10 years of transmission service from projects of 50 MW or more. ComEd states the TSAs protect all existing customers from absorbing the related transmission service costs if those projects fail to meet their forecasted load. “Without the TSA, other customers might bear those costs, while under the TSA, the large load applicant will cover the shortfall and the TSA payments the applicant makes will reduce, on a dollar-for-dollar basis, the costs other customers would have to cover,” the utility said.

In addition to the TSAs, ComEd has also proposed changes to its large load tariff in an ongoing proceeding before the Illinois Commerce Commission (Docket 25-0677). The proposed changes would increase the deposit requirements for utility equipment installed on a new customer’s property if they do not meet their load request or cover the associated revenue requirement. A decision in this proceeding is due in May 2026.

New York: Surcharges and load flexibility proposed for data centers

New York State Senate Bill 8546 (S8546), introduced on January 7, 2026, would require the New York Public Service Commission (PSC) to establish a grid modernization surcharge for either data centers with loads greater than 10 MW, or “high-intensity data centers” with an annual power-usage effectiveness (PUE) greater than 1.3 or an annual electricity consumption exceeding 50 GWh. The funds collected from the surcharge would be used to finance investments in system reliability, capacity expansion, and the integration of clean energy resources. A data center that demonstrates at least 90% of its annual consumption is met by renewable resources may receive a partial or full reduction of the surcharge.

Separately, on January 13, 2026, New York Governor Kathy Hochul unveiled a utility ratepayer protection plan with measures that include premiums and load flexibility requirements for data centers, among other initiatives. Gov. Hochul stated, “these [data center] industries must pay more; if they do not, they must supply their own energy.” The announcement highlighted a new Energize NY Development initiative aimed at streamlining interconnection rules, along with the Excelsior Power initiative that will “direct utilities to treat grid flexibility as a core system resource and expand consumer-facing incentive programs that encourage households and businesses to participate in energy flexibility programs.”

Pennsylvania: Proposals for new regulations for large loads, load forecast accountability, and responsible data center development standards

Pennsylvania House Bill 1834 (Data Center Act) would authorize new regulations on large loads, including security deposits, minimum service requirements, exit fees, demand flexibility, and annual payments to low-income energy assistance programs ($40,000 / MW for loads up to 25 MW, and $50,000 / MW for each MW above 25 MW). House Bill 1924 (Load Forecast Accountability Act) would require the Pennsylvania Public Utility Commission to review and validate large load forecasts submitted by utilities to the PJM Interconnection operator. Governor Josh Shapiro announced new data center development standards that include consumer and environmental protections, such as requiring developers to "bring their own power generation online or fully fund new generation to meet their needs — without driving up costs for homeowners or businesses."

Colorado: HB1030 proposes tax incentives for data center development

House Bill 1030 (Colorado Data Center Workforce, Clean Energy, Grid Modernization, and Consumer and Environmental Protection Act), introduced on January 14, 2026, would allow for a state sales and use tax exemption of 100% for certain data centers approved by a newly created state data center development authority. Under the proposal, the utility would be required to show that the approved data center would not cause unreasonable cost impacts to other customers. In addition, the bill would allow the utility rider recovery for the costs to serve large loads of at least 100 MW. This accelerated cost recovery would require the utility and customer to agree to terms that include minimum billing commitments, exit fees, demand reductions, and credit security, among others.

Alabama HB403 proposes greater regulatory oversight of utility contracts with large load data centers

Alabama introduced HB403 on February 5, 2026, which strengthens state oversight of electricity contracts between utilities and large load data centers ≥ 150 MW of service. The bill clarifies that the Alabama Public Service Commission (PSC) must verify that such contracts allow the utility to fully recover all incremental costs solely attributable to serving a large load data center, including generation, transmission, distribution, fuel, and tax expenses. It also requires the PSC to ensure that contract terms (e.g., collateral, minimum payments, duration, upfront payments) produce net positive benefits for other residential, commercial, and industrial customers, rather than shifting costs onto the broader rate base.

HB403's significance lies in its explicit cost-protection and fairness mandate. State leaders have framed the measure as a core part of an "affordability protection plan," intended to prevent rising system costs and infrastructure upgrades from being passed through to households and small businesses as data centers proliferate across Alabama.

In practical terms, HB403 signals to developers that cost accountability and grid-impact neutrality are now prerequisites for securing retail service agreements in Alabama. For utilities, it provides regulatory clarity and a stronger basis for negotiating cost-recovery provisions. For data-center operators, it underscores the need to plan for significant up-front and ongoing cost responsibilities, particularly where interconnection, reliability upgrades, or new capacity investments are required.

Delaware HB233 establishes a separate rate class for large data centers

Delaware HB233, "An Act to Amend Title 26 of the Delaware Code Relating to Large Energy Use Facilities", which responds to the state's accelerating influx of large-scale data centers and the resulting strain on the regional PJM power grid, passed House committee on January 28, 2026. The bill requires that utilities regulated by the Delaware Public Service Commission (PSC) establish a separate rate class for large energy-use facilities, defined as those using or capable of using 20 MW or more, primarily engaged in web hosting, streaming, or data processing services. The intent is to prevent the shifting of costs related to infrastructure expansion and reliability onto residential, small-business, and other non-industrial customers. Under HB 233, the PSC must evaluate rate applications against criteria such as cost-shift risk to other customers, impacts on grid efficiency and reliability, and consistency with the state's renewable-energy and greenhouse-gas-reduction goals. Utilities must file proposed tariff structures within 180 days of enactment.

This bill addresses the grid-impact asymmetry created by hyperscale AI-driven data-center growth, with individual proposed facilities requiring nearly as much power as the majority of Delaware's entire annual consumption. State policymakers have emphasized the need to insulate ratepayers from the steep infrastructure costs associated with large data center developments in the interconnection pipeline. HB233 aligns Delaware with a broader national trend toward cost accountability for data centers, with an explicit emphasis on public-interest protections given the state's relatively small grid footprint.

Alaska HB259 proposes comprehensive contract terms for large load facilities

Alaska HB 259 proposes a comprehensive regulatory framework for large energy use facilities (≥ 20 MW), responding to rapidly growing interest in siting energy-intensive data centers across the state. At its core, the bill ensures strict cost-causation protections, prohibiting electric and gas utilities from allocating any costs incurred solely to serve a large energy use facility—including new infrastructure, fuel, or operating costs—to other customers. Utilities must instead recover these costs exclusively from the large-load facility, with the Regulatory Commission of Alaska (RCA) assigning all associated revenue requirements directly to the customer during rate proceedings.

A centerpiece of HB 259 is a mandatory long-term utility service contract for any qualifying large energy use facility (≥ 20 MW) that specifies: (1) 12 year minimum contract term, (2) optional ramp-up period of up to five years, (3) minimum payment of 80% of contracted energy commitment after ramp-up regardless of actual consumption, and (4) early-exit fees covering the higher of the full remaining minimum payments or all unrecovered utility costs. The facility must also post collateral equal to the potential exit fee, ensuring utility financial protection for large capital commitments.

Georgia HB1059 proposes moratorium on new data center development

Georgia HB 1059, "Data Center Impact Assessment and Development Moratorium Act of 2026", introduced on January 28, 2026, would pause new data-center development statewide for a defined period and stand up a state commission to study cumulative impacts. As introduced, the bill would prohibit counties and municipalities from issuing permits, licenses, or certificates for construction or development of new data centers during the moratorium window (grandfathering projects with permits issued before the effective date). It also creates a Data Center Impact Assessment Commission to evaluate effects on the electric grid, water resources, local infrastructure, air quality (including diesel backup generation), noise, land use, and housing, and to deliver recommendations (e.g., model siting standards or statewide guidance) after its review.

Key features include (a) a formal legislative finding that rapid growth in large campuses is straining Georgia's electric system and other public resources; (b) a temporary moratorium intended to prevent additional load and siting conflicts while the study proceeds; and (c) a reporting mandate to the Governor and General Assembly with policy options before future development resumes.

For utilities, HB 1059 signals potential near-term relief on incremental capacity obligations while the state reassesses data-center growth, but it also foreshadows tighter, statewide siting and interconnection guardrails that could shape future load planning, queue management, and cost-recovery strategies. For developers and hyperscalers, the moratorium would delay greenfield projects and shift the focus to sites that are already permitted or under-construction. HB 1059 stands alongside separate Georgia proposals aimed at protecting ratepayers from data-center-driven costs (e.g., HB 1063), underscoring a broader trend toward cost accountability and grid-impact neutrality for very large loads.

Additional Retail Highlights

- Dominion Virginia's new GS-5 Rate Schedule for large loads of at least 25 MW was approved in November 2025. The rate, effective January 1, 2027, includes provisions for a 14-year contract term, collateral requirements of $1.5 million / MW, and minimum demand charges of 85% for distribution and transmission and 60% for generation. See Virginia State Corporation Commission C-PUR-2025-00058

- On January 27, 2026, regulators approved the Black Hills South Dakota Blockchain Interruptible Service (BCIS) tariff, for customers with loads of 10 MW or more. The tariff is similar to Black Hills' existing BCIS tariff in Wyoming.
- U.S. Senate Bill 3585 (S.3585 DATA Act), introduced January 7, 2026, proposes to exempt new fully off-grid electricity providers from FERC and DOE regulation. Press Release.
- The Missouri Public Service Commission (PSC) approved Ameren Missouri's rate for data centers and other large load customers (≥75 MW) on November 24, 2025. Ameren's tariff proposal was supported by the Sierra Club, PSC staff, Google and Amazon.
- Oklahoma SB1488, introduced January 9, 2026, would establish a moratorium on new data centers ≥100MW until 2029, requiring the Oklahoma Corporation Commission (OCC) to study on impacts to water, utility rates, and property values.

Powering Data Centers

There have been no notable power purchase agreements (PPAs) proposed or finalized involving data centers contracting for off-site renewable or firm generation since December 2025.

New Advisor Overview

EPRI's collaborative research, development, and deployment activities are driven by input from the advisors of our work, meaning, we want to hear from you as you help us drive research directions. There are a few ways to keep up with what is happening within DCFlex.

- **Quarterly update calls**: All advisors are invited to join these calls to learn about what has recently been published and the plans for the following quarter
- **Monthly Office Hour calls**: All advisors are welcome to join
- **Ad hoc workstream calls**: Workstream advisors invited to hear about a specific recent development
- **Annual In-Person workshop**: Held in Orlando last October, planned for Fall in 2026 with location TBA
- **DCFlex Box folder**: Our shared folder with past meeting materials and draft deliverables
- **DCFlex Monday.com board**: The platform where we manage deliverable and meeting calendars
- **DCFlex website**: Find big announcements, workstream descriptions, interactive features, and published deliverables

If you want to find out what is coming up in a workstream, you can check the Monday.com board, attend a quarterly update call or watch the recording, ask at an office hours session, or email any workstream lead or dcflex@epri.com. If you want to see what has been published recently for a workstream, check the relevant workstream page at https://dcflex.epri.com. If you want to be added as an advisor to a workstream, please reach out to dcflex@epri.com.

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Each Regulatory, Policy, and Technology Trends Digest issue is a curated selection of timely and impactful regulatory and policy highlights with succinct contextual commentary and resources for deeper dives. Our aim is for these digests to become essential reading to provide you with broad perspective and insight.

DCFlex will continue to monitor relevant regulatory and policy developments and keep you informed of key filings, proceedings, decisions, and their implications.

We welcome your feedback! Contact DCFlex@epri.com.

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