
CLIENT ALERT | January 20, 2026

US Data Center Demand: White House and Governors Issue Principles While PJM Issues Decisional Letter

Changes within the PJM region in the near and medium term will impact large load development and operation throughout the PJM footprint.

Key Points:

- The operator of the largest transmission grid and wholesale energy market in the United States (PJM Interconnection, LLC) has been holding an expedited stakeholder process to address the massive increase in new large load associated with data centers.
- While numerous stakeholders have been participating in the process, including the states, the governors of the PJM states also worked with the National Energy Dominance Counsel within the White House to sign a statement of principles with respect to several of the same issues.

On January 15, 2026, National Energy Dominance Council (NEDC) Chairman and US Interior Secretary Doug Burgum, NEDC Vice Chairman and US Energy Secretary Chris Wright, and the governors of the states located in the PJM Interconnection, LLC (PJM) region signed a [Statement of Principles Regarding PJM](#) (the WH/Governors' Principles), urging PJM to propose changes to its Open Access Transmission Tariff (Tariff) with respect to large load additions to the system and their impact and treatment under the PJM rules.

Relatedly, on January 16, 2026, the PJM Board of Managers (PJM Board) issued a decisional [letter](#) to all PJM stakeholders regarding the PJM Critical Issue Fast Path – Large Load Additions (the Board Decision), addressing many of the same issues and directing PJM staff to take certain actions.

This Client Alert summarizes and compares each of the areas covered by the WH/Governors' Principles and the Board Decision and briefly discusses next steps. While predicting the timing and outcome of the proposals is difficult, we can expect a series of changes within the PJM region in the near and medium term to address these principles, which will impact large load development and operation throughout the PJM footprint.

Protecting Residential Customers From Capacity Price Increases

The Base Residual Auction (BRA) PJM held for the 2026/2027 and 2027/2028 delivery years included a price collar, establishing an administrative clearing price floor and cap.

While the price collar is not currently approved for future BRAs, the WH/Governors' Principles call on PJM to extend the price collar to apply to the next two BRAs, which will be for the 2028/2029 and 2029/2030 delivery years, at the current rate level.

The PJM Board recognizes that a price collar may obscure the market's underlying clearing price and, as a result, could dampen signals needed to support the entry of new supply. It also noted that there are legitimate questions regarding whether the current capacity market construct, on its own, is sufficient to incentivize new resource development. Therefore, the Board Decision seeks additional feedback from PJM stakeholders on the issue and requests responses to certain questions contained in Appendix D of the Board Decision by no later than January 30, 2026, to determine whether to propose the implementation of a price collar for future BRAs in a filing at the Federal Energy Regulatory Commission (FERC).

Providing Revenue Certainty to New Generation

PJM's most recent BRA, which was for the 2027/2028 delivery year, cleared 5.6% below PJM's target reserve margin, indicating that the PJM system is now at higher risk of having a generation shortfall. Under the Tariff, if three consecutive capacity auctions end with a capacity deficiency, PJM may file with FERC for approval of a backstop capacity procurement auction.¹

The WH/Governors' Principles call for PJM to implement a Reliability Backstop Auction to procure new capacity resources, commencing no later than September 2026, and to provide 15-year price certainty for new capacity resources clearing in such Auction. Further, they request that PJM file Tariff revisions expeditiously, asserting that no additional stakeholder input is necessary.

The PJM Board is concerned about the capacity deficiency in the latest BRA and therefore directs PJM staff to both accelerate and execute a backstop procurement. It also stated, however, that the existing backstop procurement rules are not sufficiently detailed, and that PJM and the stakeholders will need to discuss the design of the procurement.

Allocating Costs

How the costs of any such PJM backstop capacity procurement are allocated is a substantial issue.

- The WH/Governors' Principles provide that PJM should allocate the cost of any new capacity procured through the backstop procurement to load serving entities (LSEs) with new data centers that have not self-procured new capacity or not agreed to be curtailable, and any remaining costs should be allocated to LSEs based on their remaining net short positions.
- The PJM Board directs PJM staff to address cost allocation for any such procurement, including consideration of mechanisms that assign costs to those LSEs that are short as a result of incremental load growth within their service areas.

- While both the WH/Governors Principles and Board Decision comment on the framework for PJM to allocate costs to LSEs, how such LSEs allocate costs to loads is a matter of state law.
 - Therefore, the WH/Governors' Principles provided an agreement by the governors to use their authorities to ensure that their State utility commissions will protect residential customers and allocate costs to new data center loads that have not otherwise procured capacity or agreed to be curtailable.
 - The PJM Board also highlighted ongoing efforts by several states within the PJM footprint to facilitate the development of new generation. These efforts fall outside the jurisdiction of FERC and are not actions that PJM can implement directly, but state-led initiatives to advance new supply, including permitting and siting reforms, are important to accelerating the addition of needed generation to the system.

Improving Load Forecasting

The PJM Board recognizes that improvements need to be made regarding load forecasting associated with expected large load.²

The WH/Governors' Principles call on PJM to refine its load forecasting methodologies to ensure that capacity is procured only for real and verified demand, specifically, to only include large new loads in the forecast that can demonstrate a meaningful and verifiable commitment, such as an executed energy service agreement, credit/collateral support, or similarly significant financial commitment.

In recognition of the need for improvements, the PJM Board directs PJM staff to implement reforms that were vetted through the PJM Load Analysis Subcommittee as well as improvements that have been proposed by PJM staff, which relate to state review of large load additions, addressing duplicative requests and the use of additional third-party review and increased transparency.

Accelerating Ongoing Generator Interconnection Studies

While PJM has implemented interconnection queue reform somewhat recently, all parties emphasize the need to accelerate the interconnection of new generation, particularly to the extent the generation is being developed to meet the demands of new large load.

The WH/Governors' Principles call on PJM to accelerate the study process for certain generation projects in the current PJM queue, including prioritizing generation included as part of PJM's Reliability Resource Initiative, and any resources that clear the capacity backstop procurement. They also request PJM to commit to rapidly deploying broader interconnection improvements in 2026 and achieving meaningful reductions in interconnection study timelines.

The Board Decision encourages voluntary "Bring Your Own New Generation" and directs PJM staff to implement certain proposals regarding an Expedited Interconnection Track that will serve as an alternate

path for any entity seeking to mitigate curtailment risk by bringing their own new generation to the system on an accelerated basis. The Board Decision calls for the Expedited Interconnection Track to be in place by August 2026.

Returning PJM to Market Fundamentals

All parties recognize that the current market conditions differ significantly from the prevailing conditions when the PJM capacity market was initially designed.

The WH/Governors' Principles request that PJM immediately commence a stakeholder process to reform the capacity market to ensure long-term viability and prevent consumers from bearing excessive ongoing costs, with the expectation that these reforms be implemented in time for the BRA currently scheduled for May 2027.

The PJM Board recognizes that the current capacity market design has not produced a sufficient level of bilateral contracting or price certainty to support the scale of new resource investment required to maintain resource adequacy, and that it is appropriate to undertake a focused review of the capacity market design. The PJM Board also confirmed that PJM's markets must operate in a coordinated manner to deliver clear and transparent price signals regarding the resources needed to maintain grid reliability.

Accordingly, the PJM Board directs PJM to analyze how the energy, reserve, and capacity markets can evolve in a coordinated manner to provide appropriate incentives for both investment and performance. The PJM Board's objectives for this work are twofold: (1) to advance necessary changes to the energy and reserve markets that are already underway and that support system operators in managing an increasingly dynamic grid; and (2) to ensure that such changes are aligned with anticipated reforms to support resource adequacy, while continuing to provide a residual mechanism for states with vertically integrated structures.

The PJM Board directs PJM staff to perform this analysis in the first half of 2026, after which an accelerated stakeholder process is expected to commence.

Connecting and Managing Large Load Additions

While not directly addressed by the WH/Governors' Principles, the PJM Board recognizes that there may be shortfalls between forecasted load growth and the availability of new generation to meet such demand. The PJM Board therefore directs PJM staff to develop a framework whereby the incremental demand associated with such load growth will be subject to curtailment prior to PJM deploying pre-emergency demand response. The PJM Board recognizes that this approach will require certain large loads, including data centers, to curtail their demand or move to on-site backup generators, for a limited number of hours per year. The determination of which loads to curtail lies with the individual transmission owners and LSEs; however, PJM will establish a framework to provide advance notification to such transmission owners and LSEs regarding the magnitude of load reductions that may be required.

PJM Timeline

The Board Decision includes the below high-level summary of actions and associated timelines.

Action Taken	Associated Dates	Stakeholder Activity
Load forecasting improvements	2027 load forecast (in place for)	Page turn of manuals
Expedited interconnection track	August 2026 (in place by)	Page turn prior to requisite filing
Connect and manage (load shed prioritization and allocation)	End of 2026 (in place by)	Consensus based issue resolution stakeholder process
Reliability backstop procurement	Begin discussion immediately	Initial discussion at members committee on January 22, 2026
Market investment incentives review	Analysis performed in first half of 2026	Work plan to implement recommendations and associated stakeholder processes presented to board
Capacity auction price collar	Written feedback by January 30, 2026	Feedback to board

Source: PJM Board Decisional [Letter](#) on Critical Issue Fast Path - Large Load Additions

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Endnotes

¹ PJM Tariff, Attachment DD, §§ 16.2, 16.3.

² The Board Decision proposes to define large load additions as individual additions of load at or above 50 MW at a single Point of Interconnection, noting that this level was supported in the accelerated stakeholder process and is consistent with PJM's definition of large load additions already being utilized in its large load adjustment process.