

Executive Summary & Introduction

1. The [U.S. Court of Appeals for the D.C. Circuit denied the motions](#) by the National Rural Electric Cooperative Association (NRECA), representing co-ops that serve over 40 million consumers, and a coalition of 25 states to stay the EPA’s rule on carbon emissions finalized last month, arguing it could cause “immense, immediate, and irreparable harms” to customers and the nation’s electric grid.
2. FERC has issued [Order 1920 requiring grid planners and transmission owners to look 20 years ahead](#) to expected shifts in the generation mix and consider a range of long-term benefits to building and upgrading power lines.
3. FERC has approved New England ISO’s proposal to [delay the 2028/2029 capacity auction to February 2028](#) in order to give the ISO and stakeholders time to develop a Prompt and Seasonal capacity market construct. The Massachusetts Department of Public Utilities (DPU) has approved gas supply agreements between Constellation and local gas utilities that will keep [Everett LNG Facility running through 2030](#).
4. The Oregon PUC has adopted rules requiring electricity service suppliers and investor owned utilities to [demonstrate resource adequacy](#).
5. The state of [Virginia will not be rejoining the Regional Greenhouse Gas Initiative \(RGGI\)](#) for at least two years, with the 2024 General Assembly session complete and the new biennial budget bill passed without directing the state to rejoin RGGI.
6. PJM has [completed Phase I System Impact Studies](#) for 306 proposed generation projects as part of Transition Cycle #1 of its new interconnection process.
7. According to NERC’s 2024 Summer Reliability Assessment Report, [large portions of the U.S. and Canadian electric grids are at risk of electricity supply shortfalls this summer](#) during heat waves and other extreme weather events.
8. The Energy Futures Initiative Foundation stated that [energy policies globally should “embrace” natural gas as a transition fuel](#) to balance energy security, equity and decarbonization across the energy transition. The U.S. Senate Committee on Energy and Natural Resources said that the [grid will need to rely on fossil fuel longer than expected](#), due to an unanticipated spike in electricity demand from AI and increased domestic manufacturing.





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 <u>process of being enacted</u> 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 <u>proposal process</u> 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 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.


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
<p>2.1a EPA</p>	 <p>\$+</p>	<p>Last month, the National Rural Electric Cooperative Association (NRECA) expressed serious concern about EPA’s new rule on GHG emissions from fossil-fired power plant that require carbon capture and sequestration (CCS) systems that capture 90% of carbon emissions beginning 2032 (see our April Regulatory Bulletin, Sec. 2.1a).</p> <p>In May, both the NRECA, representing co-ops that serve over 40 million consumers, and a coalition of 25 states petitioned the U.S. Court of Appeals for the D.C. Circuit to put an immediate hold on the EPA’s new rule, citing the potential for “immense, immediate, and irreparable harms” to customers and the nation’s electric grid. The Court denied both motions.</p> <p>The NRECA said that the EPA’s new emissions rule is unlawful and unachievable and that the agency’s overreach is a threat to “the electric grid, virtually all Americans, and the economy,” adding that the method EPA lays out to limit emissions is not achievable.</p> <p>UD: DC Circuit rejects stay request, paving way for EPA to implement power plant carbon rule</p>	<p>East Kentucky Power Cooperative (EKPC), one of the NRECA members, stated “we don’t have the geology to store the carbon.” <u>Storage would require building 350 miles of pipeline to southern Illinois at a cost of \$3.7 billion.</u></p> <p>EKPC says that implementing CCS and the necessary pipeline would cost \$10.7 billion, impossible to finance against a balance sheet of about \$3.8 billion in assets.</p> <p>Separately, PJM made a statement that it has continuing reliability concerns regarding the potential impact of the new EPA rules, which include:</p> <ul style="list-style-type: none"> Compliance to the new rules are premised on wide-spread use of carbon capture and sequestration (CCS) technology available at reasonable cost. However, CCS relies on availability of salt caverns and pipeline infrastructure that are not readily available. 	<ul style="list-style-type: none"> The Final Rule imposes the most stringent requirements on new gas and existing coal units that operate as baseload units, which provide a critical reliability role. Coal units will likely retire prematurely at a time when the ISO is seeing vastly increased demand from data centers, electrification of vehicles and heating load. “The EPA has not sufficiently reconciled its compliance dates with the need for generation to meet dramatically increasing load demands on the system.” The Final Rule is premised on the availability of increased access to natural gas infrastructure to support the Rule’s “co-firing with gas” compliance option, whereas the present gas pipeline system is fully subscribed and no new gas pipeline systems are readily built due to strong local opposition. <p>The EPA’s Final Rule will undoubtedly be litigated in the courts, as the ramifications of its implementation are far reaching.</p> <p>Please contact your Calpine sales representative if you have questions or concerns and your forward hedging requirements.</p>


2.1 Policy

Issue#	Rating	Issue	Impact	Action/Result
<p>2.1b Global</p>		<p>According to the Energy Futures Initiative (EFI) Foundation report, energy policies globally should “embrace” natural gas as a transition fuel to balance energy security, equity and decarbonization across the energy transition.</p> <p>Ernest Moniz, former U.S. Energy Secretary in the Obama administration and current president and CEO of EFI, said “<i>All three objectives need to be on the table and the question is balancing those priorities.</i>”</p> <p>EFI: The Future of Natural Gas in a Low-Carbon World</p>	<p>Moniz said the world needs “pragmatic” policies and that natural gas in developing countries is a source of affordable “carbon light” energy, noting that the U.N. Climate Change Conference (COP23) said “<i>transitional fuels can play a role in facilitating the energy transition while ensuring energy security.</i>”</p> <p>Moniz said the U.S. plays a “central role in supplying other parts of the world” with LNG. When Europe lost 22 billion cubic meters of natural gas the winter following Russia’s invasion of Ukraine, 19 Bcm of LNG imports from the U.S. helped stabilize the region’s energy security.</p>	<p>He called on the U.S. to “commit to an ongoing global leadership role in meeting global energy security objectives, focused on U.S. natural gas exports,” and that our “policies need to do more to address the geostrategic and energy security value of LNG exports to U.S. allies and trading partners.”</p> <p><i>See our December 2023 Regulatory Bulletin, Sec. 2.1a for more on COP23.</i></p>
<p>2.1c U.S.</p>	 <p>\$+</p>	<p>The U.S. Senate Committee on Energy and Natural Resources said that the grid will need to rely on fossil fuel longer than expected and delay a transition to cleaner energy, due to an unanticipated spike in electricity demand from AI and the push to manufacture semiconductors domestically.</p> <p>The Biden administration has prioritized curbing climate change, but its goals for slashing emissions did not anticipate a major increase in electricity use.</p> <p>UPI: Fossil fuels will be needed to power electrical grid longer. Senate panel says</p>	<p>According to Micron Technology, energy reliability plays a large role in deciding where manufacturers will expand production. Micron received \$6 billion in direct funding from the CHIPS Act of 2022, boosting semiconductor production in the U.S. to outcompete China.</p> <p>TC Energy, a natural gas pipeline, said “the demand for sustainable, reliable electricity is projected to grow even more in the years to come and natural gas is critical to meeting that increased demand.”</p>	<p>Senator Manchin, D-WV, the committee chairman, said that the recent FERC orders on transmission (see Sec. 2.3a) do not do enough to keep the lights on and lure manufacturing to the U.S. and that he and Sen. Barasso, R-WY, are drafting bipartisan legislation to fill the gap.</p> <p>Sen. Barasso said that “<i>the race for artificial intelligence with Communist China will be more consequential than the space race with the former Soviet Union.</i>”</p>



2.1 Policy

Issue#	Rating	Issue	Impact	Action/Result
<p>2.1d OR</p>	 <p>\$+</p>	<p>The Oregon Public Utility Commission (Commission) recently adopted rules requiring electricity service suppliers and investor owned utilities to demonstrate resource adequacy.</p> <p>The Commission offered two options for compliance. In the first option, the LSE can comply by being a participant in the Western Resources Adequacy Program (WRAP). In the second option the LSE can demonstrate Resource Adequacy through the so-called “State Program” adopted within the Commission’s rules.</p>	<p>The Commission has expressed strong support for regional efforts within the WRAP framework and has stated it intends its Resource Adequacy program be complementary to WRAP. Calpine Solutions is currently an active non-binding participant in WRAP.</p> <p>At the same time, the Commission is determined to provide a parallel State Program alternative to WRAP participation for LSEs who may decline to participate in WRAP due to its significant financial and logistical challenges.</p>	<p>In general, the Commission designed the State Program to include more stringent requirements than the WRAP’s seasonal forward requirements to incent participation in WRAP. Yet at the same time, the State Program lacks certain potentially challenging elements of the WRAP, especially WRAP’s Operations Program, which has no analog in the State Program.</p> <p>Calpine Solutions continues to analyze its two compliance options. The first RA compliance showing to the Commission isn’t until April of 2026.</p> <p>For additional information, please contact your sales representative.</p>
<p>2.1e PJM / VA</p>	 <p>\$+</p>	<p>The state of Virginia will not be rejoining the Regional Greenhouse Gas Initiative (RGGI) for likely two years, with the 2024 General Assembly session complete and the new biennial budget bill passed without the key provision that would have directed the state to rejoin RGGI.</p> <p>IC: No RGGI in adopted Virginia budget</p>	<p>With the biennial budget complete, a legislative pathway to Virginia rejoining has stalled until at least 2025.</p> <p>The Democratic Party controls both the Virginia House of Delegates as well as the state Senate. Virginia joined RGGI as part of legislation approved in 2020.</p>	<p>In January 2022, on his first day in office, Gov. Youngkin, R, signed an executive order removing the state from RGGI (<i>see our December 2021 Regulatory Bulletin, Sec. 2.1e</i>).</p> <p>A lawsuit is pending on the legality of Youngkin’s executive order.</p>


2.2 Capacity / System Reliability

Issue#	Rating	Issue	Impact	Action/Result
<p>2.2a NERC</p>	 <p>\$+</p>	<p>According to NERC’s 2024 Summer Reliability Assessment Report, large portions of the U.S. and Canadian electric grids are at risk of electricity supply shortfalls this summer during heat waves and other extreme weather events.</p> <p>Weather services are forecasting challenging heat conditions this summer. NERC said the addition of 25 GW of solar capacity to the grid means it will have sufficient supply during normal peak load, but it identified portions of Texas, California, New England and the Midwest for “elevated risk” of shortfalls due to rising demand, generation retirements, drought and the potential for low wind performance.</p>	<ul style="list-style-type: none"> • ERCOT faces risk of emergency conditions in the evening hours due to “continued vigorous growth in both loads and solar and wind resources.” • Parts of California will have higher on-peak reserve margins due to new solar and battery resources, while reduced drought conditions have bolstered the state’s hydro resources. • New England loses 1,413 MW of gas-fired generation with the retirement of Mystic Units 8 & 9 this month. • In MISO, new solar and gas-fired generation and demand response offset generation retirements, lower firm imports and increased reserve margins. 	<p>The North American grid is rapidly changing with electrification bringing new demand and renewables supplying more of the needed energy. NERC says we are seeing the “transformation of our system, but also in the types of risks.”</p> <p>Citing a FERC report, grid planners expect peak demand to grow 38 GW over the next five years, and transfer capability between regions will help grid operators manage through times of tight supply. What is clear is that “we’re relying more than ever on our neighbors.”</p> <p>NERC referenced FERC’s Transmission Orders 1920 and 1977 (see Sec. 2.3a) but stated that it’s not always about building wires but also about increasing transfer capability, demand response and capacity in existing resources, among other options.</p>


2.2 Capacity / System Reliability

Issue#	Rating	Issue	Impact	Action/Result
<p>2.2b ISO-NE</p>	 <p>\$+</p>	<p>The FERC has approved New England ISO's proposal to delay the 2028/2029 capacity auction until February 2028, in order to give the ISO and stakeholders time to develop a <u>Prompt and Seasonal</u> capacity market construct to better ensure system reliability and cost efficiency as the region's resource mix evolves.</p> <p>ISO-NE: FERC accepts plan to delay capacity auction</p>	<p>Thus far, New England's capacity auctions have been three years in advance of the delivery year. A prompt auction would occur just a few months ahead of the start of the delivery year, thus utilizing far more accurate information about generation supply and electricity demand.</p> <p>The seasonal element would better address the distinct challenges of winter and summer, as well as variations in resource performance from season to season.</p>	<p>The capacity auction for DY 2028/2029 (or FCA 19), originally scheduled for February 2025, has already been delayed by one year to allow time to implement Resource Capacity Accreditation (RCA), the ISO's new Marginal Reliability Impact (MRI) methodology for accrediting capacity resources.</p> <p>The additional 2-year delay pushes back FCA 19 by a total of three years.</p> <p><i>See our November 2023 and January 2024 Regulatory Bulletins, Secs. 2.2a for more information about RCA and the one-year delay.</i></p>
<p>2.2c ISO-NE</p>	 <p>\$+</p>	<p>The Massachusetts Department of Public Utilities (DPU) has approved gas supply agreements between Constellation and local utilities, National Grid, Eversource and Unitil, that will keep Everett LNG Facility running through 2030, even after Mystic Generating Station shuts down at the end of May.</p> <p>CWB: DPU approves utility deals with Everett LNG terminal</p>	<p>Everett terminal is an LNG import facility located along Mystic River in Boston harbor and is connected to two interstate gas pipelines, the local gas utility's distribution system, and Mystic Generating Station.</p> <p>The gas utilities argued that Everett terminal was needed as an insurance policy in case natural gas supplies run short during the winter months.</p>	<p>The DPU agreed with the utilities that without the gas supply agreements, each utility will not have sufficient natural gas supplies to reliably serve its customers under extreme winter conditions.</p> <p>National Grid said its customers in the Boston area would see an average \$3.30 per month increase in their natural gas bills during the winter months, due to the contract.</p>

2.3 Transmission

Issue#	Rating	Issue	Impact	Action/Result
<p>2.3a FERC</p>	 <p>\$+</p>	<p>FERC issued Order 1920, in a 2-1 vote, requiring grid planners and transmission owners to look 20 years ahead to expected shifts in the generation mix and consider a range of long-term benefits to building and upgrading power lines.</p> <p>Order 1920 also includes new requirements for how the costs of building high-voltage power lines should be allocated among states.</p> <p>FERC also issued Order 1977, unanimously passed, giving the agency the authority to grant permits to electric transmission lines in certain instances where states do not act first.</p> <p>The FERC orders seek to change federal and state approaches to regional planning that has made it difficult to build or upgrade transmission lines to accommodate the shift to renewable resources, while rapidly expanding demand from data centers and the electrification of homes and vehicles has raised concern about grid reliability.</p> <p>UD: FERC issues landmark transmission planning, cost allocation rule, with dissent over state roles</p>	<p>Order 1920 requires transmission providers to consider larger, more efficient transmission projects as part of local transmission planning but provides incumbent utilities the right-of-first-refusal (ROFR) to build their share of such projects.</p> <p>However, the Order does not provide incumbents a ROFR for jointly built transmission projects, thus requiring them to bid those projects out to independent transmission companies.</p> <p>Order 1920 requires transmission providers to hold a six-month engagement period with the relevant state entities to discuss cost allocation methods, after which if no agreement is reached, they are to allocate costs based on their preapproved default methods.</p> <p>Transmission providers must consider forward-looking factors when developing their plans, such as utility resource plans, state energy goals, corporate energy procurement commitments and interconnection queues.</p>	<p>They must also consider seven economic and reliability benefits when considering transmission projects, including production cost savings and how transmission could help grid operators handle extreme weather events.</p> <p>Transmission owners will have 10 months to file plans to meet most of Order 1920's requirements, which once approved, will take effect within a year.</p> <p><i>Commissioner Christie, R, voiced strong opposition to Order 1920, arguing that it "goes far beyond FERC's legal authority and fails to perform our consumer protection function and the Federal Power Act" and that the rule effectively eliminates "the provisions for state consent to planning criteria and most importantly to regional cost allocation."</i></p> <p><i>Christie called the rule "a pretext to enact a sweeping policy agenda that Congress never passed" and a "a blatant violation" of the U.S. Supreme Court's major questions doctrine, which bars agencies from issuing regulations with "vast economic and political significance" without clear statutory authority.</i></p>

2.3 Transmission

Issue#	Rating	Issue	Impact	Action/Result
<p>2.3b PJM</p>	 <p>\$-</p>	<p>PJM’s interconnection process reform was approved by FERC in November 2022 and went into effect in July 2023, moving from a “first-come, first-served” to a “first-ready, first-served” model, utilizing a <u>cluster-study</u> versus a serial-study process.</p> <p><i>(See our December 2022 Regulatory Bulletin, Sec. 2.3a for more on PJM’s interconnection process reform.)</i></p> <p>PJM advances to next phase of new interconnection process</p>	<p>Out of a total of 734 projects that were eligible for the Transition Cycle #1, 118 either dropped out or did not post sufficient readiness requirements.</p> <p>Of the remaining projects, PJM has completed the Phase 1 System Impact Studies for 306 proposed projects as part of Transition Cycle #1.</p> <p>Developers of those 306 projects now have 30 days to decide whether to proceed with their requests in the next phase of Transition Cycle #1. The projects that clear this cycle will be ready for construction by mid-2025.</p>	<p>Another 306 projects under the Expedited Process or “fast lane” qualify for final agreements throughout 2024.</p> <p>Transition Cycle #2 is expected to start by June.</p> <p>PJM expects to process about 72 GW of projects by mid-2025 and another 230 GW over the next three years (through mid-2028). Over 90% of those projects are renewable or energy storage.</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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