

Executive Summary & Introduction

We stated a year ago in our December 2024 issue of the Calpine Retail Choice Regulatory Bulletin that, “*2024 marks a dramatic inflection point for the electricity market where supply and demand diverge and a secular period of ‘scarcity’ has formally commenced.*” That assessment proved to be correct, as evidenced by two consecutive record breaking PJM capacity auctions that cleared for DYs 2026/2027 and 2027/2028 resulting in the [RTO being 6.6 GWs short capacity](#) for the first time since the inception of the capacity market. As always, Calpine Retail will guide you through what we expect will be continuing tight market conditions for 2026.

1. Scarcity in capacity also drives higher energy prices as grid operators must dispatch higher cost units to meet demand. The PJM Independent Market Monitor in this quarterly [State of the Markets Report](#), stated that in the first 9 months of 2025 real-time average energy price **increased by \$14.57/MWh, or +46.2%**, to \$46.05/MWh from \$31.50/MWh in the first 9 months of 2024. Of the increase, \$9.85/MWh, or about two-thirds, is due to increases in cost of fuel and emissions. The rest, or \$4.72/MWh, is a result of reaching deeper into the dispatch stack.
2. FERC has ordered PJM to create three new transmission services for customers that take service on behalf of [co-located large loads](#).
3. President Trump has issued Executive Order, [Ensuring a National Policy Framework for Artificial Intelligence](#), that takes steps towards a uniform national framework for artificial intelligence.
4. The Oregon Public Utility Commission has adopted Staff’s recommendation that there be [no penalties for ESSs](#) that are unable to meet their June 2027 through May 2029 resource adequacy obligation.
5. The NYISO warned in its [2025-2034 Comprehensive Reliability Plan](#) that “most plausible futures point to significant reliability shortfalls within the next ten years.”
6. About 6.1 GW of projects have entered into the second cycle of MISO’s [Expedited Resource Addition Study \(ERAS\)](#) which fast-tracks the interconnection review process, bringing the total to 11.2 GW.

1.1 Risk Assessment Approach

Our analysis of the regulatory risk(s) to our customers is summarized in the rating(s) categories defined below:

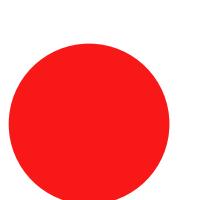
Potential Financial Impact to Customers:

 Signifies potential increase in costs

 Signifies potential decrease in costs

Magnitude of Risk to Customer(s):

2.0 Overall Assessment

Symbol	Impact	Description
	Major Impact	Represents a regulatory or policy change that is in the process of being enacted by Regulators (i.e., PUC, ISO, FERC, EDC) and is expected to result in a meaningful increase in cost(s) to load; likely require immediate action.
	Medium Impact	Represents a regulatory or policy change that is in the proposal process and being sponsored by one or more ISO stakeholders. Most of these Risk's will likely be elevated to RED. Medium Impact issues will require involvement but we expect to have time to coordinate load on these type(s) of issues.
	Actively Monitor	Represents regulatory or policy discussions or trends that may evolve to either RED or ORANGE categories. No immediate action item for load.
	For Your Information	Industry developments or information, while not directly impacting the customer, may be of interest or import to the customer.

We have identified various issues that coalesce with the ratings categories described above. Notwithstanding, these are the Regulatory or Policy issues we consider extremely relevant to our retail customers*. With respect to this Bulletin, the six categories which appear to represent the most significant impacts to retail customers are identified below and categorized according to ISO:

Section 2.1 – Policy

Section 2.2 – Capacity / System Reliability

Section 2.3 – Transmission

Section 2.4 – Ancillary Services

Section 2.5 – Energy

Section 2.6 – Industry Development

*Where appropriate, we have provided links to articles and other relevant information for reference purposes.

2.1 Policy

Issue #	Rating	Issue	Impact	Action/Result
2.1a U.S.		<p>President Trump has issued Executive Order (EO), Ensuring a National Policy Framework for Artificial Intelligence, that takes steps towards a uniform national framework for artificial intelligence (AI), primarily by curbing the effect of state-level AI laws.</p> <p>The Order seeks to displace a “patchwork” of “50 discordant State” regulatory regimes that “thwarts” the innovation necessary for the U.S. to “win the AI race.”</p> <p>To replace this “patchwork” the Trump administration will “act with the Congress to ensure” a “minimally burdensome national standard” that checks “onerous and excessive” state regulations, and directs executive branch components to pursue four initiatives as follows:</p> <p>WilmerHale: White House issues “One Rule” Executive Order to curb state AI regulation</p>	<ol style="list-style-type: none"> 1. The EO directs the Department of Justice (DOJ) to establish an “AI Litigation Task Force” charged with bringing challenges to designated state AI laws. 2. The EO instructs federal agencies to assess whether discretionary funding programs can be conditioned on a state’s agreement to forgo the types of AI regulations that are disfavored under the order. It further instructs the Secretary of Commerce to withhold certain funds for broadband access from states that maintain “onerous” AI laws. 3. The EO directs the FCC to initiate a proceeding to adopt a “Federal reporting and disclosure standard” for AI that would preempt conflicting state laws. It also directs the FTC to issue a policy statement identifying the circumstances under which state laws requiring change to “truthful outputs” are preempted by the FTC Act’s prohibition on deceptive practices. 4. The EO requires senior Administration officials to develop a legislative proposal for a uniform federal regulatory framework for AI that would preempt any state laws deemed inconsistent with the Order’s stated policy. However, the legislation shall not propose preempting state laws regarding child safety protections, AI compute or data center infrastructure, or state government AI procurement. <p>The EO follows Congress’s bipartisan decision to exclude from the National Defense Authorization Act (NDAA) a provision that would have preempted most state AI laws.</p> <p>The EO is likely to yield legal challenges.</p>	

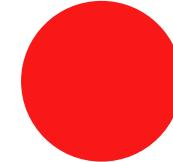
2.1 Policy

Issue #	Rating	Issue	Impact	Action/Result
2.1b FERC/ PJM	\$-	<p>The FERC has ordered PJM to develop rules for co-locating data centers and other large loads with power plants, directing the RTO to create three transmission services with limitations on energy withdrawals that reflect the firmness of the service.</p> <p>FERC directs nation's largest grid operator to create new rules to embrace innovation and protect customers</p> <p>UD: FERC orders PJM to craft large load colocation rules</p>	<p>The new services are to be:</p> <ol style="list-style-type: none">1. Interim, non-firm transmission;2. Firm contract demand transmission; and3. Non-firm contract demand transmission. <p>FERC gave PJM 60 days to propose the new transmission services as part of a “paper hearing” process, during which the commission will consider whether co-located loads should be assessed a minimum charge to cover the costs of maintaining the transmission system.</p>	<p>FERC also said that PJM must revise its behind-the-meter generation rules and develop a process for transitioning to the new rules.</p> <p>Lastly, FERC gave PJM until January 19 to file a report on the status of proposals PJM considered in its Critical Issue Fast Path (CIIP) stakeholder process on integration of large loads, including the status of the RTO’s expedited interconnection process for shovel-ready generation projects.</p> <p>According to Advanced Energy United, the Order could lead to regulatory certainty for large load customers and safeguards to make sure that co-locating loads won’t drive up electric rates for other ratepayers or hurt system reliability.</p>

2.1 Policy

Issue #	Rating	Issue	Impact	Action/Result
2.1c OR	 \$-	<p>As reported in the September Regulatory Bulletin, the Northwest and Intermountain Power Producers Coalition filed a Motion in UM 2143 requesting the Oregon Public Utility Commission (Commission) clarify the penalty amounts an Electric Service Supplier (ESS) would incur for failing their resource adequacy obligations when a “best effort” was made to procure the compliance product as the exact penalty amounts had been left undefined.</p> <p><i>Please see our September 2025 Regulatory Bulletin, Sec. 2.1b for more on UM 2143.</i></p>	<p>Also as part of this Motion, a request was made for the Commission to reconsider resource adequacy be part of the investor owned utility obligation for direct access customers.</p> <p>At a Commission meeting only a few days prior to the Thanksgiving holiday, <i>Commission Staff recommended that there be no penalties for ESSs that are unable to meet their June 2027 through May 2029 resource adequacy obligation.</i></p> <p>The Commission adopted the Staff Recommendation.</p>	<p>As a point of clarity, the Commission was clear that an obligation to procure resource adequacy is still in place, but draconian penalties for failure are off the table.</p> <p>This decision allows Oregon time to pursue different resource adequacy policy and implementation options without the overhang of punitive penalties.</p> <p>Please contact your sales representative to obtain additional information.</p>

2.2 Capacity / System Reliability

Issue #	Rating	Issue	Impact	Action/Result
2.2a PJM	 \$+	<p>PJM's Base Residual Auction (BRA) for the 2027/2028 delivery year cleared at the FERC-approved price cap of \$333.44/MW-day¹ for the entire PJM footprint, representing a 1.3% increase over the 2026/2027 BRA clearing price of \$329.17/MW-day.</p> <p>The 2027/2028 BRA clearing price translates to <u>\$333.69/MW-day on a net load basis to be charged to customers.</u></p> <p>Without the price cap, PJM reported that the RTO price would have been \$529.80/MW-day.</p> <p>The 2027/2028 auction saw participation of 774 MWs of UCAP new generation and generation upgrades, while the RTO's forecasted peak load for the delivery year increased by 5,250 MWs, of which 5,100 MWs were attributed to data centers.</p> <hr/> <p><small>¹Earlier this year, FERC approved an agreement between PJM and Pennsylvania Governor Josh Shapiro that sets a price cap of \$325/MW-day and a price floor of \$175/MW-day for the 2026/2027 and 2027/2028 BRAs. Note that technical nuances of PJM's modeling cause the final clearing price of \$333.44 to exceed the exact price cap in the original agreement.</small></p>	<p>Total capacity procured in the auction fell short of PJM's reliability requirement by 6,623 MWs.</p> <p>However, PJM says this does not mean that it cannot serve the region reliably. In their analysis of supply and demand, PJM expects peak load to be lower than forecasted, some announced generation retirements may be cancelled, and winter-only resources that are not allowed to participate in the annual auction will be available.</p>	<p>PJM is now officially short capacity and will likely remain so for the near term.</p> <p>The next BRA for the 2028/2029 delivery year is scheduled for July 2026.</p> <p>For additional detail, please see PJM's press release here and the full 2027/2028 BRA report here.</p> <p>To better understand how these capacity price increases may impact your business, please contact your Calpine sales representative.</p>

2.2 Capacity / System Reliability

Issue #	Rating	Issue	Impact	Action/Result
2.2b NYISO	 \$+	<p>The NYISO published its 2025-2034 Comprehensive Reliability Plan reporting that New York's grid is at an “<i>inflection point</i>” as the state deals with an aging generation fleet and the increasing difficulty in deploying dispatchable resources amid rapid load growth, concluding that “<i>most plausible futures point to significant reliability shortfalls within the next ten years.</i>”</p> <p>NYISO: 2025-2034 Comprehensive Reliability Plan: Key Topics</p> <p>GT: New York may require thousands of megawatts of dispatchable generation by 2034</p>	<p>The report recommends that NYISO should “account for a wider range of plausible outcomes in reliability planning” and adopt new scenario planning concepts into its formal procedures, including:</p> <ol style="list-style-type: none">1. Evaluating a wider range of potential risks like project delays, “rather than relying solely on a deterministic base case.”2. Incorporating the probability of aging generation or catastrophic failures.3. Using a range of plausible demand forecasts, including “economic trends, electrification, demand-side policy adoption, and technology-driven behavior changes.”	<p>The report further recommends accelerating the entry of solar, wind and storage resources already in the pipeline, preserving or replacing critical dispatchable capability like the NYPA’s small gas plants and adding additional firm capacity.</p> <p>Most importantly, the report recommends deployment of additional natural gas resources, stating that “<i>depending on demand growth and retirement patterns, the system may need several thousand megawatts of new dispatchable generation</i>” over the next ten years.</p>

2.2 Capacity / System Reliability

Issue #	Rating	Issue	Impact	Action/Result
2.2c MISO	 \$-	<p>About 6.1 GW of projects have entered into the second cycle of MISO's Expedited Resource Addition Study (ERAS) which fast-tracks the interconnection review process, bringing the total to 11.2 GW.</p> <p>MISO has accepted or is reviewing 51 projects totaling almost 30 GW into ERAS, which aims to bring power supplies online quickly. The process allows planned resources that meet eligibility criteria to sidestep MISO's standard interconnection queue reviews.</p> <p>APPA: MISO announces second cycle of projects under Expedited Resource Addition Study process</p>	<p>Under the ERAS process, MISO is studying up to 15 projects per quarter on a first-come, first-served basis and will study up to 68 projects before the program ends on August 31, 2027.</p> <p>MISO said three Cycle-1 projects have executed generator interconnection agreements and expects the seven remaining projects in the cycle to complete interconnection agreements this month.</p>	<p>Gas-fired generation in the second ERAS cycle totals 4.3 GW or 70% of the total in that cycle. Other pending ERAS projects include 800 MW of battery, 580 MW of wind and 475 MW of solar projects.</p> <p><i>Please see Sections 2.2c in our March and May 2025 Regulatory Bulletins for more on MISO's ERAS.</i></p>

3.0 Contact Information

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Public/ISO Regulatory Contacts:

- PJM - <http://pjm.com/about-pjm/who-we-are/contact-us.aspx>
- MISO - <https://www.misoenergy.org/AboutUs/ContactUs/Pages/ContactUs.aspx>
- NEISO - http://iso-ne.com/contact/contact_us.jsp
- NYISO - http://www.nyiso.com/public/markets_operations/services/customer_support/index.jsp
- ERCOT - <http://ercot.com/about/contact/>
- CAISO - <http://www.caiso.com/Pages/ContactUs.aspx>
- Public Utilities Commission - <http://www.naruc.org/commissions/>

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