Vamsi Chadalavada
President and Chief Executive Officer

February 6, 2026

The Honorable Peter Welch
SR-115 Russell Senate Office Building
Washington, DC 20510

The Honorable Jeanne Shaheen
506 Hart Senate Office Building
Washington, DC 20510

The Honorable Richard Blumenthal
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Jack Reed
728 Hart Senate Office Building
Washington, DC 20510

The Honorable Edward J. Markey
255 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sheldon Whitehouse
530 Hart Senate Office Building
Washington, DC 20510

Dear Senators Welch, Shaheen, Blumenthal, Reed, Markey, and Whitehouse:

I am writing in response to your letter dated January 23, 2026, regarding the potential for demand growth from data center development in New England.

As your letter indicates, other regions of the country are projecting increases in demand growth from data center development. Although New England hosts several small data centers, no new large data centers (or other large electrification projects) have committed to proceeding with construction at this time, and New England does not currently project demand growth as high as other regions.

The ISO's latest annual forecast projected an increase of over 11% in annual regional electricity use between 2025 and 2034, primarily due to the electrification of heating, transportation, and other sectors.[1] For instance, while most housing and businesses in the region currently use natural gas or oil heating systems, the ISO expects heat pump deployment to be a cornerstone of ongoing building decarbonization efforts in the New England states, which will add additional demands for electricity onto the system.

Notwithstanding the fact that the increase in demand growth in New England is not driven by the addition of data centers, given the potential for large load development and its impacts (including co-located loads), the ISO is tracking this issue closely. Over the past year, there has been significant discussion at the federal level about reforming the processes governing the

[1] See ISO Newswire: *Enhanced long-term forecast predicts steady growth in energy use, peak demand*.

interconnection of new data centers and other large loads. In recent weeks, the White House signaled a push for developers to cover the associated costs of interconnecting new data centers and the Federal Energy Regulatory Commission (FERC) has accepted rules for large loads in Southwest Power Pool,[2] directed PJM to revise its Tariff to address co-located loads,[3] and issued a proposed rulemaking on the topic, as directed by the Secretary of Energy.[4] In November 2025, the ISO submitted comments in that proposed rulemaking stating that it looks forward to working with FERC on these important reforms and requesting that clear principles and rules be developed for the interconnection of large loads to the transmission system.[5] In addition, in October 2025, ISO New England responded to correspondence on large load forecasting from FERC Commissioner David Rosner, highlighting its coordination with New England Transmission Owners regarding potential large load interconnections, including those at the distribution level.[6]

Several factors contribute to wholesale electricity costs in New England, including New England's need to import expensive fuels to power the region's generation fleet.[7] However, because New England has not seen significant data center development, to date, that has not been a driving factor of wholesale electricity costs in the region. The ISO is sensitive to the fact that affordability concerns, including energy-related costs, are presently at the forefront of people's minds in New England. Wholesale electricity markets were created to introduce competition into the production of electricity and shield consumers from investment risk by private capital. The ISO-administered markets select the lowest-priced resources to meet current and future electricity needs. Additionally, in its role as a Regional Transmission Organization, ISO New England facilitates a competitive process for the development of transmission infrastructure solutions that are essential for achieving regional policy goals, while also benefiting reliability. New England has made major investments in transmission to ensure a reliable electric grid, easing transmission constraints and enabling the ISO to dispatch the most economic resources throughout the region.

Importantly, for most of the year, New England is long on supply, meaning it has more supply than demand. (New England faces significant challenges in cold winter conditions due to constraints on the fuel infrastructure.) However, the amount of surplus capacity could decrease

[2] *Southwest Power Pool, Inc.,* 194 FERC ¶ 61,031 (2026).
[3] *PJM Interconnection, LLC*, 193 FERC ¶ 61,217 (2025).
[4] See RM26-4-000: Interconnection of Large Loads to the Interstate Transmission System.
[5] See ISO Comments on Large Loads ANOPR.
[6] See ISO New England Correspondence with FERC Chairman David Rosner on Large Load Forecasting.
[7] There are also different factors that contribute to rising retail electricity rates. Retail prices reflect a state's longer-term, fixed-price contracts for energy; the recovery of the costs to pay for the transmission and distribution systems; stranded costs from legacy, vertically integrated utility investments; and various policy-driven adders, such as funding energy efficiency and solar photovoltaic incentive programs.

if demand growth increases or existing resources retire early. One hedge against the cost of serving rapid demand growth is to retain and attract adequate resources to serve that demand. New England does so through the wholesale capacity market, which is in the process of transitioning from a forward/annual market to a prompt/seasonal market with accreditation reforms.[8] The ISO believes that these reforms are critical for the region to both help protect reliability and maintain the cost-effectiveness of the power system in New England.

Your letter raises important points about the need for effective planning to mitigate problems encountered in other regions. It is appropriate for the ISO, along with the region's policymakers and stakeholders, to plan for future load growth, including the electrification of vehicles and buildings as well as the development of data centers. Your letter also raises important questions and issues related to cost allocation and service to different types of customers. The ISO is closely monitoring federal policy developments on these topics and will work with the New England states and stakeholders to move these issues forward in a way that makes the most sense and offers the most benefits for the New England region.

I hope this information is helpful in describing the ISO's role as it relates to the addition of large loads in New England. I look forward to continued dialogue with you and Members of the New England Congressional Delegation on the matters facing our region.

Thank you for your outreach on this matter, and for your continued advocacy on behalf of the New England energy system in Washington, DC.

Sincerely,

Vamsi Chadalavada
President & Chief Executive Officer

[8] See ISO-NE Capacity Auction Reforms Fact Sheet.

United States Senate

WASHINGTON, DC 20510

January 23, 2026

Dr. Vamsi Chadalavada
President and CEO
ISO New England Inc
1 Sullivan Road
Holyoke, MA 01040

Dear President Chadalavada,

As Senators representing New England, we are deeply concerned that data center growth will drive up energy costs and degrade reliability for our constituents. As the Independent System Operator New England (ISO-NE) continues with its own market reforms, it is essential that service remains affordable and reliable for residential consumers. We believe it is necessary to require tech companies, not American families, to foot the bill for their load. We request further information on the strategies that ISO-NE plans to implement to protect residential ratepayers from data center-driven price increases.

Forecasts suggest that, after two decades of stagnation, U.S. electricity demand could increase as much as 5.7% through 2030, a level of growth not seen since the 1960s.[1] The share of electricity serving data centers is expected to triple from 2023 levels, accounting for 11.7% of U.S. power demand.[2] For example, load growth in power market PJM could increase by up to 32 gigawatts from 2024-2030,[3] although how many new data centers will actually be built remains uncertain.[4] Virginia, a PJM member, is home to approximately 150 hyperscale data centers, nearly 35% of the world's concentration of these large load facilities.[5]

While demand is increasing, so are electricity costs.[6] The average residential electricity price increased 13% in first 9 months of 2025 alone.[7] Data centers are one of the key factors driving steep demand growth in certain regions, leading to higher prices both in wholesale and retail

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[1] *What history says about today's AI power surge.* Axios. (January 16, 2026). (Online at: https://www.axios.com/2026/01/16/ai-energy-consumption-power-data-centers).
[2] *The data center balance: How US states can navigate the opportunities and challenges.* McKinsey & Company. (August 8, 2025). (Online at: https://www.mckinsey.com/industries/public-sector/our-insights/the-data-center-balance-how-us-states-can-navigate-the-opportunities-and-challenges).
[3] *Lawmakers, advocates pitch plans to rein in data centers, their power demands.* Maryland Matters. (November 17, 2025). (Online at: https://marylandmatters.org/2025/11/17/data-center-plans-maryland-legislators/).
[4] *PJM to ratchet down projected AI power demand for eastern US.* ENERGYWIRE. (January 6, 2026). (Online at: https://subscriber.politicopro.com/article/eenews/2026/01/06/pjm-to-ratchet-down-projected-ai-power-demand-for-eastern-us-00711947).
[5] *Why more residents are saying 'No' to AI data centers in their backyard.* NPR. (July 17, 2025). (Online at: https://www.npr.org/2025/07/17/nx-s1-5469933/virginia-data-centers-residents-saying-no).
[6] Ryan Wiser, Erich O'Shaughnessy, et al., *Factors influencing recent trends in retail electricity prices in the United States.* The Electricity Journal. (December 2025). (Online at: https://www.sciencedirect.com/science/article/pii/S1040619025000612).
[7] *Electric Power Monthly.* U.S. Energy Information Administration. (December 3, 2025). (Online at: https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=table_5_03).

electricity markets.[8] At PJM's annual capacity auction in July of this year, which aims to secure resources to meet future peak demand, prices hit $329.17 per megawatt/day, a 22% increase from the 2024 auction, and a nearly 1000% increase from 2023.[9] This dramatic price increase occurred even with a negotiated price cap in place, which reduced capacity auction prices by 38%, or nearly $10 billion.[10] Without an extension or other reforms, this cap will expire and prices are likely to rise even further.[11] These high prices are being passed on to households across the PJM region. New England already suffers from historically high energy prices. It is essential that our constituents do not face the same fate.

Rapid demand growth also threatens the reliability of the electric grid. Despite setting record prices in its capacity auction, PJM was unable to meet its planning reserve margin.[12] ISO-NE likewise experiences a tighter reserve margin while ill-advised efforts by the Trump administration to stall offshore wind have delayed our region's planned addition of this reliable, clean, and affordable power generation.[13] Should New England see an influx of data centers coming online, pressure on the margin will only worsen.

ISO-NE has a central role in making sure residential ratepayers are not unjustly burdened by data center growth. As the ones who stand to benefit most, the multi-billion-dollar AI industry should be responsible for these costs. With data centers emerging across New England,[14] how will ISO-NE work to protect residential customers from these costs?

We appreciate the work that ISO New England does to operate our region's bulk power system. We share a common goal of maintaining reliable, affordable electricity for all customers as more data centers come online.

Sincerely,

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[8] Ryan Wiser, Erich O'Shaughnessy, et al., *Factors influencing recent trends in retail electricity prices in the United States.* The Electricity Journal. (December 2025). (Online at: https://www.sciencedirect.com/science/article/pii/S1040619025000612).

[9] *Power costs soar in PJM region as data center demand spikes*. Reuters. (August 7, 2025). (Online at: https://www.reuters.com/business/energy/power-costs-soar-pjm-region-data-center-demand-spikes-2025-08-07/).

[10] *Data centers were 40% of PJM capacity costs in last auction: market monitor.* UtilityDive. (January 7, 2026). (Online at: https://www.utilitydive.com/news/data-centers-pjm-capacity-auction/808951/).

[11] *Data centers were 40% of PJM capacity costs in last auction: market monitor.* UtilityDive. (January 7, 2026). (Online at: https://www.utilitydive.com/news/data-centers-pjm-capacity-auction/808951/).

[12] *PJM capacity prices hit record high as grid operator falls short of reliability target.* UtilityDive. (December 18, 2025). (Online at: https://www.utilitydive.com/news/pjm-interconnection-capacity-auction-data-center/808264/).

[13] *ISO-NE proposes capacity market overhaul with shift to 'prompt' auction.* UtilityDive. (January 5, 2026). (Online at: https://www.utilitydive.com/news/iso-ne-proposes-capacity-market-overhaul-with-shift-to-prompt-auction/808712/).

[14] *The data center balance: How US states can navigate the opportunities and challenges.* McKinsey & Company. (August 8, 2025). (Online at: https://www.mckinsey.com/industries/public-sector/our-insights/the-data-center-balance-how-us-states-can-navigate-the-opportunities-and-challenges).

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