



Regulatory, Policy, and Technology Trends Digest

June 23, 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 eighth “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.

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Retail Tariffs and State-Level Regulation

Oregon PUC Approves Portland General Electric's Landmark Large-Load Tariff Under POWER Act

On May 7, 2026, Oregon regulators approved key elements of a new large-load tariff framework filed by Portland General Electric (PGE) named “Protecting Oregonians With Energy Responsibility” – aka the POWER Act – requiring data centers and other large load customers greater than 20 MW to fund the full cost of grid infrastructure they require. PGE subsequently filed a new pricing framework with new rates taking effect June 10, 2026, which immediately impacts 16 data centers in the state.

The POWER Act shifts cost responsibility for distribution upgrades required to serve large-load customers to those customers themselves. This is the first fully implemented “cost-causer pays” tariff in the country. Contract terms escalate with project size, beginning at 10 years and extending to 30 years for loads of 220 MW or more. Projects larger than 100 MW will also pay a surcharge of 1 cent/kWh, with revenue intended to fund programs that offset residential customer costs and address low-income energy burden. While the tariff does not mandate demand response, the framework explicitly values grid flexibility and the Oregon PUC has signaled that future phases will incorporate demand response and flexibility requirements. The Data Center Coalition has objected to the rules as excessive, but the order is final and effective.

Further reading:

- [Oregon PUC Approves PGE Tariff](#)
- [PGE Data Center Customers to Pay More for Electricity under Landmark Law](#)

Virginia HB 284/SB 371 Signed into Law: First State to Mandate Utilities Create Demand Flexibility Programs for Data Centers

Virginia Governor Abigail Spanberger signed HB 284 and SB 371 into law on April 8, 2026, directing Dominion Energy and Appalachian Power Company to create a voluntary demand flexibility program for high-load customers. Under the new measure, customers greater than 25 MW can opt in to a program for spatial load shifting, dynamic voltage and frequency scaling, energy storage, or purchasing energy credits from other users.

Virginia hosts the world’s largest concentration of data centers, making this law an immediate industry milestone. The legislation specifically envisions programs modeled on those proposed by Electrify America, in which hyperscalers could buy heat pumps, solar

panels, and batteries for residential customers to free up grid capacity for their data centers and speed up interconnection timelines. The law takes effect July 1, 2026 and requires Dominion and APCo to have programs operational by 2029. Critically, the bill prohibits incentive costs from those programs from being passed on to other customers. This is the first enacted state law in the country to directly couple data center demand flexibility obligations to interconnection access — a model other PJM states are actively studying.

Further reading:

- [Virginia Mercury — Governor Signs Bills](#)
- [Virginia Data Center Legislation](#)

California SB 886 Advances in Senate – Mandates Demand Response for Data Centers over 25 MW

The California Technology Innovation and Ratepayer Protection Act (SB 886) passed the California Senate floor, which would require the CPUC to establish a special tariff protecting ratepayers from the transmission costs of supplying large data centers with peak demand over 25 MW while meeting the state's climate goals. The bill requires mandatory participation in demand response programs where authorized by the CPUC and where participation does not result in net costs to the data center. It also requires prefunding of 15-year contracts for new zero-carbon energy resources and imposes an early termination fee on customers that exit the system within 15 years of interconnection.

The demand response mandate embedded in SB 886 is its most operationally significant element for data center operators. SB 886 would also effectively make energy storage a prerequisite for data center interconnection by requiring large load users to cover half of their hourly needs with zero-carbon dispatchable energy resources. Given that California is pushing ahead with this legislation before results from a related CPUC data center study are due in 2027, this legislative momentum reflects growing impatience with voluntary approaches. The bill is currently moving through Assembly committees and is expected to reach the Governor's desk in fall 2026.

Further reading:

- [California SB 886 Analysis](#)
- [SB 886 Storage Implications](#)

Illinois POWER Act Stalls in Spring 2026 Session

As of late May 2026, the Illinois POWER Act (HB 5513 / SB 4016), which would require data center companies to pay for their own energy generation from renewable sources, report water usage, and fund grid infrastructure costs, will not advance in the spring legislative session. Lawmakers have been divided over whether the bill's requirements are

well-targeted or would drive data center investment out of Illinois. However, the bill's core provisions remain in play for the fall session.

The Illinois POWER Act is significant not for what it has achieved, but for what it signals. Illinois ratepayers are confronting increasing costs largely driven by the state's booming data center industry, and the political pressure to act is intensifying. The bill serves as one of several national templates alongside Texas SB 6, California SB 886, and Oregon's POWER Act that regulators in other states are actively studying. State regulators are utilizing their full regulatory toolbox, including demand response programs, in planning for data centers. For data center operators planning projects in Illinois, the temporary legislative pause defers, though not eliminates, the regulatory risk.

Further reading:

- [Illinois POWER Act Stalls](#)
- [POWER Act Implications](#)

Microsoft proposed Nevada tariff aims to shield ratepayers from data center costs

Microsoft's May 2026 filing at the Public Utilities Commission of Nevada (PUCN) proposes a "Ratepayer Protection Tariff" (RPT) that addresses the contentious issue of who pays for the grid expansion required to serve hyperscale data centers. The proposed tariff would establish a cost-allocation framework that separates "project-specific" infrastructure from broader system investments, assigning a Customer Contributed Share to large-load customers (e.g., data centers) while allowing a System Benefit Share for potential recovery in the general rate base if demonstrably beneficial to all customers. In practice, NV Energy would track generation, transmission, and substation investments tied to each large load via a dedicated asset schedule, with customers paying upfront or through ongoing facility charges and standard rates for their use of the existing system. This moves beyond traditional line-extension or rolled-in ratemaking approaches by embedding cost accountability *ex ante*—before costs are socialized across the system.

The filing is notable in operationalizing the widely debated but rarely codified principle in utility regulation that large loads should pay the costs they cause. Rather than relying on after-the-fact cost allocation in general rate cases, the RPT creates a forward-looking contractual and accounting structure—including defined service agreements, load ramps, and asset tracking—that limits cross-subsidization risk and increases planning certainty for utilities and regulators facing gigawatt-scale demand additions from AI projects. It also introduces mechanisms such as customer-funded (and potentially reclassifiable) assets and options for third-party power procurement ("bring your own power"), which together enable faster infrastructure buildout while mitigating stranded cost risk if projects change or fail to materialize. For utilities, this framework effectively blends elements of special

contracts, contribution-in-aid-of-construction, and bespoke riders into a standardized tariff construct.

If approved, the Nevada tariff could become an early template for scaling data center load with considerations of retail rate impacts, a concern that is intensifying as AI demand reshapes load forecasts nationwide. The proposal signals a shift from ad hoc negotiations toward repeatable, regulator-approved tariff structures for hyperscale customers, potentially accelerating siting decisions and interconnection timelines. At the same time, it raises new questions around how to define “system benefit,” how to treat reclassification of customer-funded assets, and how risk is allocated over long asset lives versus shorter technology cycles. Microsoft’s filing attempts to translate the data center industry’s “pay your way” commitments into enforceable utility ratemaking practice—with clear implications for cost recovery, capital formation, and competitive positioning across jurisdictions.

Further reading:

- [Microsoft seeks Nevada tariff to shield ratepayers from data center costs](#)
- [Microsoft RPT filing with Nevada PUC](#)

Federal Policy and Regulatory Activity

FERC Issues Landmark Orders on Large Loads Rulemaking (Docket RM26-4-000)

On June 18, 2026, FERC announced ISO/RTO-specific show cause orders requiring responses within sixty (60) days demonstrating that current tariffs remain viable, just, and reasonable, with clear and consistent provisions for all large load customers, or, alternatively, proposing necessary changes. A FERC show cause order is a directive to demonstrate that additional tariff changes are not required. These orders do not yet adopt new rules but recognize regional and market differences and emphasize that rapid growth in large loads presents urgent challenges requiring standardized, transparent, and nondiscriminatory interconnection approaches. The actions respond to an Advance Notice of Proposed Rulemaking (ANOPR) initiated by U.S. DOE Secretary Chris Wright in October 2025. An additional requirement mandates, within thirty (30) days, detailed reports from each ISO/RTO demonstrating that adequate generation will be available to serve both existing and new large loads.

This rulemaking aims to provide greater clarity and certainty regarding how large loads, such as data centers, manufacturing facilities, and other high-demand users, interconnect to the transmission grid, while respecting the bounds of state authority. Critically, FERC signals a willingness to consider regional market differences, identifying five (5) primary categories of potential reforms:

- Efficient transmission service application and study processes
- Prevention of cost shifting and increased transparency

- Co-location arrangements and behind-the-meter generation
- New transmission services for flexible large loads
- Processes to study electrically proximate large loads

FERC has previously committed that its actions will be “quick, efficient, and legally durable.” This initiative represents the first step toward a federal framework for large-load interconnection, potentially displacing the current state-by-state patchwork and establishing a national floor for how data centers participate in the interconnection process, including consideration of flexibility and/or demand response solutions.

Further reading:

- [Fact Sheet: FERC Acts on Large Loads for Efficiency, Reliability](#)
- [Commissioner Rosner's Remarks on the Large Load Show Cause Orders, E-7 to E-12 | June 18, 2026 Open Meeting | Federal Energy Regulatory Commission](#)
- [Regulatory Review](#)

PJM Accelerates Reliability Backstop Auction to September 2026; Warns States to Establish Data Center Cost Frameworks Now

On May 19, 2026, PJM’s board announced its intent to hold a backstop reliability auction in September 2026, accelerated from March 2027 as originally proposed, to help meet data center demand. In the announcement, PJM urged member states to “immediately” start setting rules to shield residential and other existing customers from the auction’s costs.

PJM’s latest long-term forecasts show summer peak load is expected to grow by approximately 34,600 MW between 2026 and 2031 – a 22% system-wide increase – comparable to adding the peak consumption of three New York City-sized cities in five years.

The backstop auction is explicitly designed so that new data center loads bear the cost of new generating capacity. The auction would allocate 100% of associated generation costs to data centers and large industrial loads, representing a fundamental pivot from socialized capacity costs to direct cost causation that data centers in the PJM footprint have not previously faced. States that fail to establish their own cost allocation frameworks before the September auction risk having those costs fall into regulatory limbo, with PJM warning this creates unacceptable outcomes for both reliability and affordability.

Further reading:

- [PJM Board Letter — May 19, 2026](#)
- [PJM Accelerates Backstop Auction](#)

NERC Issues Level 3 Essential Action Alert, Reliability Guideline

NERC issued a Level 3 Essential Action Alert on May 4, 2026, to address reliability concerns related to “large computational loads” unexpectedly disconnecting from the grid.

The Level 3 alert builds on a previously issued Level 2 alert from September 2025 and stems from grid reliability concerns related to multiple events in the Eastern and Texas interconnections over the past few years, during which more than a gigawatt of load in each event unexpectedly disconnected from the grid.

The alert outlines seven essential actions that registered entities must implement to address immediate risks posed by computational loads interfacing with the Bulk Power System (BPS), covering the modeling, analysis, monitoring, and commissioning of large loads. Registered entities are expected to implement the recommended actions while NERC updates its reliability standards to “account for the needs associated with computational loads”. The deadline for registered entities to submit responses is August 3, 2026.

Reliability Guideline

Along with the Level 3 Alert, NERC released a Reliability Guideline on May 4, 2026, for Emerging Large Loads as a proactive measure to protect grid stability. The Reliability Guideline details specific risk mitigations that were identified by the NERC Large Load Working Group (LLWG) and acts as a “reliability bridge” while NERC updates its mandatory Reliability Standards to reflect the changing grid environment. While reliability guidelines are not binding and subject to mandatory compliance like Reliability Standards, applicable entities on the bulk power system are highly encouraged to review and consider the application of the identified mitigating actions.

Further reading:

- [NERC Issues Level 3 Alert Focused on Large Load Challenges](#)
- [NERC Risk Mitigation for Emerging Large Loads Reliability Guideline](#)

NERC Initiates Reliability Standards Project focused on Computational Loads

As opposed to a NERC Reliability Guideline, a NERC Reliability Standard establishes mandatory, enforceable reliability requirements for applicable entities. On May 20, 2026, the NERC Standards Committee authorized a [reliability standards project](#) (Project 2026-02) to address emerging reliability risks driven by large loads, such as data centers, Artificial Intelligence (AI) compute clusters, and cryptocurrency facilities. This foundational standard represents the first phase of a broader, multi-phase effort, introducing new definitions for applicable loads and entities. It aims to improve grid operators’ situational awareness, reduce planning uncertainty, and address supply-chain interdependencies affecting the resilience of the Bulk Power System (BPS). The standards effort is a core piece of the [Large Loads Action Plan](#), undertaking a broader and holistic by NERC to look at understanding and addressing the reliability risks of emerging large loads. The first phase of the effort is expected to be completed by the end of 2026.

Further reading:

- [NERC Standard Authorization Request \(SAR\)](#)

DOE Emergency Order for PJM to Curtail Data Centers, Large Loads during Hot Weather

On May 18, 2026, the U.S. DOE issued an [emergency order](#) under Section 202(c) of the Federal Power Act authorizing PJM and transmission owners to use customer-owned backup generation facilities to help avoid or mitigate an Energy Emergency Alert (“EEA”) Level 3 during extreme heat conditions. The Order was issued per [a request filed by PJM](#) during a period of high generation and transmission outages combined with hotter than anticipated weather, high demands and low grid reserves. During Winter 2025-2026, several similar [DOE Emergency Orders](#) were issued to PJM, ERCOT and utilities in the southeastern United States due to extreme cold weather concerns.

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.

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

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