

Written Testimony of Judy W. Chang
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Subcommittee on Energy
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Chair Latta, Ranking Member Castor, Chair Guthrie, Ranking Member Pallone, and members of the Subcommittee, thank you for inviting me and my fellow Commissioners to testify today.

The country's energy sector is in the midst of a dramatic shift. After years of relatively flat demand, we are witnessing rapid growth, primarily driven by data centers, which in turn is driving major investments in new generation and transmission infrastructure. While integrating and serving large loads is creating new challenges and exacerbating existing problems on the electric grid, it also presents an opportunity to modernize the aging system in a manner that can simultaneously improve reliability and increase efficiency. To date, the system buildout has contributed to high prices for customers, whose utility rates have already increased in recent years due to other factors. Thus, as regulators, the Commission has a responsibility to guide the industry's efforts towards cost-effective and durable solutions that address these pressing challenges while protecting customers from adverse reliability and cost impacts. In assessing approaches to meet the needs of the current moment, I focus on three priorities.

First, it is critical that we keep consumer protection at the forefront of our decision-making. Residents and small businesses across the country rely on the grid, and traditionally, they are captive ratepayers who bear the cost of system expansions or upgrades to deliver the necessary energy services. However, given that much of the new grid investments are driven by new large loads, regulators, policymakers, and other stakeholders are raising legitimate concerns regarding the fair allocation of these costs among different customers.

Our state regulator colleagues have been at the forefront of addressing these customer protection issues, and we must also act at the federal level to ensure that new large loads pay their fair share and do not shift costs to other customers. We have seen an increased trend toward requiring new loads to pay for the incremental generation and transmission investments they trigger. This basic principle – new large loads must cover their costs – should inform customer protection efforts at the Commission, and I am committed to making progress on that effort. Beyond cost distribution, I continue to focus on other

regulatory tools that could protect consumers, including increasing data transparency for transmission projects and expanding the use of advanced transmission technologies, which could make better use of our infrastructure.

Second, the Commission, state regulators, and policymakers should prioritize addressing the persistent bottlenecks that interfere with the timely construction of new electric infrastructure. Of these bottlenecks, the Commission plays a particular role in addressing the pervasive uncertainty faced by generators seeking to interconnect. In recent years, the Commission has actively worked to get new resources online, including expediting front-end processes to enable interconnection of new generation. However, these efforts have been frustrated by the lack of available transmission capabilities, which creates cost uncertainties and thus financing difficulties for these projects. This constraint perpetuates the scarcity conditions that keep prices high for customers and hold up our ability to serve new loads. Thus, it is imperative that we address this and other bottlenecks to ensure that the system can accommodate new load and generation, which in turn will provide the regulatory certainty needed to support economic growth.

Third, to the greatest extent possible, we need to advance durable solutions instead of temporary fixes. The pace and volume of load growth are straining our existing regulatory processes. This is most visible in the PJM Interconnection, L.L.C. (PJM) footprint but exists in various parts of the nation. The Commission and regional transmission organizations have taken initial steps to alleviate some of the pressures on market rules and interconnection processes, with some success. While some of these short-term fixes responded to immediate needs, I'm concerned that we will not meet the long-term challenges of this moment with only a series of temporary emergency fixes.

Fortunately, we see great innovation coming out of the various regions of the country, including some filings that have already been approved by the Commission. These solutions are tailored to the industry's needs over the long term and developed through robust stakeholder processes. The Commission has also acted – including through the PJM “co-location” proceeding – to initiate reforms where we see long-term solutions for a problem we face. Going forward, I am optimistic that the Commission, working collaboratively with states and stakeholders, will implement durable reforms that responsibly adapt to the dynamics in the marketplace.

It remains a great privilege to serve on the Commission, and I reiterate my commitment to serving the best interests of the American people. Thank you for the opportunity to testify, and I am happy to answer any questions.