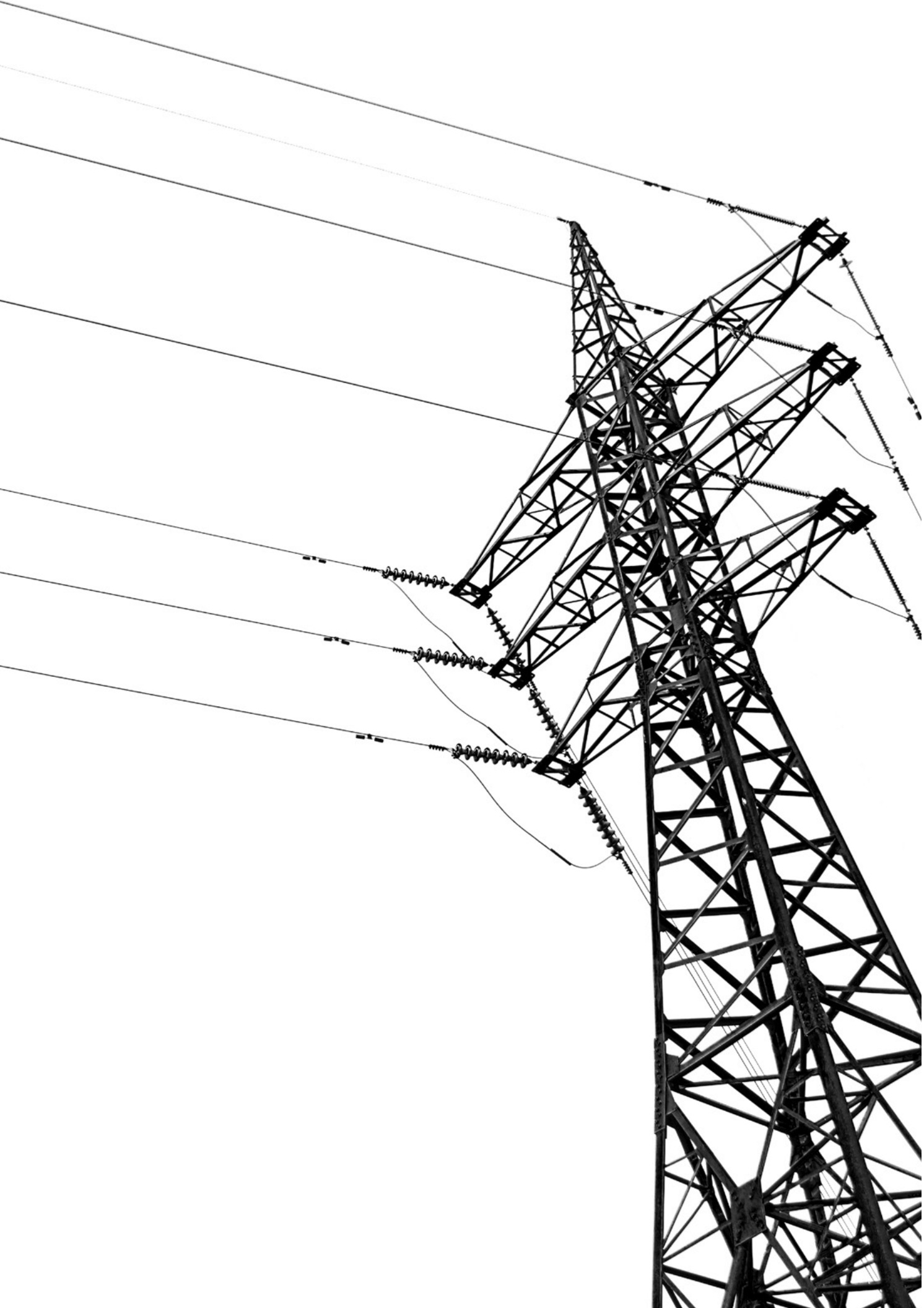
Fast Tracks and Flexible Grids: Unlocking Speed to Market for Energy Customers

Overview for State-Federal Policy Makers

August 2025

Rainey Center | CO2EFFICIENT



Colocation and flexible power solutions present policymakers with an opportunity to offer utilities and large electric load customers options to fast-track permitting and siting processes.

Artificial Intelligence (AI) data centers and large industrial manufacturing plants are seeking quick ways to supply reliable power. Right now, existing generations sources that are critical to bulk power system reliability are bypassing utility interconnections process, working directly with large load customers to provide power solutions known as “behind-the-meter. These alternative solutions allow customers to directly control their power consumption, increasing flexibility and decreasing variable costs.” This is crucial for driving economic development and ensuring that transmission capacity is not pushed past the maximum threshold. With protective measures, consumer safeguards, and long-term reliability strategies secured, state policy tools provide a balanced pathway that strengthens grid resilience while supporting new demand.

Electric Generation Landscape

Demand Growth

The United States is consuming power at never-before-seen levels due in large part to data center development for AI, industrial manufacturing, electric vehicle (EV) adoption, and electrical processes. Fortune 500 companies are pouring hundreds of billions of dollars into AI development and generation infrastructure.

Policy Innovation

Key state policymakers are pioneering legislation that provides large load customers with opportunities to produce or procure their own electricity. This alternative option allows customers to fast-track development and manage their consumption efficiently. The trend of large load customers partnering with generation sources outside of direct utility oversight is increasing which is outpacing current transmission capacity.

Tandem Solution

Alternative ways to integrate power into the grid, alongside a focus on transmission governance and utilizing innovative grid technology, supports bulk power system reliability, lowers ratepayer impact, and stimulates economic development timelines.

Why now? Why is it important?

Exponential Demand Growth

Domestic electricity demand is growing at exponential rates.

Delays on Top of Delays

Interconnection queues are backlogged, generation development is costly, and transmission infrastructure is inadequate. Delayed projects cause funding investment to abandon ship.

Investment Competition

Energy security and resilience are now top priorities for states competing for substantial investment from large load customers.

National Security

Resilient, distributed generation reduces risks from cyberattacks or system failures.

Tangible Urgency

As an example from a Regional Transmission Organization (RTO), PJM Interconnection is already unable to meet the transmission requirements that large load customers are presenting.

SOLUTIONS FOR POLICY MAKERS

Near Term

Behind-the-Meter (BTM) Generation

Expand customer access to create behind-the-meter energy solutions that incorporate grid safety measures. Ensure proper oversight is established to enable a symbiotic relationship between customer side generation and bulk power system reliability.

Colocation Models

Encourage industrial parks, manufacturing clusters, and data centers to share generation and storage assets on-site. This concentrates infrastructure investment and reduces redundant transmission buildout.

Fast-Tracked Permitting

Create expedited siting and environmental review processes for projects serving large load customers while continuing to uphold transparency and integrity in evaluation processes.

Colocation and behind-the-meter solutions can be part of the effort to support speed to market in states and protect affordability.

SOLUTIONS FOR POLICY MAKERS

Incentives

Tax Incentives & Credits

Offer targeted tax credits for self-generation, energy storage, and microgrid deployment in high-load growth sectors. These sectors should be rewarded for creating a resilient generation.

Resiliency Zones

Dedicate areas for rapid-deployment generation to attract high-value industry and to harden generations ties and ensure redundancy is present. Not only does this speed up development, but it also protects neighborhoods and residential areas from being positioned up against vast datacenter clusters.

SOLUTIONS FOR POLICY MAKERS

Regulation Reform

Flexible Interconnection Rules

Let self-generators interconnect for backup or surplus sales without full utility-scale requirements.

Forecasting & Planning Requirements

Require that BTM and colocation deals be transparently reported into load forecasts to prevent blind spots in long-term transmission and generation planning.

States as the Catalyst

Innovative deals, as featured below, present problem-solving methods that states can utilize as a model.

Texas S.B. 6

Large load customers are financially responsible for all applicable development costs. Requires demand response capabilities to alleviate congestion during peak hours and emergencies.

South Carolina Energy Security Act (Act 41, 2025)

Expedited siting, permitting, and interconnection for large load projects. Enables BTM and flexible power procurement using a legislative backstop encouragement.

Utah S.B. 132

Streamlined approvals for large energy users to self-supply with renewables or gas. Clarified cost-sharing for interconnection to expedite the process.

Utah H.B. 249

Advancing the construction and development of nuclear power generation sources by creating specified councils and designated development zones.

West Virginia H.B. 2014

Grants & tax credits to facilitate behind-the-meter power generation at manufacturing facilities, supporting industrial energy consumers.

Opportunities for Federal Leadership

While state solutions provide short term answers, durable and long-term legislation must accompany it to ensure grid reliability. The Federal Power Act provides a lever to initiate more state action by providing a legislative backstop.

Congress can actively support AI, advanced manufacturing efforts, and other emerging industries that require substantial, and sometimes uninterrupted, access to power.

By amending the Federal Power Act to require FERC to implement its authorities in ways that give large customers flexibility to collocate with power plants, utilize microgrid and islanded configurations, and directly access wholesale suppliers where applicable, Congress can support states goals of promoting economic development while protecting near term affordability concerns.

At the same time, Congress can require FERC to take longer-term steps to ensure that transmission providers are preparing now to implement pathways for appropriate interconnection to the grid of facilities originally constructed with on-site power or collocated power, enhancing the broader reliability and resiliency of the grid.

Rainey Center

(202) 350-1689
info@raineycenter.org
raineycenter.org

IN PROUD PARTNERSHIP WITH