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The Repricing of Electrons: FERC's June 18th Orders-to-Show Cause

When a Commodity Phase-Changes: FERC's Six-RTO Intervention, the Cost-Causation Question, and What a Century of Markets Says About Who Pays

01 · THE TRADE IN ONE LINE

Electricity has not become scarce. It has become **valuable** — and those are not the same thing. A commodity becomes scarce when supply contracts; it phase-changes in value when a new class of buyer arrives whose willingness to pay bears no relationship to the historical price. That is what artificial intelligence has done to power. A hyperscaler underwriting a training cluster does not value a megawatt the way a residential ratepayer does, because the megawatt is no longer an input to lining standard — it is an input to a revenue engine measured in tokens per second. When the marginal buyer's economics detach from the incumbent buyer's economics, the price of the commodity wants to move. The only question — the one every regulator, RTO, and developer is now fighting over — is **who absorbs the move.**

On June 18, 2026, the Federal Energy Regulatory Commission answered the first half of that question and deferred the second. In a unanimous, bipartisan vote, it issued tailored Section 206 show-cause orders to all six jurisdictional RTOs and ISOs — PJM, MISO, SPP, CAISO, ISO-NE, and NYISO — plus their transmission owners, demanding they defend or revise how their tariffs treat large loads. Read narrowly, it is procedural housekeeping. Read correctly, it is a federal attempt to install a **cost-causation mechanism** before the repricing of electrons bleeds into the residential base and detonates politically. This note argues three things: (1) that the mechanism is the entire variable; (2) that business history tells us with unusual clarity what happens when one is present versus absent; and (3) that the markets which built the mechanism early will capture the value, while those that suppress the price signal will socialize the cost and pay for it at the ballot

The technology phase-change is real and irreversible. Whether it bleeds into the residential base is not a law of physics — it is a policy choice about mechanism. Markets that build the mechanism absorb the shock. Markets that suppress the price signal socialize it, and pay for it politically.

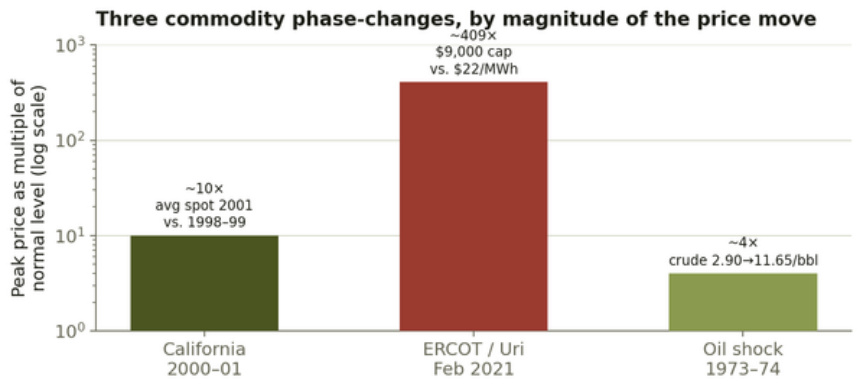

Figure 1 — The magnitude of a value phase-change is not the thing that determines the damage. Uri's price move was roughly forty times California's, yet the institutional wreckage was comparable, because in both cases the signal had nowhere clean to go. Sources: EIA; Joskow (MIT CEEPR, 2001); Federal Reserve History.

02 · WHAT FERC ACTUALLY DID ON JUNE 18

The legal posture matters more than the headline. This is a **defend-or-revise** process under Section 206 of the Federal Power Act, not a national large-load tariff. FERC pointedly declined to assert federal jurisdiction over the reform itself. Chair Laura Swett framed the orders as **prospective reforms** that would not disrupt large-load deals already being negotiated, and staff noted the Commission had reviewed more than 3,500 pages of public comment in the large-load docket before acting. The scope is enormous: the orders reach roughly 200 million Americans across more than 30 states and the District of Columbia — close to two-thirds of all electricity load served under FERC-jurisdictional tariffs. ERCOT, outside FERC's reach, is conspicuously absent.

Each RTO/ISO now runs a set of staggered clocks. The structure is worth committing to memory, because the gating dates are when analyst judgment converts into tariff fact:

Figure 2 — Six identical countdowns, one per RTO/ISO, all running from June 18. Read-throughs about pricing, netting, and curtailment firm up as each Day-60 filing lands. Source: FERC show-cause orders (PJM, Docket No. EL26-67-000, 195 FERC ¶ 61,211).

Within that frame, five subject areas are mandatory in every region:

- **Transmission study process —** efficient service-application and study procedures, including alternative and grid-enhancing technologies such as dynamic line rating to free up capacity on existing lines.
- **Cost-shift prevention —** guardrails against shifting large-load costs onto other customers, plus improved transparency into transmission costs. This is the federal handshake with the ratepayer-protection instinct.
- **Co-location and behind-the-meter —** clear protocols and costs for co-located load and BTM generation. Notably, FERC simultaneously **set aside** its own December 2025 finding that loads with behind-the-meter generation could not take the new PJM transmission services — reopening the door to BTM configurations across all six regions.
- **Flexible-load service —** new transmission-service constructs for large loads that can be limited to an approved level or curtailed under stress.
- **Proximate-generation study —** a process to study generation serving electrically proximate and co-located large load, with the paired study targeted at roughly 60–90 days. This is the federal embryo of "new generation meets new load."

The guardrails are as revealing as the demands. FERC preserved state authority over generation siting, retail rates, and retail cost-shifting; protected existing or near-final large-load agreements and instructed RTOs to build reasonable transition periods; and left each region to define large loads on its own terms. It granted a narrow 45-day window for any RTO to request abeyance if it can show a concrete path to a Section 205 tariff filing of its own. The public framing — compressing grid hook-ups from years toward a faster paradigm — is **policy messaging, not a binding approval clock**, until tariff sheets confirm it. The bargain on offer is unambiguous: **speed in exchange for responsibility.** Faster interconnection, paired with bring-your-own-power, curtail-when-stressed, and pay-for-your-upgrades.

03 · WHAT HISTORY SAYS: THE MECHANISM IS THE VARIABLE

Strip away the regulatory vocabulary and FERC's order is an instance of a problem capitalism has solved — and failed to solve — many times. A commodity's value re-rates because a new high-intensity user appears. The incumbent user base is captive and politically protected. The system must charge the new value to the party that caused it without blending that value into the captive price. Where a clean **cost-causation mechanism** existed, the shock was absorbed. Where the price signal was suppressed instead, the cost was socialized by default — and the political bill came due with interest.

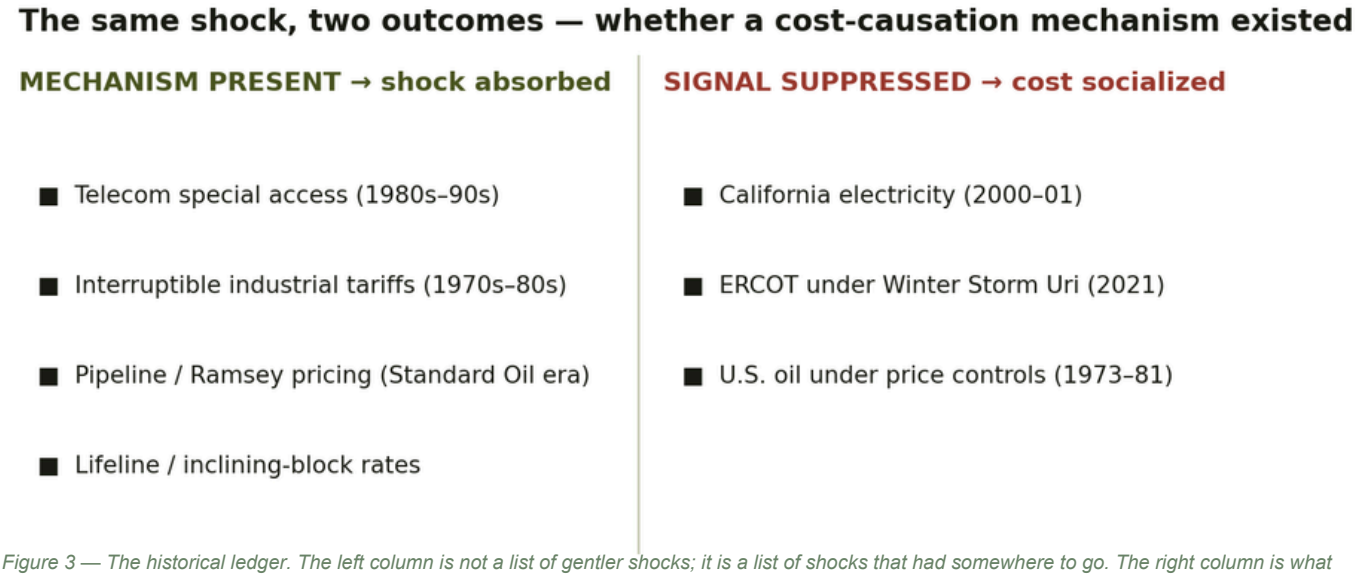

Figure 3 — The historical ledger. The left column is not a list of gentler shocks; it is a list of shocks that had somewhere to go. The right column is what happens when the same pressure meets a frozen price.

The mechanisms that worked

Telecom special access (1980s–1990s) — bifurcate the customer class. As data and enterprise traffic made certain network capacity far more valuable than residential voice, the industry did not let that value bid up the local loop. It built a separate product class — special-access circuits, dedicated T-1 and DS-3 business lines, and later peering-versus-transit arrangements — so high-value users paid congestion-driven rates while residential service stayed under price-cap regulation established through the FCC's price-cap regime beginning in 1990. The network's value bifurcated **by customer class.** This is the closest direct analogue to behind-the-meter and co-location structures today, and it is precisely FERC's third and fourth buckets, a generation early.

Interruptible industrial tariffs (1970s–1980s) — sell a different product. Through the power scarcities of those decades, utilities serving aluminum smelters, chlor-alkali plants, and integrated steel did not let industrial demand bid up the firm residential rate. They created **interruptible service**: large loads accepted curtailment risk in exchange for discounted energy and bore the reliability cost themselves. The principle is exact — when a subset of load values the commodity differently, give it a different product rather than blending the price. FERC's curtail-when-stressed condition and PJM's proposed non-firm contract-demand service are the lineal descendants. Flexibility is not a concession; it is the product.

Pipeline economics and Ramsey pricing — whoever owns the chokepoint captures the rents. Railroads facing capacity scarcity charged the most inelastic, highest-willingness-to-pay freight disproportionately while keeping baseline rates accessible — the logic later formalized as Ramsey-Boiteux pricing (1920s economists Frank Ramsey and Marcel Boiteux). Standard Oil, before its 1911 dissolution, captured kerosene's value through control of the scarce midstream asset transport rather than letting it blend into the wellhead crude price paid to producers. The lesson belongs on every developer's desk: the binding constraint captures the value. Today the binding constraint is firm power and interconnection capacity — the entire structural argument for owning generation behind the meter rather than queuing for service in front of it.

The pattern across a century is singular: a value phase-change is absorbed cleanly only when a mechanism ties cost causation to the high-value user — a separate product, a separate class, a regulated chokepoint owner, or a protected floor plus marginal recovery. Absent the mechanism, the cost is socialized, and the politics turn violent.

The counter-cases: when the signal was suppressed

California, 2000–01. Under the 1996 restructuring law (AB 1890), the state's investor-owned utilities were required to buy power through a new wholesale exchange while their retail rates were frozen. When drought, plant retirements, hot weather, and outright manipulation by Enron and others hit in 2000, wholesale prices ran away from the frozen retail price. Wholesale spot prices rose roughly 500% between the second halves of 1999 and 2000; for the first four months of 2001 they averaged over $300/MWh — about ten times the 1998–99 level. PG&E and Southern California Edison were buying at eleven, twenty, fifty cents a kilowatt-hour and reselling at a capped 6.7 cents. By spring 2001 the two had amassed roughly $20 billion in debt and been cut to junk; **PG&E filed for bankruptcy on April 6, 2001.** The state declared emergencies, ordered rolling blackouts, had the Department of Water Resources buy power on the state's books, and ultimately recalled Governor Gray Davis in 2003. The cost was socialized onto ratepayers and taxpayers because the retail freeze left the price signal nowhere clean to land.

ERCOT, Winter Storm Uri, February 2021. ERCOT's wholesale price averaged about $22/MWh in 2020. During Uri, after rolling blackouts began on February 15, the Public Utility Commission directed ERCOT to hold prices at the **$9,000/MWh systemwide cap** — roughly four hundred times the normal level — and prices stayed pinned there for about 77 hours, through the morning of February 19. Where that cost landed depended entirely on contract structure. **Brazos Electric Power Cooperative,** the oldest and largest generation-and-transmission co-op in Texas, was hit with a roughly $1.9 billion ERCOT bill and filed for Chapter 11 on **March 1, 2021;** retail provider **Griddy,** which passed wholesale prices straight through to customers, collapsed after billing some households tens of thousands of dollars for a single month. Hedged and interruptible parties were insulated. Same event, wildly divergent incidence — determined by who had **pre-allocated the risk.** A Texas appeals court later ruled, in March 2023, that the $9,000 order had exceeded the Commission's authority, underscoring that the damage flowed from administrative price-setting, not from the storm alone.

The oil shocks, 1973–1981. When the OAPEC embargo began on October 19, 1973, crude nearly quadrupled — from about $2.90/barrel before the embargo to $11.65 by January 1974. But the United States met that move with the Nixon wage-price freeze (August 1971) already in place and then the Emergency Petroleum Allocation Act of November 1973, which imposed mandatory price controls and a pro-rata allocation system keyed to 1972 consumption. The result was not orderly adjustment but gas lines, odd-even rationing, and a baroque multi-tier crude-pricing scheme that grew from two tiers in 1974 to eleven by 1979. The second shock, when Iran cut exports from December 1978, more than doubled crude again — from roughly $15 to $39/barrel by mid-1979 — and reproduced the same lines at the pump. Price and allocation controls were not fully dismantled until President Reagan's Executive Order 12287 on January 28, 1981. Economies that let the price signal through and cushioned vulnerable consumers with targeted transfers adjusted faster; the U.S. approach of suppressing the signal produced shortage and deadweight loss.

The synthesis writes itself. Suppressing the price signal to "protect ratepayers" reliably produces shortage, misallocation, and a worse political outcome than the one it was meant to avoid. Protecting the captive base while letting the high-value user pay true cost is the only approach that has ever worked. FERC's Section 206 posture is, in this light, a regulator trying to force the cost-causation mechanism into place **before** the bleed-through — rather than cleaning it up afterward, the way California was forced to.

04 · SPP AS THE REFERENCE ARCHITECTURE

FERC's fact sheet singles out SPP because SPP has already built a working version of the mechanism. Its framework, accepted by FERC in 2026 subject to condition after an October 24, 2025 filing, converts a large-load request from a one-off queue fight into a defined process for pairing new demand with proximate new supply. That does not bind PJM, but it makes SPP the benchmark against which PJM will be judged.

- **HILL — the load side:** the High Impact Large Load process, a defined fast path with operational requirements for high-impact commercial and industrial load connecting to the SPP system.
- **HILLGA — the generation side:** the HILL Generation Assessment, an optional paired-generation study run on an expedited, separate serial track — generation studied as part of the load solution, not as an unrelated queue entrant.
- **LLRIS — the service concept:** Load Limited Resource Interconnection Service caps the generator's interconnection service at the amount needed to serve proximate large load. This is bring-your-own-new-generation without pretending the resource is fully deliverable.
- **CHILL / CHILLS — watch item:** a conditional large-load service concept that would allow interim non-firm access while a designated resource or network upgrades are not yet online. Track current status.

The investor point is simple. SPP is the strongest public analogue for a bring-your-own-new-generation model — a structural cousin to the special-access and interruptible-service mechanisms above. It rewards a developer who can solve the RTO's problem rather than become it. Land, interconnection knowledge, fuel strategy, a credible tenant, and controllable power are no longer table stakes; they are the product the framework is built to buy.

05 · INSIDE THE PJM ORDER — EL26-67-000

Of the six orders, PJM's is the key onek, both because PJM is the largest grid and because the order — **195 FERC ¶ 61,211, Docket No. EL26-67-000**, signed by Chairman Swett and Commissioners Rosner, See, Chang, and LaCerte, and directed at PJM and roughly four dozen named transmission owners — is unusually specific about what FERC thinks a financeable large-load tariff looks like. It does not impose those terms; it makes **preliminary findings** that the existing tariff appears unjust and unreasonable for lacking them, and gives PJM 60 days to defend the status quo or propose its own fix. But the findings themselves are the clearest federal sketch yet of the cost-causation mechanism.

Five elements stand out, and each is a direct instantiation of the historical pattern in Section 03:

- **A binding study clock —** FERC preliminarily finds the tariff deficient for lacking provisions to study transmission service for large loads **within 60–90 days** of a request. This is the detail that converts the "90-day" headline from public framing into a finding with teeth: 60–90 days is written into the order as the timeliness benchmark PJM must meet or justify departing from.
- **A definition of "large load" —** the order sketches a workable threshold: a new commercial or industrial customer, at a single site behind one or more points of interconnection, with peak load of **50 MW or greater**, interconnecting above **69 kV**, and not part of a co-location arrangement. PJM may propose its own, but must justify operating without one. A defined class is the precondition for charging that class differently — exactly the special-access move.

- **A cost-recovery agreement with a minimum contribution —** the heart of the cost-causation machinery. FERC preliminarily finds PJM's tariff deficient for lacking a pro forma agreement, among PJM, the transmission owner, and the customer taking service on behalf of the large load, that requires a **minimum contribution toward the transmission owner's revenue requirement if the load fails to materialize** — sized to the MW of service requested, backed by credit support, and credited back against the TO's revenue requirement. In plain terms: the party that caused the upgrade pays for it, not the captive ratepayer. That is the lifeline-and-marginal-recovery principle rendered as a tariff instrument.
- **Flexible-load service —** a new service construct for large loads "willing and able to limit their use of the transmission system under certain conditions." This is the interruptible tariff of the 1970s, re-priced for data centers: flexibility purchased as a product, not extracted as a favor.
- **Proximate and co-located generation —** the order folds in the rates, terms, and conditions for interconnection customers serving electrically proximate or co-located large load — the 'bring-your-own-generation' track — and, notably, FERC set aside its earlier finding that behind-the-meter-equipped load could not take the new services, reopening the BTM door.

The operational quid pro quo — control as a condition of speed

The order is most striking in how concretely it prices the "responsibility" half of the speed-for-responsibility bargain. FERC preliminarily finds PJM's tariff deficient for lacking **ongoing operational requirements** on customers serving large loads — and it enumerates them. PJM, it suggests, should be able to require hourly load forecasts, telemetry, and maintained communication channels; to require metering capable of capturing fast-ramping behavior that conventional data acquisition misses, down to phasor measurement units; to specify **ramp-rate and ride-through requirements**; and, most pointedly, to **remotely disconnect a large load** under emergency conditions, with the cost of the enabling equipment directly assigned to the customer. The interruptible tariff of 1978 asked a smelter to power down when called. The 2026 version asks a data center to install the hardware that lets the operator do it for them. That is the difference between flexibility as a promise and flexibility as a wired-in capability — and it is the operational spine of any defensible co-location regime.

Transparency and the resource-adequacy clock

Two further findings round out the cost-causation architecture. On **transparency,** FERC preliminarily finds the tariff deficient because PJM does not publish, in a single searchable and filterable location, the Network Upgrades and associated costs driven specifically by large-load service requests. The Commission's concern is explicit: with a wide "cone of uncertainty" around demand growth and a real risk of speculative requests, neither ratepayers nor state regulators can today disentangle which transmission costs large loads are causing. Transparency, in other words, is not housekeeping — it is what makes the cost-shift guardrail enforceable and keeps hyperscaler-driven upgrades from disappearing into the general revenue requirement.

On **resource adequacy,** the order directs PJM to file within **30 days** a detailed report — with a milestone schedule and Board-vote dates — on the proposals it is advancing to ensure generation keeps pace with load. And here the order does something analytically useful: it names PJM's own initiatives, including a voluntary **Bring Your Own New Generation** pathway, a **Connect-and-Manage** framework for large loads that arrive without commensurate new capacity, and a **Reliability Backstop Procurement.** FERC is encouraged but unconvinced, flagging that generator retirements and tightening supply may outrun these efforts. The signal to developers is unmistakable: the federal regulator has now named bring-your-own-generation as part of the solution set, while warning that load is interconnecting faster than supply — which is precisely the scarcity that hands pricing power to whoever can put firm, proximate generation on the table.

Read together, the PJM findings are not a wish list — they are a blueprint for charging the high-value user the true cost of serving it: define the class, study it on a clock, make it pay a minimum contribution, wire it for curtailment, publish the costs, and reward the party that brings its own generation.

Two further points matter for sequencing. First, the order is explicitly **prospective**: FERC states the proceeding is not meant to disrupt existing or near-final commercial arrangements, and directs PJM to propose reasonable implementation periods and effective dates to protect deals already in motion. Second, the predicate is now a stack of proceedings — the December 2025 PJM Co-Location Order (193 FERC ¶ 61,217) and the Secretary of Energy's October 23, 2025 ANOPR (Docket No. RM26-4-000) — so PJM's response will be read against a year of accumulated record. The refund effective date is set, per Section 206, at the date the proceeding's notice is published in the Federal Register. Until PJM's filing lands, these remain preliminary findings, not settled rules — but they are the parameters that determine whether the mechanism is financeable or merely aspirational.

06 · THE TWO FRAMEWORKS, SIDE BY SIDE

DIMENSION	SPP HILL / HILLGA / LLRIS	PJM §206 ORDER (EL26-67-000)
Vehicle	HILL load process; HILLGA generation assessment; LLRIS service limited to serving proximate large load.	Dedicated §206 show-cause order (195 FERC ¶ 61,211) plus the predicate co-location order and DOE ANOPR.
Status	Accepted by FERC in 2026 subject to condition; held up as the reference architecture.	Preliminary findings that the tariff is unjust/unreasonable; PJM has 60 days to defend or propose revisions.
Study timing	Expedited load process and a ~60–90 day serial paired-generation study.	Binding benchmark in the order: large-load service must be studied within 60–90 days of request.
Cost causation	LLRIS caps service to proximate load; generation studied as part of the load solution.	Pro forma cost-recovery agreement: minimum MW-based contribution + credit support if load fails to materialize.
Large-load definition	Defined through the HILL process for high-impact commercial/industrial load.	Sketched: new C&I, single site, ≥50 MW peak, >69 kV, not co-located — PJM may propose its own.
Flexibility	Operational conditions attach to HILL service.	New service for loads willing to limit transmission use under conditions — the interruptible product, modernized.

07 · CONCLUSION — CLARITY FOR COST

The June 18 orders should be read as the federal government choosing, at least in posture, the path history rewards. FERC is not trying to hold the price of electrons down; it is trying to build the channel through which the repricing flows to the party that caused it — the speed-for-responsibility bargain, the cost-shift guardrails, the proximate-generation study, the resurrection of behind-the-meter service. Every one of those is a twenty-first-century restatement of special access, interruptible tariffs, the regulated chokepoint, and the lifeline block. The Commission is attempting to install the mechanism **before** the bleed-through, which is the one move California, ERCOT, and the 1970s United States each failed to make in time.

The real trade, as ever, is **clarity for cost.** The markets that priced the phase-change explicitly absorbed it and grew; the markets that suppressed the signal socialized the cost and paid in bankruptcies, blackouts, and recalls. If the RTOs — PJM above all, as the largest grid and the sharpest test — use their sixty days to build transparent, financeable rules rather than to defend the status quo, data-center demand stays and the grid gets paid for serving it. If they slow-walk, the value move does not disappear; it simply finds the residential base, and the politics that follow will make the engineering question look quaint.

For investors and developers the implication is narrow and durable. The easy arbitrage — a parcel of land and a one-line interconnection request — is closing. What FERC has validated, in the language of tariff reform, is the oldest rule in the commodity playbook: **whoever owns the binding constraint captures the repricing.** In power today, the binding constraint is firm, flexible, proximate generation. The electron has been repriced. The only question left is who holds the instrument that captures it.

SOURCES & ACCURACY POSTURE

- FERC News Release & Fact Sheet (June 18, 2026): “FERC Launches Aggressive, Targeted Action to Speed Large Load Integration” and “Supercharge America’s Grid.” ferc.gov.
- FERC show-cause order, PJM Interconnection, L.L.C., Docket No. EL26-67-000, 195 FERC ¶ 61,211 (June 18, 2026); companion order, MISO, Docket No. EL26-70-000.
- Predicate proceedings: PJM Co-Location Order, 193 FERC ¶ 61,217 (2025); DOE ANOPR, Docket No. RM26-4-000 (Oct. 23, 2025); SPP HILL Order, 194 FERC ¶ 61,031 (2026); SPP CHILLS Order, 195 FERC ¶ 61,196 (2026).
- PJM order detail — large-load definition (≥50 MW, >69 kV, single site); 60–90 day study benchmark; pro forma cost-recovery agreement with MW-based minimum contribution and credit support; operational requirements (telemetry, ramp-rate/ride-through, remote disconnect); searchable cost transparency; 30-day resource-adequacy report naming PJM’s Bring Your Own New Generation, connect-and-manage, and reliability backstop procurement initiatives. All drawn from EL26-67-000.
- California: Joskow, “California’s Electricity Crisis,” MIT CEEPR (2001); CBO (2001); CPUC/EIA records. Wholesale +~500% H2-1999 to H2-2000; ~$300/MWh avg early 2001; PG&E Chapter 11 filed Apr. 6, 2001.
- ERCOT / Uri: U.S. EIA (2020 avg ~$22/MWh; ~77 hours at the $9,000/MWh cap, Feb 15–19, 2021); Brazos Chapter 11 filed Mar. 1, 2021 ($1.9B ERCOT claim); Tex. Ct. App. ruling (Mar. 2023).
- Oil shocks: Federal Reserve History (crude $2.90→$11.65/bbl, Jan. 1974); Emergency Petroleum Allocation Act (Nov. 1973); E.O. 12287 (Jan. 28, 1981); 1979 crude ~$15→$39/bbl.
- Bloomberg coverage (June 18, 2026) on FERC’s “interventionist” pivot and grid hook-up acceleration.

Accuracy posture: FERC issued tailored §206 show-cause orders, not a single national large-load tariff, and the PJM findings are explicitly preliminary. This is an analytical read-through, not final tariff or legal analysis. The 60–90 day study window, the 50 MW / 69 kV definition, and the cost-recovery-agreement structure are drawn from Order No. 195 FERC ¶ 61,211 (EL26-67-000); they become binding only through PJM’s Day-60 compliance filing and any subsequent Commission order.