Monthly Retail Choice Regulatory Bulletin

CALPINE ENERGY SOLUTIONS

March 2025

Executive Summary & Introduction

1. The EPA announced it would begin a sweeping rollback of environmental regulations, including air, water and waste rules that affect the power sector.
2. The agency has frozen access to $20 billion in Greenhouse Gas Reduction Fund grants, citing financial mismanagement, conflicts of interest, and deficiencies in regulatory oversight.
3. The EPA remanded its Clean Air Act permit from the 1.5-GW Atlantic Shores 1 Offshore Wind project in progress off the coast of New Jersey.
4. Both NYISO and New England ISO are preparing to collect duties on electricity imports from Canada per Trump executive order.
5. MISO filed a proposal at FERC to change its market participation rules for demand response resources to deter manipulation and fraud, following four FERC enforcement cases involving Voltus, Ketchup Caddy, Big River Steel and Linde.
6. MISO request FERC approval for its Expedited Resource Addition Study (ERAS) process, to provide a framework for the accelerated study of generation projects to address the urgent near term resource adequacy needs.

1.1 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 Customer(s):

Symbol	Description
$+	Signifies potential increase in costs
$-	Signifies potential decrease in costs

Magnitude of Risk to Customer(s):

Symbol	Description	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 a regulatory or policy discussion 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.

2.0 Overall Assessment

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 EPA	$-	**The EPA stated it would begin a sweeping rollback of environmental regulations, including air, water and waste rules that affect the power sector, such as:** • **National ambient air quality standards (NAAQS) for particulate matter, or soot;** • **“Good Neighbor Plan” which aims to prevent emissions from power plants that cause ozone to drift into other states;** • **Coal combustion residuals rule that covers how waste from coal-fired power plants is handled;** • **Effluent Limitation Guidelines that regulate wastewater from power plants;** • **Regional haze rule; and** • **Vehicle emissions standards.** EPA launches biggest deregulatory action in U.S. history	Additionally, the EPA plans to reconsider its 2009 “endangerment finding” that forms the basis for regulating GHG emissions under the Clean Air Act. The agency plans to undo rules set under the Biden administration that aim to reduce carbon emission from power plants. Under its April 2024 EPA rule, the owners of coal-fired and new gas-fired power plants set to operate past 2039 will be required to meet a carbon dioxide emission standard equal to installing a carbon capture and storage system and running it at 90% *(see our April 2024 Regulatory Bulletin, Sec 2.1a for more.)* The EPA also plans to consider eliminating its Greenhouse Gas reporting program, requiring GHG reports from sources that release 25,000 metric tons or more of carbon dioxide a year, affecting about 8,000 sources.	Revising or eliminating the rules will require rulemaking processes that can take several years to complete and must comply with the Administrative Procedure Act. Litigation could add years to the process. The EPA intends on taking interim measures that would reduce regulatory burdens from some of the rules. For example, the agency is considering granting a two-year exemption to power plants affected by the mercury and air toxics standards rule while it conducts a rulemaking process to revise the rule.

2.1 Policy

Issue#	Rating	Issue	Impact	Action/Result
2.1b EPA	$-	**The EPA has frozen access to $20 billion in Greenhouse Gas Reduction Fund (GGRF) grants, announcing it has launched an investigation into the fund's disbursement for *"reckless financial management, blatant conflicts of interest, astonishing sums of tax dollars awarded to unqualified recipients, and severe deficiencies in regulatory oversight under the prior administration."*** Inflation Reduction Act funding was used to create the GGRF "to mobilize financing and private capital to addresses the climate crisis." Last April, the Climate United Fund was tapped to manage $6.97 billion from the National Clean Investment Fund, a program under GGRF. EPA formally refers financial mismanagement of $20B "Gold Bars" to Inspector General	EPA has placed staff on administrative leave, begun a full assessment of internal controls, and is cooperating with the Department of Justice and the FBI in their ongoing investigation. The Climate United Fund's $6.97 billion grant held by Citibank has been frozen since February 18. In his letter, EPA Administrator Zeldin accuses former GGRF acting director Jahi Wise of a conflict of interest in overseeing a $5 billion grant to his previous employer, Coalition for Green Capital, and that a $2 billion grant awarded to Power Forward Communities, a new nonprofit with ties to Stacey Abrams that reported only $100 in total revenue in 2023, was essentially fraudulent.	The letter stated EPA was not a party to the Account Control Agreements with subrecipients, allowing taxpayer dollars to be further distributed without proper agency oversight, granting prime recipients and subrecipients the ability to transfer funds to private financial institutions of their choosing outside the scope of the financial agent agreement. Much of the Inflation Reduction Act funding that President Trump initially froze via executive order has been unfrozen in accordance with court orders, but the $20 billion in GGRF funding remains locked.

Back to Top

2.1 Policy

Issue#	Rating	Issue	Impact	Action/Result
2.1c U.S.	$+	**On February 1, 2025, President Trump issued Executive Order "Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border" (Canadian Tariff EO) that applies a 25% additional tariff on imports from Canada, except that certain "energy resources" from Canada will have a lower 10% tariff. The tariffs took effect on March 4, 2025 but largely have been paused. Generally, there is uncertainty surrounding the Trump Administration's implementation of the tariffs, particularly with respect to electricity.** Both NYISO and ISO-NE import electricity from Canada and have made filings at the FERC with proposals on how they intend to address the duties, requesting effective dates of February 28, 2025 and March 1, 2025, respectively. In their filings (see NYISO's here and ISO-NE's here), both ISOs stated that they do not believe electricity falls under the Canadian Tariff EO but are preparing to collect the duties should they be required to do so. Subsequently, President Trump has issued another EO on March 6th that exempts certain products from the tariff for another 30 days, but that too is unclear whether the exemption applies to electricity.	**What we know** NYISO and ISO-NE have proposed to charge any applicable duty on the entity that schedules an import of electricity into their respective regions across the Canadian border and therefore has caused any costs associated with that transaction, following cost causation principles. The ISOs believe this method will minimize market impacts and best allows prices and schedules to reflect the true marginal cost of energy by incentivizing the entity to reflect duty costs in their offers. **Proposed duty calculation mechanism** To calculate the volume of Canadian imports, NYISO has proposed to base it on real-time scheduled imports originating from "Duty Eligible Proxy Generator Buses." All real-time scheduled imports, Import Bilateral Transactions for Energy, and Wheels Through injecting energy at Duty Eligible Proxy Generating Buses would be subject to the duty. NYISO has proposed applying the Day-ahead LBMPs to such volumes to arrive at the dollar value subject to the duty.	**Canadian reaction and subsequent retraction** The Province of Ontario, after initially instituting a 25% duty on exports of electricity into the U.S. states of Michigan, Minnesota and New York, has suspended all tariffs on exports of electricity to the U.S. Ontario Premier Ford had previously threatened to shut off the flow of electricity into the U.S. entirely. NYISO is an importer of IESO power amounting to 5% to 6% of its system load. Imports generally do not set the price of electricity in NYISO because they are not the marginal supply, thus the price impact would likely have been minimal. However, if the Ontario supply were to be cut, there would be a much larger impact. **Summary** We continue to monitor the situation with the Canadian tariffs closely, which is highly fluid. Until there is clarification from the federal government, both the NYISO and ISO-NE are preparing to collect duties from importers effective as of March 4th. Thus far, we have observed minimal price impact. We will continue to monitor the situation closely and keep you updated.

Back to Top

2.2 Capacity / System Reliability

Issue#	Rating	Issue	Impact	Action/Result
2.2a EPA	$-	**The EPA remanded its Clean Air Act permit from the 1.5-GW Atlantic Shores 1 offshore wind project in progress off the coast of New Jersey.** Environmental Appeals Board order granting motion for voluntary remand	EPA said it will reevaluate the project and its environmental impacts such as on birds, wildlife and fishing, in light of President Trump's January 20 executive order which mandated a pause on offshore wind leasing and a review of existing leases *(see our January Regulatory Bulletin, Sec. 2.1b for more).*	The permit remand comes a month after EDF Renewables, one of Atlantic Shores' developers, booked a $980 million impairment charge associated with the project. Shell, EDF's partner in the joint venture, booked a $1 billion impairment associated with the project in January.
2.2b MISO	$-	**MISO filed a proposal at FERC to change its market participation rules for demand response resources to deter manipulation and fraud, following four FERC enforcement cases involving Voltus, Ketchup Caddy, Big River Steel and Linde that included:** • **Payment for nonexistent or overstated curtailments;** • **Inaccurate or inflated baselines that curtailments are based on;** • **Fraudulent registration of resources; and** • **Tariff changes dealing with issues such as audit rights, and changes to testing and "make whole" payments.** UD: MISO proposes demand response rule changes to stem market fraud, gaming	MISO has existing right and obligation to vet and verify resources submitted into its markets but seeks to reinforce these requirements given the abuses that came to light in the enforcement orders. MISO's proposal includes the following rule changes: • Demand response resources will no longer be allowed to self-schedule, and must adjust load when called upon; • Clarify that an entity offering into its markets must have the legal right to make a resource available; • Require attestation of an officer of companies that aggregate DR resources that they will follow MISO rules, not engage in fraud, market manipulation or gaming.	MISO requested FERC approval of the rule changes, effective July 19. MISO also plans additional DR reforms in emergency resource accreditation and demand resource testing and registration.

2.2 Capacity / System Reliability

Issue#	Rating	Issue	Impact	Action/Result
2.2c MISO	$-	**MISO requested FERC approval for its Expedited Resource Addition Study (ERAS) process, effective May 17, to provide a framework for the accelerated study of generation projects to address the urgent near term resource adequacy needs, compounded by the addition of "unexpected large spot loads."** NERC's 2024 Long-Term Reliability Assessment projected MISO will experience a 4.7 GW shortfall by 2028 if the current expected generator retirements occur. ERAS is to be studied serially each quarter and granted an Expedited Generator Interconnection Agreement within 90 days. MISO's FERC Expedited Resource Addition Study (ERAS) filing	To qualify for ERAS, projects must demonstrate 100% site control, establish due dates for commercial operations, pay a nonrefundable deposit of $100,000 and a $24,000/MW milestone payment and agree to pay for all necessary network upgrades. As of March 13, 2025, MISO's generator interconnection queue contained 1,603 active interconnection requests, including queue cycles going back to 2019. The 2023 queue cycle, the last to close in 2024 alone is 123 GW. Almost 70% of the total generation capacity that entered the 2017 and 2018 queue cycles was eventually withdrawn, with continuing similar withdrawal rates.	The Clean Grid Alliance (CGA) disagreed with the MISO proposal, stating that even with a 21% completion rate, the queue has 18 GW of storage and hybrid capacity, increasing to 29 GW with planned transmission expansion, far more than the projected capacity shortfall that can be implemented online quickly. MISO said it wants to sunset ERAS by the end of 2028.

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/

Back to Top