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FERC Issues Show Cause Order to Southwest Power Pool, Inc.

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On June 18, 2026, the Federal Energy Regulatory Commission (FERC or the Commission) issued an order to Southwest Power Pool, Inc. (SPP) directing SPP and SPP transmission owners to show cause as to why SPP's tariff should not be unjust and unreasonable (*Southwest Power Pool, Inc.*, 195 FERC ¶ 61,213 (2026) (Order)) because it fails to sufficiently:

- address the evaluation of alternative transmission technologies in the large load transmission study process;
- mitigate the risk of cost shifting among transmission customers due to large load, including providing transparency regarding the assignment of network upgrades and requiring a *pro forma* cost recovery agreement that would ensure that large load customers bear the risks and costs of network upgrades needed to provide them with transmission service;
- provide clarity on the rates, terms, and conditions of service applicable to co-located loads; and
- include flexible transmission service for large loads willing to limit their use of the transmission system.

SPP and its transmission owners are required to submit a response justifying the existing tariff language or proposing tariff revisions addressing FERC's concerns within 60 days (by August 17, 2026). Order at P 3. The Order also directs SPP to file an informational report within 30 days addressing "how SPP intends to ensure that adequate generation will be available to serve existing and new large loads." *Id.* at P 4. Interested entities may respond to the filings made by SPP and the transmission owners within 30 days of those filings. *Id.* at P 37. The Commission will also allow SPP and the SPP transmission owners to seek limited abeyance of

up to 90 days to allow them time to work through the stakeholder process to develop a filing under Section 205 of the Federal Power Act (FPA) to respond to the issues raised in the Order. *Id.* at P 33.

The following sections provide a more detailed overview of the Commission's discussion in each area identified by the Commission.

Definition of Large Load

For the purpose of defining large load, the Order adopts SPP's definition of a "high impact large load" as [a] new commercial or industrial load, or increase in commercial or industrial load, at a single site connected through one or more shared Points of Interconnection (POIs) or delivery points, where such load is either (1) 10 MW or more if connected to the Transmission System at a voltage level less than or equal to 69 [kilovolts (kV)]; or (2) 50 MW or more if connected to the Transmission System at a voltage level greater than 69 kV. *Id*. at Footnote 54.

Jurisdiction

The Order finds that "it is within the Commission's exclusive authority to ensure that transmission provider and/or transmission owner tariffs include sufficiently clear and consistent provisions governing how transmission service to Eligible Customers on behalf of large loads interconnecting to the transmission system will be studied, including whether new or upgraded transmission facilities are necessary to provide the requested transmission service." *Id.* at P 38. The Commission explains that it is exercising its jurisdiction here to "ensure that the process by which jurisdictional transmission providers and/or transmission owners will study the provision of jurisdictional transmission service to Eligible Customers on behalf of large loads interconnecting to the transmission system... is just and reasonable and not unduly discriminatory or preferential." *Id.* at P 42. The Order declines to "comprehensively address the Commission's jurisdiction over other aspects of the addition of large loads to the transmission system at this time." *Id.*

Transmission Service for Large Load Customers

The Order preliminarily finds that SPP's tariff appears to be unjust and unreasonable because it fails to sufficiently address certain matters related to the provision of transmission service to Eligible Customers that are taking service on behalf of large loads. The Commission notes that SPP recently adopted new transmission and interconnection study processes related to large load integration. For example, in 2026, SPP introduced the High Impact Large Load (HILL)

process, which imposes additional study requirements to requests by transmission customers to establish new delivery points to serve "High Impact Large Loads."[1]

Given SPP's recent efforts at reform, the scope of deficiencies identified by the Commission are far more limited than those in the show cause orders issued concurrently to other regional transmission organizations and independent system operators. Specifically, the Order finds that the SPP tariff fails to provide sufficient specificity in two areas: (1) it does not include clear and consistent provisions requiring evaluation of alternative transmission technologies to serve large load, and (2) the HILL process does not include *pro forma* provisions in a transmission service agreement that memorialize ongoing operational requirements specific to large loads. *Id*. at 43.

1. Study of Alternative Transmission Technologies in Transmission Service Requests

The Order finds that SPP's tariff does not sufficiently address how SPP and the TOs will study the potential use of alternative transmission technologies[2] to accommodate large load transmission requests. FERC explains that such technologies can add more capacity on existing transmission lines faster and more cost-effectively than traditional network upgrades and may mitigate the rate impact on other transmission customers who would otherwise be responsible for a portion of network upgrade costs. *Id*. at 44. While the Commission acknowledges SPP's recent efforts to revise its tariff to address the unique characteristics of large loads, the Order finds that the SPP tariff is unjust and unreasonable because it lacks clear provisions requiring the evaluation of alternative transmission technologies as potential solutions to accommodate a large load customer's request for transmission service and, when traditional network upgrades are assigned, an explanation in a customer's study report of why the use of alternative transmission technologies is not feasible.

To address this issue, FERC directs SPP to propose tariff revisions that:

- Require the evaluation of alternative transmission technologies in transmission service request studies, using models that are capable of evaluating the transmission system to accurately account for advanced transmission technologies, without the need for a large load customer to specifically request such evaluation. *Id*. at 45.
- To the extent that traditional network upgrades are selected instead of alternative transmission technologies, require justification of this choice in the transmission study report issued to the large load customer. *Id*. at 45.

2. Pro Forma Transmission Service Agreement Provisions

FERC also directs SPP to amend the *pro forma* provisions in transmission service agreements between SPP and a large load transmission customer to memorialize ongoing operational requirements, explaining that this is an important step to ensure that these requirements are enforceable by SPP. *Id*. at P 46.

Cost Shifting Issues

The Order finds that the SPP tariff lacks adequate mechanisms to mitigate the risk of cost shifting among transmission customers with respect to the integration of large load. Specifically, the Commission finds that (i) additional transparency about the assignment of network upgrade costs associated with providing transmission service to large loads is needed, and (ii) SPP should require large load customers to execute a cost recovery agreement requiring them to bear the risk and cost responsibility for the network upgrades required to serve them. *Id*. at P 48.

1. Cost Data Transparency

To promote transparency regarding the network upgrades necessary to accommodate large load, FERC directs SPP to make available "robust, accurate, systematic, and searchable" data regarding the cost of network upgrades required to provide transmission service to large load customers on a single location on its website. Publicly available data would include (1) the aggregate amounts of proposed large load additions in the SPP footprint, (2) the planned network upgrades needed to provide service to large load customers, identified by type of equipment and network upgrade for each transmission service request, and (3) cost estimates for the network upgrades. *Id*. at P 58. FERC explains that centralized information concerning network upgrades required to serve large loads will also help inform stakeholders at the state and local level to address affordability and other challenges posed by the integration of large loads. *Id*. at P 54.

2. Cost Recovery Agreements

FERC finds that SPP's tariff does not adequately mitigate the risk of cost shifting among transmission customers, which may result in unjust and unreasonable transmission service rates. Specifically, FERC states that additional measures are needed to protect other wholesale transmission customers from "stranded" transmission costs resulting from network upgrades constructed for large load projects that either do not ultimately materialize or that operate at a lower demand than anticipated. FERC expresses concern that the SPP tariff does

not require cost recovery agreements among SPP, the relevant transmission owner, and the large load customer that require the customer to cover the costs incurred to provide the requested transmission service, including the costs of any needed network upgrades. *Id*. at P 61.

To address this issue, FERC directs SPP to establish a *pro forma* cost recovery agreement between SPP, the relevant transmission owner, and the large load customer that ensures that the large load customers bear the risk and responsibility for all costs (including network upgrade costs) incurred to provide transmission service. *Id*. at P 63.

- FERC preliminarily finds that the minimum contribution required should be based on the level of FERC-jurisdictional transmission service, in MW, requested by the large load customer, although it acknowledges that there may be other just and reasonable methods for determining the minimum contribution, including methods that account for potential timing differences between when costs are incurred to develop network upgrades and the pace at which the large load energizes at its full level of requested service. *Id*. at P 65.
- FERC states that a credit support or other financial security requirement sufficient to secure the customer's obligations under the cost recovery agreement is necessary, but notes that security posted by the customer as part of a retail agreement may be included to avoid creating duplicative credit support obligations. *Id*.

Treatment of Co-Location Arrangements and Load with Behind the Meter Generation

The Order finds that SPP's tariff lacks sufficiently clear and consistent provisions addressing the rates, terms, and conditions that apply to co-location arrangements. FERC is particularly concerned that the absence of provisions addressing transmission and ancillary service rates for large load customers creates the potential that such customers may escape paying for wholesale transmission services that they receive, violating the cost causation principle. *Id*. at P 77.

FERC thus directs SPP to propose tariff revisions establishing the rates, terms, and conditions that apply to co-location arrangements, noting that SPP is currently considering reforms related to new transmission services through its stakeholder process, which may fully or in part address the Commission's concerns. The issues requiring clarification or modification include:

- How interconnection customers serving co-located load may use generator interconnection processes in SPP's tariff to facilitate their co-location arrangements.
- For interconnection customers serving co-located load, the designation of the specific Eligible Customer taking transmission service on behalf of the co-located load under the tariff for purposes of assessing charges, including the appropriate charges for wholesale services that should apply to such Eligible Customers.
- Providing additional information about the existing tariff rules and studies applicable to co-location arrangements to ensure clarity for how interconnection customers may seek to serve co-located load.
- Ensuring that Eligible Customers serving co-located load pay for the use of regulation and black start services on a gross demand basis.

New Transmission Services Available to Flexible Large Load Customers

The Order further finds that SPP's tariff is unjust and unreasonable because it lacks transmission services designed for large-load customers that are willing and able to limit energy withdrawals from the grid under certain conditions. *Id*. at P 86.

Based on the record developed in the Advance Notice of Proposed Rulemaking (ANOPR) on large load interconnections, the Commission concludes that existing services (network integration transmission service and firm/non-firm point-to-point transmission service) do not adequately reflect the operational reality that some large loads are willing and able to limit their withdrawals and therefore may not require the same level of transmission capacity or upgrades as inflexible load. FERC emphasizes that allowing customers serving such loads to select transmission services aligned with actual usage would better match costs to benefits, could reduce inefficient or premature network upgrades, and facilitate more timely interconnection of large loads. *Id*. Specifically, it explains that transmission services currently available to large loads are network integration transmission service ("NITS"), firm and non-firm point-to-point transmission service, and a new high-impact large load transmission service ("CHILLS").[3] While these preliminarily remain just and reasonable service options, FERC states that new transmission services that reflect the operational reality that large loads may use the grid to differing extents and align charges accordingly should also be available. *Id*.

To address this issue, SPP is required to explain whether its tariff is just and reasonable without (1) an interim non-firm network transmission service that would be available while network upgrades are being constructed and (2) permanent firm and non-firm contract

demand (up to a specified MW quantity) transmission services. FERC recognizes that SPP's new CHILLS service approved by the Commission in June 2026 is available, but notes that it differs from the interim NITS that FERC previously required PJM Interconnection, L.L.C. to provide. FERC states that SPP may explain why CHILLS is sufficient to address its concerns regarding the lack of an interim NITS, propose revisions to CHILLS, or propose other tariff revisions addressing this issue. *Id*. at P 88.

Informational Report and Briefing Questions

Finally, the Order directs SPP to file an informational report within 30 days "on the current status of proposals under consideration in its stakeholder process to address the issue of resource adequacy to serve new large loads" or, to the extent that SPP is not considering such proposals, providing information regarding how their existing processes such as the HILL Generator Assessment ("HILLGA")[4] and Expedited Resource Adequacy Study processes are working. *Id*. at P 91.

FERC also directs additional briefings on issues related to large load integration to address several issues, including:

- How SPP and transmission owners should protect existing commercial arrangements when proposing tariff revisions in response to the Order, including suggestions for a reasonable implementation period to minimize disruption to existing arrangements and a reasonable amount of time to finalize ongoing agreements that are nearing completion as of the date that responsive tariff provisions are filed with FERC. *Id*. at P 92.
- Potential impacts on regional and local transmission planning that would arise from the introduction of the new transmission services FERC identifies in the order. *Id*. at P 93.
- Potential structures for cost recovery agreements to prevent unjust and unreasonable cost shifts among transmission customers related to network upgrade costs required for large loads, including proposals for minimum levels of cost recovery and financial security required from a large load customer. *Id*. at P 95.
- Whether further evaluation of alternative transmission technologies beyond those the Commission has discussed in the Order is warranted. *Id*. at P 95.

Concurrences to the Order

Each Commissioner also issued a brief concurrence to the six show cause orders:

Chairman Swett

Chairman Swett highlights that the record prompted by the ANOPR "leaves no doubt that most of the markets (and their existing rules) are inherently slow and prohibitive of the dexterity necessary to adapt to and power societal evolution[.]" Order (Swett, Chairman, concurring at P 2). Her concurrence explains that individualized orders for each market—as opposed to a single rulemaking—is the best approach for two reasons: (1) that the ANOPR and subsequent developments suggest that individual show cause proceedings are better tailored to addressing the unique circumstances of each market and (2) individual show cause orders will allow the Commission to act more quickly. *Id.* at PP 4-10.

Commissioner Rosner

Commissioner Rosner's concurrence identifies four key pillars that provide a foundation for durable reform: (1) protecting consumers, (2) safeguarding reliability, (3) enhancing transparency, and (4) fostering innovation. Order (Rosner, Comm'r, concurring at P 2). Commissioner Rosner asserts that the show cause orders protect consumers because they include key provisions that promote affordability, including requirements addressing cost recovery agreements and consideration of grid enhancing technologies. *Id.* at PP 3-4. The show cause orders safeguard reliability because they ensure that regional transmission organizations ("RTO") and independent system operators ("ISO") use study procedures and operational requirements that reflect the unique considerations of large loads. *Id.* at P 5. The show cause orders enhance transparency because they provide data to regulators and customers on how large loads impact bills. *Id.* at PP 7, 8. The show cause orders also address speculative load interconnection requests by establishing escalating readiness requirements in the study process. *Id.* at P 9. Finally, the orders foster innovation because they promote flexible transmission services, recognize that large loads that are not co-located can promote efficiency by limiting their withdrawals from the grid, and embrace the unified study of large loads and generation that are electrically proximate. *Id.* at P 13.

Separately, Commissioner Rosner underscores that FERC cannot act alone and that partnership with the states is essential. *Id.* at P 15. Commissioner Rosner asserts that the show cause orders respect the existing jurisdictional framework provided by Congress and affirmed by the Supreme Court and these orders are the **beginning** of a dialogue with RTOs/ISOs to address the challenges facing their regions. *Id.* at PP 15-16.

Commissioner See

Commissioner See's concurrence highlights two principles present throughout the show cause orders: that these issues extend beyond the Commission and that affordability is key. Order (See, Comm'r, concurring at PP 3-4, 6). Creating efficient large load interconnection is a task for FERC, other federal agencies, the States, RTOs/ISOs, and utilities. *Id.* at P 4. The concurrence recognizes the value in independent approaches and strongly encourages proposals under Section 205 of the FPA. *Id.* Commissioner See says it is critical to respect the jurisdictional arrangement between FERC and the states and that today's actions are designed to support further state efforts addressing large load, not override them. *Id.* at P 5. Although FERC lacks authority over all factors that impact electricity prices at the retail level, the show cause orders provide the states all relevant information about Commission-jurisdictional costs. *Id.* at P 6. Commissioner See seeks continued feedback from the States on the cost transparency measures in the orders. *Id.* The concurrence also addresses where FERC can directly address cost responsibility, including using grid enhancing technologies. *Id.* at P 8. Commissioner See also addresses the novel questions for cost shifting that large load interconnection present, including mitigating the risks of stranded costs. *Id.* at P 9.

Commissioner Chang

Commissioner Chang emphasizes the importance of building actionable records in the show cause proceedings, particularly as to customer protection, transmission service and alternative transmission technology reforms. (Chang, Comm'r, concurring at P 1). The concurrence stresses the need for active stakeholder participation because of the *ex parte* restrictions caused by the Commission acting under Section 206 of the FPA. *Id.* at P 4. The records in these proceedings will differ, and as such, the required changes in each region will be tailored to that region's needs. *Id.* at P 5. Because the FPA is fundamentally a consumer protection statute, Commissioner Chang says FERC needs to pursue meaningful consumer protection. Addressing how costs will appropriately be assigned is at the core of the show cause orders. *Id.* at PP 6-9. Commissioner Chang also indicates that the introduction of new transmission service is complex and could create unforeseen reliability risks and FERC must find the proper balance between costs of investments and reliability. *Id.* at PP 10-11. Finally, the concurrence underscores the impact of evaluating advanced transmission technologies. *Id.* at P 12.

Commissioner LaCerte

Commissioner LaCerte states that the country is "at an inflection point in the history of American energy infrastructure." Order (LaCerte, Comm'r, concurring at P 1). Commissioner LaCerte's concurrence sets forth his expectation that each of the RTOs and ISOs will timely submit their proposals to address the concerns of the show cause orders or else he is prepared to "play jurisdictional hardball" to any deficient responses. *Id.* at P 6. The concurrence also asks that state commissions review their large load provisions to ensure that ratepayers are insulated from the negative impacts of data center growth. *Id.* at P 2. Commissioner LaCerte notes the high stakes for the industry at this time and discusses how the ANOPR responses lead to the Commission's region-specific approach. *Id.* at PP 4-5. While the Commission has exercised restraint thus far in addressing these issues, Commissioner LaCerte points to the broad jurisdiction the Commission has over transmission and asserts that it will not hesitate to use in these proceedings to ensure that the Commission achieves its objectives. *Id.* at P 6.

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1 A HILL is defined as a load that is 10 MW or greater if connected at 69 kV or less, and 50 MW or greater if connected at greater than 69 kV

2 FERC defines these technologies as static synchronous compensators, static VAR compensators, advanced power flow control devices, transmission switching, synchronous condensers, voltage source converters, advanced conductors, tower lifting, and dynamic line ratings, which in some cases can be deployed in lieu of requiring traditional network upgrades for large load transmission service requests. *Id*. at n.14.

3 CHILLS allows transmission customers serving High Impact Large Loads to take service on an as-available basis until network upgrades are in place to support long-term, firm service. Order at P 17.

4 The HILLGA process allows for expedited review of generating facilities that are designated to serve a High Impact Large Load and interconnected in the same local area as the load. Order at P 21.

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