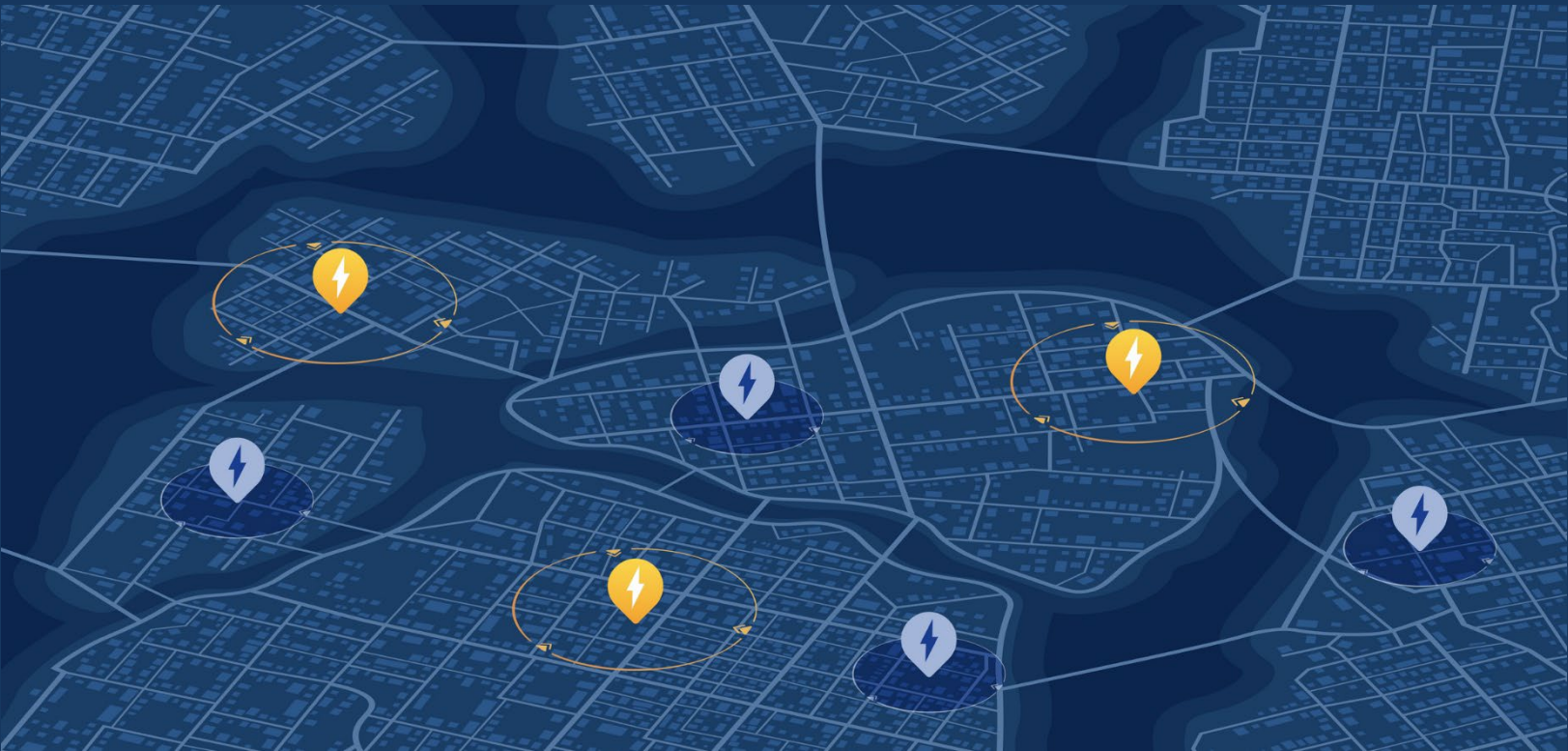




Energy Zones for PJM States:

A Holistic Approach to Transmission Planning that Supports Resource Adequacy and State Energy Policy

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on behalf of ACORE's Macro Grid Initiative

With thanks and acknowledgement for the expert
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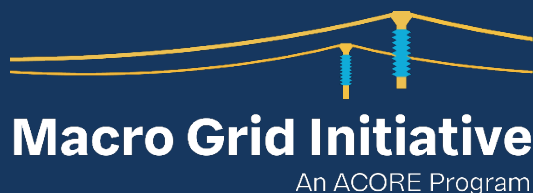


Table of Contents

Executive Summary	1
Introduction	2
How can Energy Zones support speed to power and energy affordability?	4
What does my state stand to gain from designating Energy Zones?	7
Reduce project opposition by closing the engagement gap	7
Widespread system benefits of collaborative transmission projects	9
What can my state do with Energy Zones once they are identified?	9
When and how can Energy Zones be used to influence future PJM transmission planning processes?	10
State Sponsored SAA/Subscription Model Pathway	10
Enhanced RTEP Pathway with Advance Coordinated Planning	11
Order 1920 Pathway	13
How quickly can Energy Zones deliver results?	16
What do the resource requirements and process look like to designate Energy Zones? .	16
What is the benefit of a multistate coordinated effort on Energy Zones?	18
Conclusion: Energy Zones can be an affordable and efficient path for transmission that supports economic development	19

Executive Summary

As the PJM region experiences unprecedented growth in new electricity demand, policymakers are under pressure to find new ways to facilitate economic development while protecting ratepayers and the reliability of the grid. The speed at which new generation can be brought online, and the transmission lines developed to connect them, is a key part of that equation. A 2024 study of projects in the PJM interconnection queue identified siting and permitting challenges and long timelines for completion of transmission upgrades among the top reasons an energy project fails to move forward in a timely manner. Both factors can impact the timing of final investment decisions needed to make key equipment purchases, further compounding delays in a highly-constrained supply chain environment. A significant share of developers cite interconnection delays and unexpectedly-high costs as key issues influencing their decision to withdraw, suspend, or pause project developments.¹ The slow pace of connecting new generation has resulted in persistently increasing capacity costs and growing resource adequacy concerns.²

Energy Zones (EZs) are a tool that state policymakers and grid planners can use to meet future needs in a more coordinated and cost-effective fashion. Energy Zones are geographic areas identified through a state-driven public process that become eligible for preferred development benefits and inclusion in transmission planning processes. This paper explores how state-designated EZs can reduce barriers to development of new supply that aligns with state energy and economic development policy, support resource adequacy, drive more effective transmission planning, and align with community interests. A state-driven EZ process, especially when coordinated across multiple adjacent states, can leverage portfolio diversification benefits and align investments to the benefit of the entire system. Once designated, EZs can be used as inputs into PJM planning processes — through Order 1920 Long Term Regional Transmission Planning (LTRTP) or Regional Transmission Expansion Planning (RTEP) cycles — or serve as the basis for a State Agreement Approach with a subscription-based model for developing transmission to meet specific locational needs.

State designation of EZs could include the following considerations:

- Transmission headroom on the existing system,
- Opportunities to efficiently expand transmission capacity, such as use of existing rights-of-way, or transportation corridors,

¹ [Outlook for Pending Generation in the PJM Interconnection Queue](#), Center on Global Energy Policy at Columbia, May 2024

² [FERC members raise alarms about PJM failure to meet reliability target](#), Utility Dive, December 19, 2025

- Geographic advantages for large loads and new generation, i.e., availability of previously disturbed land, areas with strong resource potential, availability of fiber, water and other utilities,
- Requirements for state-identified policy-driven resources that could serve large loads,
- Community engagement and input, including potential benefits frameworks, and
- Alignment across relevant state agencies, such as economic development, siting authorities, and energy offices.

Introduction

With a surge of significant users of electricity (often referred to as “large loads”) within PJM Interconnection (PJM) footprint, expansion of the existing electricity grid has not kept pace with the growing need. In July 2025, PJM’s capacity auction³ managed to secure just enough electricity generation capacity to meet the forecasted demand (plus a reserve margin) for the delivery year starting in June 2026. In the following two subsequent auctions, the amount of capacity procured fell short of this capacity need by 6.5 gigawatts (GW) and 6.8 GW, respectively, for the next two delivery years.⁴ Between future demand projections 3-4 times higher than historical growth rates, and a lull in the addition of new electricity generation resources after PJM paused the processing of new interconnection applications to reform its queue process, an acute supply/demand mismatch is driving urgent reform efforts to mitigate growing affordability and reliability concerns.

The cost impacts of recent record-breaking capacity auctions are being felt in electricity bills across PJM. Over 18 million PJM customers have seen an electricity rate increase since January 2025, with an average increase of roughly 8%. More than 7 million of those customers face increases of 12% or more.⁵

³ PJM Interconnection operates the electricity grid and wholesale electricity market serving 67 million Americans across 13 states. On an annual basis (currently on a compressed schedule due to delays resulting from litigation), PJM conducts an auction to secure enough commitments from electricity generators to meet the expected needs for a one-event-in-10-year level of extreme high demand that might occur three years into the future. The capacity auction is designed to ensure sufficient generation is available to maintain reliability by requiring commitments 3 years in advance. It also provides price signals for where and how much new generation is needed.

⁴ “In July, the [2026/2027 Base Residual Auction](#) secured 134,376 MW of unforced generation capacity (UCAP) and DR. Regions under the Fixed Resource Requirement acquired an additional 11,933 MW in UCAP for a total of 146,244 MW, meeting the reliability requirement target of 19.1% in reserves but with no excess.” [PJM Annual Report 2025: Markets](#). “The capacity of the resources procured in the auction, plus FRR resources, is short of PJM’s reliability requirement by 6,623 MW, meaning that the committed supply is less than what would be required to meet the one-event-in-10-year reliability standard of a 20% reserve margin.” [PJM Inside Lines](#), December 17, 2025. “The capacity of the resources procured in the auction, plus FRR resources, is short of PJM’s reliability requirement by 6,831 MW.” [PJM Inside Lines](#), July 14, 2026.

⁵ As of August, 2026. [Electric and Natural Gas Utility Rate Hikes Tracker: August 2026 Update](#), Center for American Progress.

The cost to procure capacity for the 2027/2028 delivery year is 65% greater than it would have been without the energy demand from data centers.⁶ PJM has filed several proposals with the Federal Energy Regulatory Commission (FERC) in response to the wave of new large load customers seeking to connect, including:

1. An emergency Reliability Backstop Procurement auction to address the near-term 6.8 GW reliability shortfall from the July 2026 capacity auction,⁷ and
2. A new Interim Resource Adequacy Service (IRAS) to reduce demand from new large loads at times of grid stress for large loads that have not brought their own new capacity or secured their capacity needs in the Reliability Backstop Procurement, and a Large Load Registry that will empower states, utilities, and regulators to align state-jurisdictional tariffs as needed.⁸

Policymakers and regulators should anticipate that the need to connect large volumes of new generation and storage will continue well into the next decade and beyond. With the pace of load growth expected to exceed the pace of new grid capacity,⁹ utilities and grid planners will struggle to move beyond reactive decision-making, posing new challenges to meeting state decarbonization goals and addressing energy affordability.

Data centers may be the current focus of concerns surrounding resource adequacy, but several factors will drive a continued need for grid investments beyond the immediate surge of new large loads. Widespread electrification of buildings and transportation, even when paired with energy efficiency measures, will contribute to growing demand well into 2040 and beyond, and economic development initiatives that promote large-scale advanced manufacturing facilities also drive demand for new electricity resources. Intel's new Ohio One semiconductor fabrication facility expects to use as much electricity as 500,000 homes,¹⁰ while the Illinois Quantum and Microelectronics Park (IQMP) could require as much as 350 MW of electricity supply once fully built.¹¹

Economic, siting, and permitting policies established at the state level shape the deployment of future energy resources, and states can play a crucial role in preparing the grid for future system needs by providing some of the data and inputs needed to support

⁶ [State of the Market Report for PJM, Volume 2: Detailed Analysis](#), Monitoring Analytics, LLC, March 12, 2026.

⁷ [PJM Reliability Backstop Proposal Outlines Steps To Secure New Supply and Maintain Reliability](#), *PJM Inside Lines*, July 31, 2026.

⁸ [PJM Proposes Framework To Connect Data Centers Without Compromising Reliability, Affordability](#), *PJM Inside Lines*, August 13, 2026

⁹ [Electricity Demand Growth: How Will the Grid Keep Pace?](#) *ICF*, 2026

¹⁰ [Electric build up for Intel will cost \\$95 million, all of AEP Ohio's customers could be on the hook](#), *WOSU Public Media*, August 2, 2024

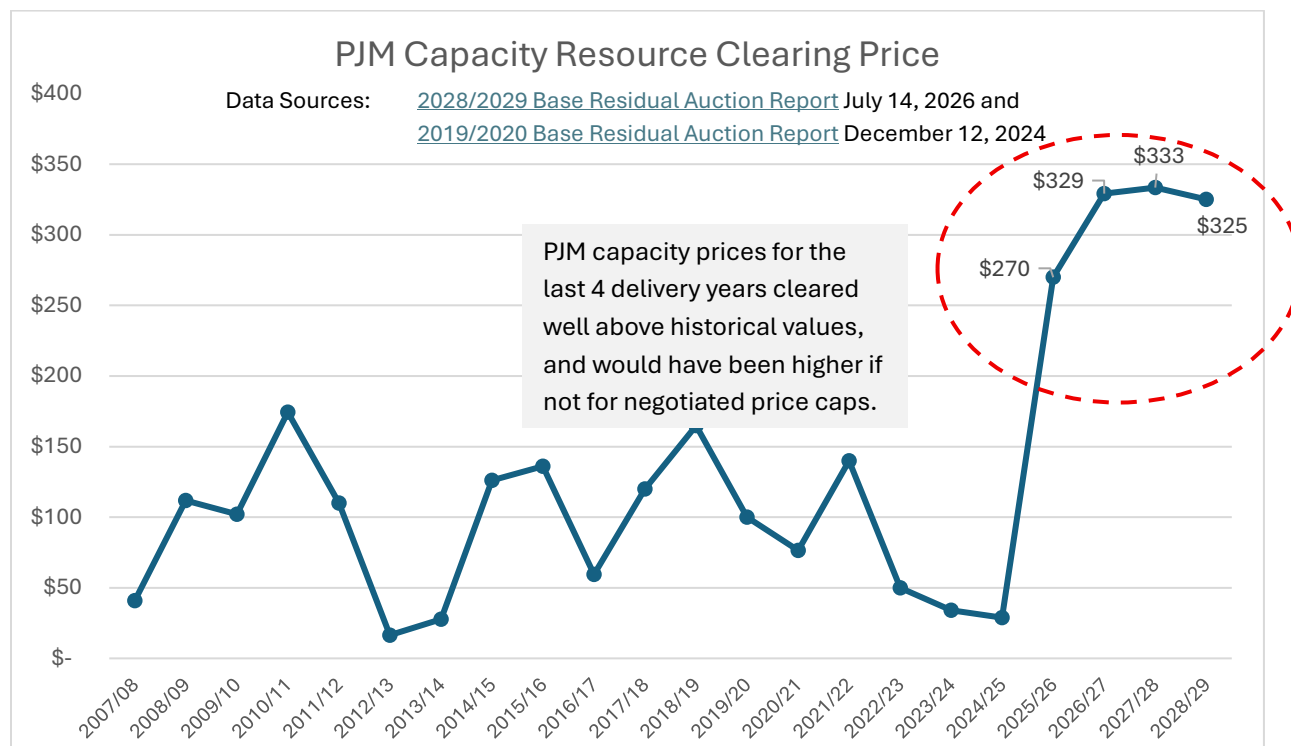
¹¹ [Inside the Pritzkers' 'Quantum Prairie'](#), *Chicago Reader*, July 2, 2026

Energy Zones for PJM States: A Holistic Approach to Transmission Planning That Supports Resource Adequacy and State Energy Policy

long-term transmission planning. State-driven EZ planning processes can guide the expansion and replacement of grid assets to meet a state's economic and policy goals, minimize costs and impacts, engage the public, and build a common understanding of the needs and tradeoffs of various solutions. Planning transmission for EZs is not intended to address the impacts of recent capacity auction prices or already-planned projects that are affecting affordability in the PJM region, but instead seeks to provide a more rationalized and coordinated basis for future transmission planning cycles. Energy Zones would position the region to more cost-effectively serve the next wave of large loads and related economic development that is expected to continue well into the future. By planning for the next wave, states, communities, and industry can anticipate long term needs and identify locations that align with communities open to development, enhancing speed to power and reducing cost impacts of future infrastructure development.

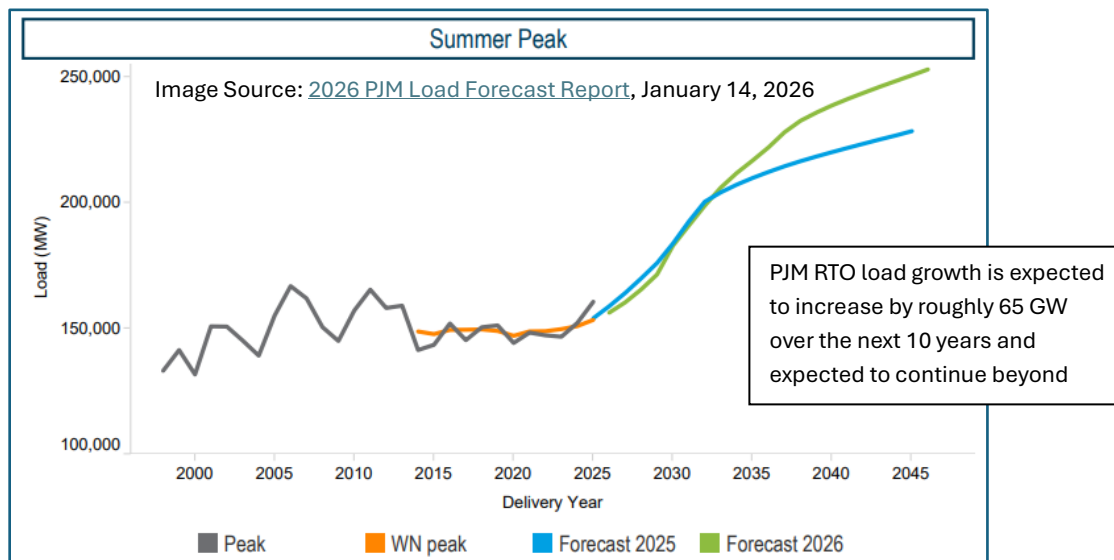
How can Energy Zones support speed to power and energy affordability?

Energy affordability pressures in the Eastern PJM region stem from several factors, chief among them being a rapid escalation in new electricity demand driving up capacity auction prices, wholesale electricity prices, and transmission costs.¹²



¹² The PJM Board approved 122 new baseline projects for the 2025 RTEP at an estimated \$11.8 billion. \$11.25 billion of these upgrades are attributed to load growth and reliability requirements. See [2025 Regional Expansion Plan](#), PJM, April 17, 2026.

Energy Zones for PJM States: A Holistic Approach to Transmission Planning That Supports Resource Adequacy and State Energy Policy



Short of throttling all new large load development across PJM, solving this problem requires bringing new sources of electricity generation in a timely manner to match the load growth – *and in a process that is consistent with the objectives outlined in the State of Principles of the Governors Collaborative to address affordability and reliability concerns.*¹³

This is where states have an important role to play. As the former CEO of PJM stated at the September 2025 Summit on the State of PJM Interconnection, “*We can do whatever we want in the [wholesale power] markets, but if our [power] plants run into a hostile siting and permitting regime, they will not get built.*”¹⁴

A disconnect between state and local siting decisions and long-term system planning decisions was less problematic at a time of slow and predictable load growth, but under current dynamics it could prove to be untenable.

Energy Zones bridge this divide by supporting earlier engagement with communities on the siting of potential new energy asset development and by incorporating these inputs into the planning process, reducing opposition by strengthening public awareness of the needs of the system and offering clear benefits to impacted communities. The State of New York’s Department of Public Service (NY DPS) outlines these and other advantages for transmission system planning and energy procurement in concert with EZs, and several

¹³ [Statement of Principles Regarding PJM](#), issued jointly by the Governors Collaborative and the Whitehouse National Energy Dominance Council, January 15, 2026

¹⁴ [PJM CEO Asthana responds to criticism, says states must address supply challenges](#), Utility Dive, September 24, 2025

pathways for designating zones, in their recent Clean Energy Zones white paper.¹⁵ An EZ process that further seeks to proactively identify areas for co-location of generation and large loads can result in more efficient overall system development and faster speed to power,¹⁶ reducing commercial uncertainty around interconnection costs and timelines. We have seen similar efforts begin in Illinois, which is working through implementation of its Renewable Energy Access Plan.¹⁷ A state-driven process can also prioritize co-location of transmission corridors with other infrastructure like highways and potentially mitigating need for lengthy permitting processes and eminent domain proceedings.¹⁸ The U.S. Department of Transportation has identified highway and rail Rights-of-Way (ROWs) as strategic assets for co-location of utility infrastructure, and is actively soliciting comments on how public-private partnerships can be leveraged to support this type of development.¹⁹ An EZ process could be developed jointly with PJM and utilities to take advantage of areas where existing headroom in the transmission system could be better utilized, in addition to identifying areas where new transmission is needed, as currently pursued by Illinois.²⁰

The Texas Competitive Renewable Energy Zones (CREZ) program, enabled by 2005 legislation, serves as a case study for how this type of advance transmission planning can facilitate rapid and cost-effective deployment of new energy resources – roughly \$7 billion in proactive transmission investment unlocked the development of around 14 GW of new wind energy in Texas by alleviating congestion.²¹ The Public Utility Commission of Texas (PUCT) is applying a similar approach to managing explosive growth in new energy demand with their 2024 Permian Basin Reliability Plan. After studying pathways to meet 26 GW of new demand in the Permian Basin by 2038 – equivalent to roughly 1/3 of peak summer

¹⁵ [White Paper On Clean Energy Zones Program](#), CASE 15-E-0302 – Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Energy Program and a Clean Energy Standard, *State of New York Department of Public Service*, May 15, 2026

¹⁶ Because load development can occur faster than the major infrastructure development needed to support large loads, making the grid ready for the new load and generation will enable faster connection and encourage development in desired locations, once the new lines are planned and/or built.

¹⁷ [Illinois Renewable Energy Access Plan](#), *Illinois Commerce Commission*

¹⁸ While many states have regulations that limit use of highway ROWs for other utility infrastructure, there is a growing trend to loosen such restrictions to allow more uses in the face of growing electricity demand. See Mapping the Challenge: Restrictions on Transmission Co-Location at, <https://nextgenhighways.org/mapping-the-challenge-restrictions-on-transmission-co-location/>

¹⁹ [America's Great Corridors of Commerce; Request for Information](#), *Federal Register*, August 18, 2026

²⁰ See [Utility-Led Injectability Analysis Methodology for the IL 2026 Draft REAP](#), *Illinois Commerce Commission*

²¹ [Energy Policy Case Study – Texas: Wind, Markets, and Grid Modernization](#), *Pacific Northwest National Laboratory*, September 2016

demand across the entire state – the Commission began soliciting eight new high-voltage transmission corridors to meet the need.²²

State-driven development regulations and incentives for generation and/or large loads in EZs can deliver benefits to the entire PJM market, as well as local communities. Reducing the lag between interconnection study and start of construction, streamlining permitting and community engagement, and prioritizing rapid deployment are highly impactful ways to address speed to power while also protecting consumer affordability.

What does my state stand to gain from designating Energy Zones?

Determining when new transmission or generation infrastructure is needed and where it is built involves complementary processes at the federal and state level. The need for new generation and transmission is identified at the Regional Transmission Operator (RTO) level, which is subject to federal regulation by the FERC. PJM, as the RTO, is responsible for planning the grid and administering wholesale markets. PJM identifies when new transmission capacity is needed, but it does not determine the route of new lines or the design of the structures. That is the role of state regulators and local municipalities, which conduct state-level siting processes. Meanwhile, the type and location of new generation resources are dictated through price signals in the market, in the case of “restructured” states, or through resource plans developed by regulated utilities and approved by state regulators.²³ Restructured states still exert influence over the types of generation being built through policies like Renewable Portfolio Standards or state siting and permitting laws. The disconnect between RTO-driven analyses and state-level authorities can complicate the task of planning sufficient generation and transmission to meet future needs.

Reduce project opposition by closing the engagement gap

Large-scale developments are often fraught with opposition and a wide range of risks – but building the large-scale energy infrastructure needed to keep the lights on is not optional.

²² [Texas OKs Permian Basin reliability plan, option for state’s first 765-kV transmission lines](#), *Utility Dive*, September 27, 2024

²³ “Restructured” states seek to increase competition in their electricity markets by shifting the ownership of generating resources away from incumbent regulated utilities. In these states, Independent Power Producers (IPPs) generate the electricity that incumbent utilities must purchase and supply to its customers, while the incumbent utility retains ownership of the transmission and distribution lines within its service territory. IPPs identify where new generation is needed and what type should be built using price signals from the wholesale markets. In states that have not restructured their electricity markets, the incumbent regulated utility owns and manages both the generation resources and power lines within its service territory and typically files periodic Integrated Resource Plans (IRPs) demonstrating how it plans to meet future electricity demand.

Without quickly building new generating resources, the region faces an escalating threat of blackouts in the coming years.

Many of the key risks that delay or derail energy projects can be addressed using EZs that inform proactive transmission investments. A 2024 study of projects in the PJM interconnection queue identified siting and permitting challenges and long timelines for completion of transmission upgrades among the top reasons an energy project fails to move forward in a timely manner. Both of these factors can subsequently impact the final investment decisions needed to make key supply chain purchases, further compounding delays in a highly-constrained supply chain environment. Roughly 50% of developers involved in the study also cited interconnection costs as a key issue influencing their decision to withdraw, suspend, or pause project developments.²⁴

According to Cleanview, 1,891 power projects across the U.S. were delayed or canceled in 2025.²⁵ Local opposition takes many forms, but lack of engagement in decision-making around major developments is a common source of frustration. Developers of large load facilities like data centers are also facing a rising tide of community opposition, in 2025 seeing a four-fold increase in project cancellations due to local opposition compared to the previous year.²⁶ This trend only adds further uncertainty to the future projections of electricity demand that system planners use to ensure sufficient supply of electricity.

Transmission projects are increasingly drawing similar levels of local pushback, and under existing PJM planning practices, local communities often learn that a transmission line has been proposed after PJM system planners green-light the project.²⁷ PJM's Regional Transmission Expansion Plan (RTEP) identifies reliability or economic needs on a 5-8 year time horizon and assigns a developer through a competitive or baseline process,²⁸ well before a route is drawn or any landowner is contacted. Route selection and community notice happen downstream, often a year or more later, once the state siting commission begins to consider the project. By the time affected communities learn about a project, the need has already been validated and cost-allocated across the footprint, leaving local input functionally limited to minor route and impact mitigation negotiations. This is a

²⁴ [Outlook for Pending Generation in the PJM Interconnection Queue](#), Center on Global Energy Policy at Columbia, May 2024

²⁵ [Report: Developers Have Cancelled 1,891 Power Projects in 2025](#), Cleanview

²⁶ [Amid Rising Local Pushback, U.S. Data Center Cancellations Surged in 2025](#), Heatmap, January 12, 2026

²⁷ The Maryland Piedmont Reliability Project 500 kV transmission line was selected and approved through the PJM RTEP process in December 2023, but impacted residents did not learn about the project until the transmission developer began hosting informational sessions in July 2024. Similarly, the Valley Link 765kV project in Virginia, selected and awarded as part of PJM's 2024 RTEP evaluation, but impacted residents were not informed until February 2026.

²⁸ [Final Reliability Analysis Report 2024 RTEP Window 1](#), PJM, February 10, 2025

system that invites political pushback and legal action, which can delay projects for years and carry huge consequences for energy affordability and reliability throughout all of PJM.

While an EZ process doesn't change the fundamental order of operations within PJM's transmission planning processes, it can help create better baseline conditions for building public buy-in and would enable the planning process to respond to state input. A state-led effort that proactively engages the public, as well as industry, in designing solutions to the energy crisis can help drive development toward areas that welcome investment, and can engage the public in a dialogue about the needs of the system and the costs and trade-offs that must be balanced to keep the lights on.

Widespread system benefits of collaborative transmission projects

Updated longer-term transmission planning processes provide an opportunity to proactively initiate needs associated with EZs in a coordinated fashion, with the input of several states, and within the process of developing long-term transmission facilities. The final compliance plan for FERC's Order 1920 has not yet been finalized, with considerable debate remaining around how upgrades associated with specific state policies would be treated. However, and as discussed further below, the added specificity, certainty, and rigor of an EZ identification process, *especially when mandated by state legislation*,²⁹ could be expected to merit stronger consideration for inclusion in the long term plan's base case modeling assumptions, based on an expectation of more widespread benefits among regional beneficiaries.

What can my state do with Energy Zones once they are identified?

To unlock the maximum value from EZs, states might consider a variety of approaches to speed development and maintain community support within the Zones. For example, a state might offer tax credits or other financial assistance for developers who site projects that meet certain criteria within the Zones, such as type of energy resource, community benefit or local employment thresholds, or meet other policy priorities. Another strategy could instead provide permitting or other procedural advantages. States could create a pathway for projects located in EZs to qualify for expedited or streamlined permitting processes, while communities within Zones could be granted access to funding for independent experts to support local reviews.

The State of Michigan has implemented a multistage permitting scheme for large renewable energy projects intended to provide developers with more predictability in

²⁹ [Training Module: State Participation in PJM Long-Term Scenario Development](#), Institute for Policy Integrity, New York University School of Law, September 2026

permitting processes without completely overriding local jurisdictional authority. Developers are required to engage with local municipalities first, and if an agreement cannot be reached within a certain timeframe or the township passes restrictive ordinances that exceed requirements established by the state, the Public Service Commission is authorized to take control of the permitting process.³⁰ States that seek to designate EZs via new legislation could consider including these or similar mechanisms, such as a state-wide permitting council for projects within EZs that meet specified criteria.

These tools are only one aspect of a comprehensive EZ approach, and it is crucial to include community engagement and meaningful benefits for host communities as part of any incentive or permitting framework.

When and how can Energy Zones be used to influence future PJM transmission planning processes?

Fundamentally, state designated EZs are about more quickly and efficiently connecting new load and generation by enhancing state influence in the development of the underlying assumptions which inform PJM planning processes. We outline below potential model pathways to incorporate EZs into PJM planning while acknowledging that large portions of PJM planning framework remain currently in flux. PJM is in the midst of developing new tariff language to address co-location of generation and large loads and announced its intention to revamp the recently implemented interconnection queue process. Changes being considered include synthesizing interconnection for co-location and large load customers into a 12 month queue, which would be a substantial change from the current process. Further, PJM's Order 1920 process faces uncertainty as it continues through the FERC approval process. While these processes take shape, PJM will continue to prepare transmission expansion plans and rely upon states to provide input on the assumptions as they relate to state policies and EZs will have continued utility under a variety of process reform outcomes. The following are potential pathways where EZs can be incorporated into PJM transmission planning.

State Sponsored SAA/Subscription Model Pathway

Given the value of speed to power that EZs could offer to future developers by shortening the interconnection study time and time to construct needed upgrades, an alternative to the traditional transmission regional planning and interconnection processes could be state policy driven transmission that includes a subscription model where developers would agree to fund the transmission to connect to these pre-studied locations. Under

³⁰ [Renewable Energy Siting and Permitting](#), Michigan Townships Association

FERC Order 1000, it was required that planning regions incorporate provisions in their tariff that consider state policy in transmission planning. PJM responded by proposing the State Agreement Approach (SAA), which was used for the first time by New Jersey in 2021 to facilitate development of offshore wind. Recently, the State of Ohio announced plans to use the SAA to develop transmission to support development of co-located natural gas generation and hyperscale data centers.³¹

An example of a similar process currently exists in the California ISO (CAISO) tariff, where the ISO can select to build a “Location Constrained Resource Interconnection Facility”³² to accommodate the interconnection of resources once a threshold in firm commitments is met by generators. This construct can be adapted for the PJM region to meet the needs of an EZ concept where the cost of the transmission upgrades to accommodate the added load and generation could be assigned to the entities that interconnect within the EZ in exchange for a streamlined interconnection process. PJM states could turn to the SAA as an accessible equivalent to tailor identified needs to each state’s (or group of states’) policy. In this case, the SAA agreement and cost allocation filing would memorialize the terms for rights and obligations of the various entities.

This approach envisions developers highly valuing speed to power for pending generation developments, supporting a commensurate willingness to pay. Further, coordinated pre-planning of the transmission can increase cost certainty for developers seeking to build in the EZs. Broadly speaking, coordinated planning of load and generation can result in more cost-effective transmission plans that benefit all system users. Requiring developers to pay a subscription fee, or equivalent, for the use of transmission system at the designated EZs assures the cost to interconnect the load and generation is ultimately paid for by the entities driving the need, but in a more efficient and timely manner than planning for the large customer additions individually.

Enhanced RTEP Pathway with Advance Coordinated Planning

PJM’s annual RTEP process could provide an alternative path to incorporate EZs into PJM’s transmission planning. One advantage of the RTEP is the frequency of the planning cycles, which are conducted annually versus a single state SAA process that does not have a defined timeline or the expected LTRTP cycle taking place every 3-5 years. Notably, RTEP planning relies on defined criteria for base case development, only reflecting public policy

³¹ See [letter from PUCO to PJM](#) requesting to use the PJM SAA, June 15, 2026.

³² [CAISO Fifth Replacement FERC Electric Tariff](#), Section 24 — Comprehensive Transmission Planning Process, effective/conformed as of June 25, 2025, §§24.4.6.3–24.4.6.3.6, pp. 14–19

to the extent that load is evident in the load forecast and actual generation projects that have achieved defined milestones in the interconnection process.

Load is typically defined using an annual load forecast that is independently developed by PJM, based on a specific set of economic factors. This load forecast, which looks out 20 years³³, is the basis for the engineering models for the 5 year and 7-8 year study cases that are used for conducting the body of analysis to determine the system “needs” that must be addressed. The generation forecast is typically based on all resources that have an executed interconnection agreement, with some exceptions to account for announced retirements, withdrawals, suspended projects, etc. Other exceptions would include study years where expected generation is insufficient to meet the projected load growth, at which point PJM will include additional resources based on the make-up of the interconnection queue, identifying generation that can match demand needs based on fuel type and location.³⁴

Changes in generation and system demand are the two major inputs that drive system needs. In the Annual RTEP, the primary focus is on meeting the needs identified in the 5-year case. When PJM identifies system violations in the 7- or 8-year study case,³⁵ and those violations would likely require new greenfield transmission lines, PJM may determine that it will seek solutions to those transmission needs on the rationale that new greenfield transmission requires 8 or more years to construct.

Utilizing the RTEP pathway to serve EZ development would leverage features of the SAA Tariff provisions and/or the multi-driver project construct to incorporate the EZ assumptions into the RTEP planning model to identify incremental transmission needs and associated cost allocation for the incremental investment. Most likely this path would also involve an agreement or similar mechanism to preserve or “earmark” the system capacity created through RTEP-approved incremental transmission upgrades to serve EZs.

Southwest Power Pool's newly approved Consolidated Planning Process (CPP) offers a useful analog. Under CPP, SPP conducts a rolling 20-year transmission assessment that proactively designates Planned Interconnection Locations (PILs), points with pre-screened, sufficient existing or planned transmission headroom, and publishes a standardized, per-

³³ PJM previously prepared a 15-year forecast but in 2026 updated its outlook to 20 years to align with the federally required long term planning horizon under FERC Order 1920.

³⁴ In the April 2026 TEAC, PJM informed stakeholders of insufficient generation to meet the forecasted demand in its 8 year base case and its intention to conduct capacity expansion modeling to add generation beyond what was identified in the interconnection queue. See [PJM TEAC presentation](#).

³⁵ Every other year, PJM builds a study case modeling needs on an 8-year time horizon. The year after building an 8-year study case, PJM re-uses that case with limited updates and therefore considers a 7-year case in those alternating years for longer term needs.

megawatt Generalized Rate for Interconnection Development-Contribution (GRID-C) that generators pay upfront to interconnect at that location, with revenues credited to load paying for the same upgrades under SPP's Highway/Byway cost allocation. FERC accepted the framework as just and reasonable, effective March 1, 2026, expressly endorsing it as consistent with cost-causation and beneficiary-pays principles.³⁶

Order 1920 Pathway

When the FERC issued its landmark Order 1920, directing grid operators to develop proactive, regional transmission plans that consider future needs, it was responding to a clear need for addressing long term needs in a more cost-effective manner. Utilizing EZs as inputs under Order 1920 gives state and community voices a more direct role in future transmission planning outcomes. PJM's Order 1920 Planning Process, the LTRTP process, was filed in December 2025 and is currently pending before FERC.³⁷ The process provides defined points where it will seek input from states for developing planning scenarios based on states' public policies. The LTRTP is intended to be a holistic plan that addresses both load growth and resource development over a long-term horizon beyond the near-term window that is addressed in the annual RTEP.

Fundamentals of LTRTP: Core vs. Additional vs. all-in-one

As described above, PJM's existing RTEP identifies and addresses nearer-term system needs. PJM's LTRTP instead employs a 20-year horizon and at least three long-term scenarios, as required under Order 1920. PJM's proposal specifies "Core" needs as those that must be addressed within the Long Term Plan (LT Plan) to maintain reliability. Core needs are identified based on expected system topology, forecasted demand (including load growth and firm transmission commitments), resource additions and retirements, and a resource mix capable of meeting reliability criteria.

All other identified long-term needs are categorized as "Additional," including stand-alone economic needs, which may be subject to state opt-out, voluntary-funding, and cost-allocation processes.³⁸ PJM's proposed LTRTP process first develops a Core Plan

³⁶See [FERC Order Accepting Tariff Revisions, Southwest Power Pool, Inc., Docket No. ER26-414](#), March 13, 2026; and, [FERC Approves SPP's Consolidated Planning Process, Holland & Knight](#), March 23, 2026.

³⁷ [Compliance Filing of PJM Interconnection, L.L.C. in Response to Order Nos. 1920, 1920-A, and 1920-B \(Docket No. ER26-751-000\)](#), Federal Energy Regulatory Commission eLibrary, December 12, 2025

³⁸ PJM's December 2025 filing with FERC notes that states may be allowed to opt-out of funding projects intended to meet Additional LT needs driven by another state's public policies, but the mechanics of the opt-out provision were "still being developed in parallel with the PJM Transmission Owners' compliance filing related to cost allocation". The FERC-mandated engagement period that allows the states, via PARSEC, to negotiate with Transmission Owners on cost allocation methodology, and the mechanics of the opt-out provision, has been extended multiple times. As of the date of this publication, the Transmission Owners filing has not yet been submitted to FERC.

(identifying solutions to address core needs), which must meet a 1:1 portfolio benefit-cost ratio. Subsequently, PJM assembles an All-in-One LT Plan that combines these Core projects with projects addressing Additional needs in the most efficient or cost-effective configuration (as long as the Additional portion of an All-in-One project satisfies a 1.25:1 incremental benefit-cost ratio). PJM's pending proposal before FERC uses this All-in-One Plan as the basis for PJM's recommended long-term plan. Costs associated with system upgrades approved as part of this All-in-One long-term plan are recovered via the transmission tariff and broadly cost-allocated across the PJM footprint. Importantly, as of the time of publication, the exact details of the proposed cost allocation methodology from the PJM Area Relevant State Entities Committee (PARSEC) and Transmission Owners have not yet been filed with FERC, and criteria around state opt-out provisions could have substantial influence on how upgrades associated with Additional needs are treated.

Incorporating EZs into LT Planning

Order 1920 provides several pathways for states to shape LT scenarios. PJM must collect and consider relevant state laws, decarbonization and electrification requirements, state-approved integrated resource plans, and load-serving entity (LSE) supply obligations.³⁹ PJM proposes to gather this information through engagement with PARSEC and other state entities, including the Independent State Advisory Committee (ISAC) State Policies Workbook currently used to inform the RTEP process.⁴⁰ Enhanced future editions of the State Policies Workbook for Order 1920 modeling could form the link between state EZs and PJM's planning processes. The methodology of selecting generation within LT models directly impacts the identification of needs and ultimate solutions selected in the LT planning process, including whether transmission facilities are identified as Core (i.e., if the state policies are included in capacity expansion modeling and inform the generation portfolio) or Additional (i.e., if the state policies are added after the resource mix for the LT Plan has been identified).

A state can establish a policy preference for load and generation co-location in some or all of their EZs as a path to mitigate the need for new transmission to accommodate new generation and new demand. Coordination with PJM would be required to align state co-location requirements with modeling frameworks to ensure that, to the extent transmission is required for the co-located loads and generators, these resources can efficiently utilize transmission headroom.⁴¹ This policy would trigger PJM to appropriately consider the ability

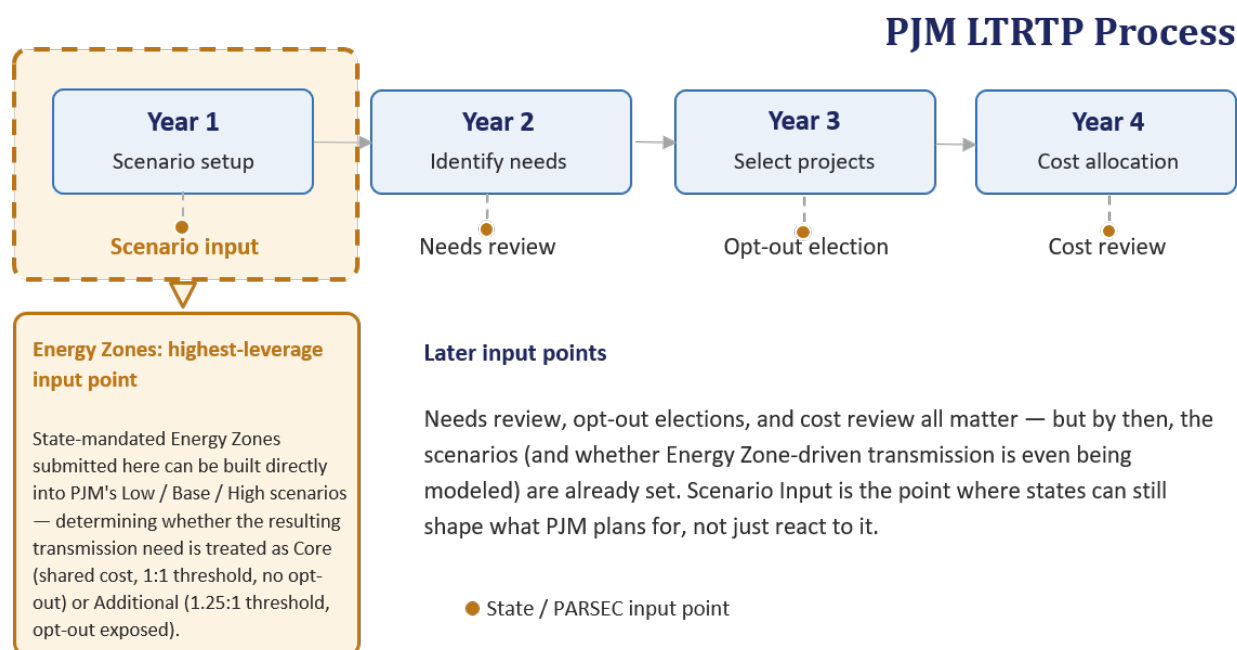
³⁹ [Explainer on the Transmission Planning and Cost Allocation Final Rule](#), *Federal Energy Regulatory Commission*

⁴⁰ [2026 RTEP – ISAC Assumptions Submission](#), *PJM*, April 22, 2026

⁴¹ [Brattle Experts Assess PJM's Proposed Transmission Services for Large Loads Co-Located with Generation](#), *Brattle*, March 25, 2026

for co-located generation and load to mitigate impacts and create additional opportunities to identify optimal locations where available system capacity may drive fewer transmission needs. The states could then update their EZs to better align with findings of the LTRTP to leverage locations where planned capability is greatest, minimizing upgrade costs, siting impacts and expediting speed to connection.⁴² Co-location of new demand alongside new policy-driven generation that would otherwise be categorized as an Additional LT Need could improve the likelihood that transmission to support this EZ is categorized as a Core LT Need, or could potentially increase the likelihood that the transmission project meets the 1.25 Benefit-to-Cost ratio, depending on how benefits are ultimately calculated.

One important consideration of the Order 1920 process is that it does not currently have a mechanism to preserve any future system capabilities for specific users, meaning that upgrades made to serve a state-designated EZ would not automatically mean that the system headroom is “reserved” for projects sited within the state-designated zone, though such a process has been previously approved by FERC in the NJ Offshore Wind State Agreement Approach Agreement.⁴³ A project outside the zone could theoretically make use of the additional transmission capacity created by the EZ upgrades, unless states and the PJM agree to additional terms to preserve and then assign the capability to specific users.



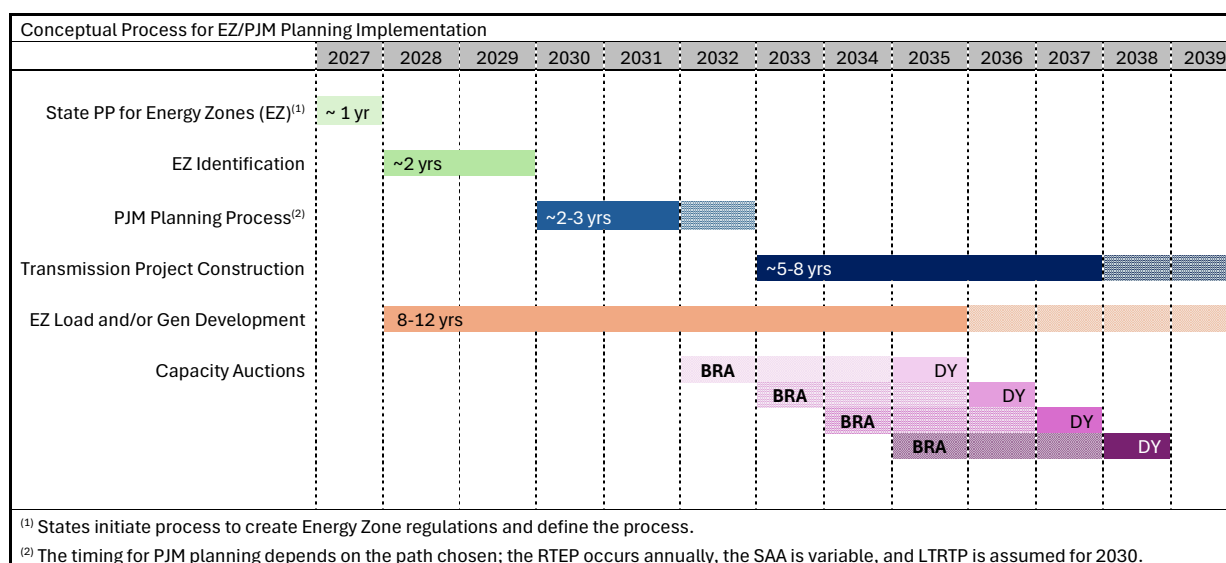
⁴² This approach is similar to the process being pursued in IL through REAP implementation. See [IL REAP Workshop 2](#), ICC Staff, E3, Viridis, August 26, 202 at 23-39.

⁴³ See 179 FERC ¶ 61,024 (2022).

How quickly can Energy Zones deliver results?

The planning process for identifying new transmission is complex, as it can be driven by a variety of system needs, such as load growth, connecting new generation, reducing congestion, aging infrastructure, etc. There are different timelines for each of the processes described above and can typically take at least 1-3 years to result in project identification. In the meantime, a state-driven process to identify EZs sends an important signal to the development community that states are prioritizing this approach, which incentivizes the development community to act as constructive partners.

The actual timeline will depend in part on the state process for identifying EZs and on the timing of the planning process that is used to identify transmission needs to serve the EZs. Below is a high-level illustration of the potential timeline for use of a potential EZ within future planning cycles.



What do the resource requirements and process look like to designate Energy Zones?

New York’s Department of Public Service white paper on Clean Energy Zones provides a useful primer for understanding the information and resources needed to identify EZs. DPS explains that a more integrated approach to procuring generation is required to meet the state’s clean energy goals and align timelines with transmission planning processes. Notably, the White Paper cites New York’s Coordinated Grid Planning Process (CGPP), State Energy Plan (SEP), Supply Curve Analysis, and “other planning studies such as those completed by utilities and the New York Independent System Operator (NYISO)” as key

inputs for identifying where and how much new generation is needed to meet future demand and state decarbonization targets.

While implementation may look different in a multi-state RTO like PJM, PJM states can draw on important conclusions outlined in this white paper to inform what an EZ process in the region could look like. The DPS identifies essential steps including identifying location of available headroom, assessing geographic indications of project development appetite, and developing a process for aligning state-driven energy procurement processes with regional transmission planning processes.

Some of this information could be sourced through a more collaborative, stakeholder-driven process that engages project developers alongside members of the public. The process used by the Bureau of Ocean Energy Management (BOEM) to establish offshore Wind Energy Areas can serve as a model for identifying EZs – BOEM conducted a multistage process where preliminary areas were offered, and industry participants submitted nominations to indicate their commercial interest. The preliminary areas were narrowed down in a stepwise fashion based on these inputs and comments from public stakeholders before the final lease area auction.

An example of how a state could approach the EZ identification process could resemble the following mock scenario:

1. State legislature passes a bill requiring the study and designation of Energy Zones, which might include priority criteria, regulatory authorities, community engagement requirements, and any additional development incentives tied to the Zones, such as tax credits or streamlined permitting processes.⁴⁴
2. A committee or task force of relevant agencies such as energy offices, permitting and environmental agencies, and economic development authorities, is formed to propose a draft model rule that establishes the more detailed process for establishing, developing in, and periodically updating the Zones.
3. A draft model rule is released for public comment, while the committee begins gathering the data needed to identify initial candidate areas for Zones and conducts town hall stakeholder input sessions. Beginning public outreach in key regions likely to host future Zones as early in the process as possible can help improve public buy-in and build public trust, avoiding the impression that Zones are being optimized only for commercial benefit with public input being taken as an afterthought at a later stage.

⁴⁴ For example, the IL legislature required the REAP study as part of the IL Climate and Equitable Jobs Act, 220 ILCS 5/8-512(b) (2026).

4. A draft map with candidate areas is released for public comment and stakeholder inputs, alongside the finalized rules for designation of and development within Zones. Specific stakeholder inputs can be solicited, such as confidential commercial nominations of zones and indications of interest from potential host communities. Meanwhile, PJM is engaged to conduct studies that will help further refine the designation of final Zones.
5. A final Energy Zone map that reflects a synthesis of PJM system information, stakeholder inputs, and commercial indications of interest is released to the public, at which point any relevant development processes or solicitations can commence.

What is the benefit of a multistate coordinated effort on Energy Zones?

While EZs need not be a tool for pursuing any specific technology, a close look at PJM's 2021 Offshore Wind Transmission Study compared to an independent 2020 analysis of PJM queue data demonstrates the potential savings associated with multistate transmission coordination in PJM. PJM's study found that a proactive, coordinated approach across five Atlantic PJM states for 74.5 GW of combined onshore wind, offshore wind, and solar capacity could be integrated for \$3.2 billion, or roughly \$43/kW.⁴⁵ Meanwhile, a 2020 independent analysis of PJM queue data found that a project-by-project interconnection approach for 15.6 GW of offshore wind could trigger \$6.4 billion in required onshore upgrades, at a cost of roughly \$413/kW.⁴⁶ These figures, while based on an outdated and imperfect comparison, demonstrate the considerable cost savings potential of coordinated, holistic planning across multiple states.

The portfolio diversification value of EZs across multiple states, especially if participating Zones and/or states are geographically proximate, can reduce the amount of total capacity needed to serve future loads and deliver real system-value benefits. Some states may have sites better suited for co-location, while others may only be able to accommodate new generation or new large loads. Each state can identify preferred locations that align with individual state preferences as well as available transmission capacity and other resources such as brown field sites, fiber and other utilities. Enabling legislation should specify the ability for the state to work flexibly with neighbors to identify the most efficient joint pursuit of a state's goals.

Multistate coordination also has the benefit of efficient use of scarce PJM resources. While each state could opt to pursue its own public policies via existing SAA provisions, the

⁴⁵ [Offshore Wind Transmission Study: Phase 1 Results](#), PJM Interconnection, October 19, 2021

⁴⁶ [Offshore Wind Transmission White Paper](#), Business Network for Offshore Wind and Grid Strategies, October 2020

practicality of even a handful of states requesting PJM to conduct SAA planning initiatives concurrently would add substantial stress to the finite staff resources at PJM, while it must still perform all its other tariff planning processes by prescribed timelines. Alignment with PJM on the definition of EZ output parameters would help streamline a multistate EZ study request or better qualify EZs for inclusion as inputs to the State Policy Workbook for modeling under Order 1920.

Conclusion: Energy Zones can be an affordable and efficient path for transmission that supports economic development

Planning transmission for EZs is not about solving immediate resource adequacy challenges but rather about preparing the grid for future transmission needs in the PJM footprint in a way that better aligns with state policies, including economic development and local permitting constraints. States and grid planners can leverage EZs to more cost-effectively serve the next wave of large loads that will emerge alongside the economic development that is expected to continue well into the future. By planning proactively, states, communities, and industry can anticipate longer-term needs and encourage development in preferred locations that align with public policy priorities and community support.