Docket No. EL25-49
Order Instituting Proceeding Under Section 206 of the Federal Power Act relating to Co-Located Load

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Co-Located Load Show Cause Order Workshop

March 10, 2025

FERC's Findings and Directive

FERC indicates that PJM's Tariff "appears to be unjust, unreasonable, unduly discriminatory or preferential" regarding rates, terms, and conditions of service that apply to co-location arrangements.

By March 24, FERC directed PJM and the PJM Transmission Owners to either:

(1) Show cause as to why the Tariff, Operating Agreement, and Reliability Assurance Agreement (collectively, the Tariff) remains just and reasonable and not unduly discriminatory or preferential without provisions addressing with sufficient clarity or consistency the rates, terms, and conditions of service that apply to co-location arrangements; or

(2) Explain what changes to the Tariff would remedy the identified concerns if the Commission were to determine that the Tariff has in fact become unjust and unreasonable or unduly discriminatory or preferential and, therefore, proceeds to establish a replacement Tariff.

Show Cause Order: Jurisdiction and Tariff Provisions

Jurisdiction (PP 66 – 73): Recognizes that the co-located load configurations may raise questions of federal and state law, and suggests that the application of jurisdictional limits is not yet clear.

Tariff Provisions (PP 74 – 82): Offers assertions about the existing Tariff, and the extent to which it addresses (or does not address) co-located load rates, terms, and conditions. Among other things, the Commission recounts discussions in the record about the Network Load status of co-located load, appropriate transmission service/ancillary services/black start services, and appropriate interconnection service (especially regarding studies).

Show Cause Order : Reliability and Resource Adequacy

Reliability and Resource Adequacy (PP 83 – 86): Surveys various concerns about the reliability and resource adequacy implications of co-located load arrangements.

- FERC takes these reliability concerns “extremely seriously” and encourages rules to ensure PJM has sufficient information to perform appropriate analyses and ensure reliable operations.
- The speed of adding co-located load is driving interest in co-location; this speed may pose particular resource adequacy challenges, especially if co-location arrangements are not reflected in existing resource planning mechanisms such as the PJM capacity market.

Show Cause Order: Summary of Questions for Briefing by Topical Area

General Questions:

- Jurisdiction
- Sufficiency of Tariff's existing coverage of co-location arrangements
- Modifications needed to address co-location arrangements

Transmission Service Questions:

- Extent to which different co-location configurations use and/or impose costs on transmission system
- Should co-location arrangements take NITS or PTP service; what changes are necessary in these services to accommodate co-location; is new form of transmission service needed?
- Explain Guidance's statement that co-located loads are "electrically connected and synchronized to the PJM Transmission System when consuming power"
- Can co-located load be isolated from any form of transmission service?

Show Cause Order : Summary of Questions for Briefing by Topical Area (Continued)

Ancillary or Other Wholesale Services Questions:

- Extent to which co-location configurations rely on or benefit from ancillary services or black start; associated costs
- Extent to which co-location arrangements use, benefit from, provide, or contribute to need for transmission services in a way that does not fit into pre-existing category of ancillary or black start services
- Are new rates, terms, and conditions of ancillary services needed?
- How would PJM determine whether a co-located load takes ancillary or black start service?

Show Cause Order : Summary of Questions for Briefing by Topical Area (Continued)

Interconnection Procedures and Cost Allocation Questions:

- Adequacy of PJM's existing necessary study process for co-located arrangements
- Adequacy of interconnection procedures and agreements
- Cost-allocation issues

PJM Capacity Market, Reliability, and Resource Adequacy Questions:

- Need for changes to capacity market rules
- Need for changes to Tariff or interconnection service agreement to provide sufficient visibility of co-located loads?
- Can existing Tariff rules handle increasing numbers of large generators co-locating with load?
- Deactivation or interconnection modification studies needed for resource adequacy and reliability
- Changes to PJM planning process to address resource adequacy and reliability impacts
- Circumstances in which PJM should direct operators of co-location arrangements to shed load.

Show Cause Order : Summary of Questions for Briefing by Topical Area (Continued)

Other Questions:

- Changes to PJM's energy or ancillary services markets
- Can back-up service provide benefits to customers or minimize system costs?
- Benefits of co-location arrangements, such as potential reduction of transmission upgrades needed to interconnect large loads, congestion reduction, increasing operational flexibility during peaks or emergencies
- Tariff modifications to encourage construction of co-location arrangements to minimize total system costs or provide benefits; protection of existing customers; cost allocation
- National security implications
- Fairness of removing from system's supply stack generation units originally paid for by consumers in base rates prior to restructuring

Preliminary PJM Observations

- PJM recognizes the strategic and economic importance of co-located load in the PJM region, and desires to support and facilitate PJM stakeholders' efforts to achieve faster speed to market for such loads in a reliable fashion.

- Where permitted by state and other applicable law, PJM supports co-located load arrangements provided the participants involved in such arrangements pay the costs of any grid services they consume.
  - Many co-located load configurations utilize grid support and consume ancillary services (including, for example, frequency regulation, black start service, and reactive service)

- PJM continues to prefer that co-located load be in front of the meter as Network Load:
  - Less operating complexity and reduced dependence on protective schemes, which can misoperate
  - More reliable service for these critical loads
  - Enhanced ability to manage load curtailment priority in emergency conditions
  - Greater access to potential Demand Response capabilities of large co-located loads, including from switching to backup generation on site
  - Allows for more comprehensive and holistic system planning

- PJM continues to develop its position on these matters and is interested in receiving stakeholder feedback on the preliminary observations set forth here, and on: (1) appropriate rate constructs consistent with cost-causation principles to reflect the costs of any consumed grid services; and (2) the potential value of FERC-supervised settlement procedures to expeditiously resolve these important matters to arrive at potential updates to Tariff provisions and rate design, if and where appropriate.

Contact

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