



Tariff Design to Enable Large Load Flexibility

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What is large load flexibility?

- Ability to curtail automatically or promptly at the grid operators' signal

How is it achieved technically?

- Reducing/shifting consumption
- **On-site or adjacent supply resources**

Why does it matter for affordability and speed-to-power?

- Avoids distribution, transmission and generation infrastructure

How can it deliver speed-to-power?

- Must be accounted for in large load interconnection process

What's in a large load tariff?

	Common tariff features	Recommendations to enable load flexibility
Qualifying eligibility thresholds	Size thresholds (e.g. >25 MW); Voltage thresholds; Load utilization factor	Define a Flexible Load class: <ul style="list-style-type: none">• Depth: Min % of contract capacity curtailed (e.g. 50%);• Speed: response time to operator signal (e.g. 5-10 minutes);• Duration: Min. hours per curtailment event (e.g. 4 hours);• Availability: Min. hours available per year (e.g. 2%+ annual hours).
Minimum billing	Minimum demand charges (often set as percent of demand)	Set charges in a manner that reflects cost causation; If charges are not directly cost reflective, reduce charges for flexible loads to account for reduced stranded asset risk
Minimum contract term	Minimum contract period (e.g. 10 years); Termination exit fees	Set termination fees in a manner that reflects cost causation, or reduce fees for flexible loads

What's in a large load tariff?

	Common tariff features	Recommendations to enable load flexibility
Collateral / Security requirements	Fixed amount (i.e. \$1.5 M / MW) or a multiple of minimum demand charges (e.g. 50% of all remaining demand charges)	Set requirements to reflect cost causation, or reduce requirements for flexible load customers
Retail rate design	Rate made up of demand charge, energy charge, rider and other charges	Granular time-of-use rates based on real-time LMP; Demand charges set based on cost causation
Network infrastructure	No set rules for cost assignment in interconnection process	Assign costs to large loads (either using but-for, as in FERC-jurisdictional gen interconnection; or if recovering costs through rates, reduce rates for flexible large loads to reflect reduced infrastructure needs)

What's in a large load tariff?

	Common tariff features	Recommendations to enable load flexibility
Interconnection process rules	<p>Often not addressed;</p> <p>Emerging frameworks include clustering based on receipt of interconnection requests and meeting certain milestones</p>	<ul style="list-style-type: none">• Queue priority for flexible large load class (e.g. studied in next queue cluster, if cluster process, or advanced to the front of the queue for serial process)• Study assumptions reflect load flexibility; presence of co-located supply and demand

FERC – state coordination can enhance flexible interconnection

FERC-jurisdictional action

- Generator interconnection that accounts for presence of load; interconnection of hybrids (load + supply)
- Non-firm transmission service offering, including operational framework for scheduling service and curtailing customers to avoid transmission constraints
- Regional load forecasting and planning process that accounts for large load flexibility and demand-side actions driven by large load customers
- Resource adequacy framework that allows for loads to bring own capacity

State action

- Expedited interconnection for large load customers.
- Rules for retail curtailment that align with FERC-jurisdictional non-firm service framework
- EDC load forecasting that accounts for large load flexibility
- Rules that enable large loads to contract with demand-side programs to mitigate impacts (e.g. New Jersey s. 731)

FERC can help enable flexible interconnection even without taking direct jurisdiction over the large load interconnection process

New Jersey S.731 adds the element of demand-reduction exchange

SENATE, No. 731 STATE OF NEW JERSEY

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- (8) require that each electric public utility submit Large Load Adjustments and Peak Shaving Adjustments to the regional transmission organization or any successor organization, which shall provide for inclusion of both the aggregate amount of anticipated new or expanded data center electrical load, as well as the aggregate amount of resources a large data center customer has procured to meet their energy needs;
- (9) identify the appropriate parameters for demand-reduction trade programs each electric public utility shall make available to large data center customers. The parameters shall: (a) delineate eligible categories of demand-reduction measures large data center customers may take, including incremental energy efficiency improvements, demand response enrollment, behind-the-meter energy storage, and managed electrification; (b) ensure sufficient protocols to demonstrate that the demand reductions are quantifiable, additional, coincident with periods of system or local need, and measured using advanced metering infrastructure; and (c) enable customers to export energy and provide for the establishment of negative peak load contribution values for exporting customers consistent with a FERC-approved tariff;
- (10) prioritize the interconnection of large data center customers who make binding commitments in fulfillment of the objectives stated in paragraphs (5) or (9) of this subsection, including Bring Your Own Clean Capacity commitments (¶15) or voluntary demand-reduction trade program participation (¶19);

S.731 directs the NJ Board of Public Utilities to:

1. **Identify** parameters for **demand-reduction trade programs** ensuring:
 - (a) demand reductions are **quantifiable**
 - (b) customers can receive **negative peak load contribution values**
2. **Require** utilities to submit **Large Load Adjustments** and **Peak Shaving Adjustments** to the RTO reflecting:
 - (a) aggregate anticipated new/expanded data center load; and
 - (b) aggregate resources procured by data center customers
3. **Prioritize interconnection** for large data center customers making **binding commitments**, including BYONCE (¶15) or demand-reduction trade program participation (¶19)

Key takeaways

- **States can act now** — regardless of what FERC does on transmission-level interconnection, states retain broad authority over distribution connections, retail service, rate design, and planning
- **Define Flexible Large Load** — once regulators establish a clear, binding definition of a flexible large load, consistent treatment across all four policy domains follows naturally
- **Rewarding flexibility is not a subsidy** — the goal is accurate cost causation: flexible loads that avoid infrastructure investment should pay less; inflexible loads that trigger it should pay more
- **Speed-to-power is the strongest incentive** — interconnection queue priority is the most commercially powerful tool states and utilities have to encourage voluntary flexibility commitments
- **Urgency matters** — status quo processes will trigger unnecessary infrastructure spend and prevent economic development; states and utilities that act first will shape load that influences their systems for decades