

Executive Summary & Introduction

1. In January, when the weather brought multiple days of extreme cold, record or near-record electricity demand, and significant stress for both the electric and natural gas systems across the PJM footprint, the ISO was able to call on sufficient generation to serve electricity demand, cover reserves, and provide enough exports to keep neighboring grids stable, [incurring \\$798 million in out-of-market “uplift” costs](#) in the process.
2. In mid-January, the California Public Utilities Commission issued a Proposed Decision requiring load serving entities to [procure their proportional share of 6 GWs of new, to be developed, renewable capacity](#) with a 2030 targeted amount and a 2032 targeted amount.
3. [Orsted’s \\$7 billion, 924-MW Sunrise Wind](#) offshore wind project has received a preliminary injunction to resume construction from the U.S. District Court for the District of Columbia, the last of five OSW projects to win approval to resume construction.
4. High capacity prices have been the focal point at PJM in the last two years, but in 2024 capacity price amounted to just 6.6% of total wholesale costs according to Monitoring Analytics. Energy costs topped the list at 59% while [transmission totaled nearly a third of all wholesale costs at 32%](#) for that year. To be sure, capacity as a share of total wholesale cost has risen significantly since then, but transmission cost has been surging in PJM as well, evidenced by the planned expenditures by PJM, Exelon and FirstEnergy. New transmission construction, as well as enhancement of existing lines, are critical to maintain grid reliability and resiliency particularly since the extraordinary growth in data center load has strained the grid.
 - The [PJM Board has approved \\$11.8 billion in baseline transmission projects](#), as part of the RTO’s 2025 Regional Transmission Expansion Plan (RTEP) Window 1, up significantly from \$5.9 billion for its 2024 RTEP.
 - [Exelon’s 4-year, \\$41.3 billion capital expenditure plan](#), up 9% from the previous plan, is driven primarily by transmission development.
 - [FirstEnergy’s 5-year capital expenditure plan jumps 30% to \\$36 billion](#), driven by \$19 billion in transmission investment.

Please contact your Calpine representative to inquire about utilizing our [CORE](#) and [TORE](#) products to reduce your capacity and transmission costs.

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



2.0 Overall Assessment

Magnitude of Risk to Customer(s):

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**

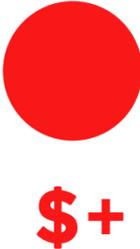
*Where appropriate, we have provided links to articles and other relevant information for reference purposes.



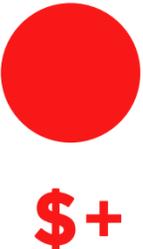
2.1 Policy

Issue #	Rating	Issue	Impact	Action/Result
2.1a CAISO	 	<p>In mid-January, the California Public Utilities Commission issued a Proposed Decision (PD) requiring load serving entities, such as Calpine Solutions, to procure their proportional share of 6,000 MWs of new, to be developed, renewable capacity with a 2030 targeted amount and a 2032 targeted amount.</p> <p>There are a number of “fairness” issues with the PD, which includes assigning the forecasted new load growth to ESPs and their customers.</p>	<p>ESPs’ market share is capped by law and ESPs’ customer load has been declining over the past few years primarily due to energy efficiency, hardly the source of forecasted load growth.</p> <p>Another significant issue with the PD are the renewable technologies available to be developed. The CAISO interconnect queues are primarily populated with battery storage and solar PV.</p>	<p>Both of these renewable technologies have a steeply declining effective load carrying capability, or in economic terms, these technologies’ nameplate capacity offers a diminishing return as more MWs of capacity are added to the electric grid.</p> <p>Please contact your sales representative to obtain additional information.</p>
2.1b U.S./ OSW	 	<p>The Trump administration is now 0-5 in its latest effort to halt offshore wind. Orsted’s \$7 billion, 924-MW Sunrise Wind, offshore New York, was the fifth and final affected project to win a preliminary injunction to continue construction.</p> <p>On December 22, 2025, the Interior Department alleged that offshore wind projects posed “national security risks” and that a pause would give the Departments of Interior and Energy time to “work with leaseholders and state partners to assess the possibility of mitigating” those risks.</p> <p>UD: Trump administration is now 0-5 in latest effort to halt offshore wind</p>	<p>Orsted alleged in court that the government refused to divulge information about the national security risks it cited as the reason for freezing all offshore wind construction, costing the company \$1.25 million per day on the Sunrise Wind project.</p> <p>The ruling from the U.S. District Court for the District of Columbia’s will allow the project to restart impacted activities immediately while Orsted’s underlying lawsuit progresses. Preliminary injunctions are temporary solutions to the underlying dispute.</p>	<p>All five offshore wind farms that had their operations suspended by a stop work order from the Department of the Interior in December have been cleared by federal courts to resume construction.</p> <p>The other four projects targeted by the stop work order were:</p> <ul style="list-style-type: none"> · 2.4-GW Coastal Virginia Offshore Wind · 800-MW Vineyard Wind 1, offshore Massachusetts · 700-MW Revolution Wind, offshore Rhode Island · 2-GW Empire Wind, offshore New York

2.3 Transmission

Issue #	Rating	Issue	Impact	Action/Result
<p>2.3a PJM</p>		<p>The PJM Board approved \$11.8 billion in baseline transmission projects, which are part of the RTO’s 2025 Regional Transmission Expansion Plan (RTEP) Window 1, as described in the Transmission Expansion Advisory Committee (TEAC) Recommendations to the PJM Board.</p> <p>PJM’s RTEP costs for 2023 and 2024 were \$6.6 billion and \$5.9 billion, respectively.</p> <p>The approved baseline transmission projects are designed to bolster grid reliability that is strained by accelerated load growth in multiple areas across its Mid-Atlantic and Midwest footprint.</p> <p>The projects are also needed to handle new generation in southern Virginia, future generation in western PJM, delays to New Jersey offshore wind projects and increased regional flows toward the eastern parts of PJM’s footprint.</p> <p>PJM Board approves transmission improvements needed for grid reliability</p> <p>UD: PJM board approves \$11.8B transmission expansion plan</p>	<p>Of the \$11.8 billion approved, Dominion Energy’s share is \$4.8 billion, of which \$2.3 billion is to build a 525-kV underground “backbone” in Virginia scheduled online by June 2032.</p> <p>Dominion’s plan also calls for building two high-voltage direct current (HVDC) converter stations at each end of the 185-mile line for about \$1.5 billion. These projects are designed to deliver 3 GWs into Loudoun County in northern Virginia to support data center load.</p> <p><u>Other projects include:</u></p> <ul style="list-style-type: none"> • \$1.7 billion transmission line across central Pennsylvania proposed by NextEra and Exelon, addressing system-wide, structural reliability needs in PJM’s northeastern region. • \$1.1 billion, 300-mile, 765-kV project in central Ohio proposed by Grid Growth Ventures, a joint venture between Transource Energy (a partnership between AEP and Evergy) and FirstEnergy Transmission. 	<p>Like other multi-zone projects in the RTEP, the costs of the project will be shared across PJM’s footprint.</p> <p>Transmission costs are making up a growing share of the price of wholesale electricity in PJM.</p> <ul style="list-style-type: none"> • In 2024, transmission contributed \$17.71/MWh to the cost of wholesale power in PJM, up 23%, or 5.8% a year from \$14.40/MWh in 2022, according to Monitoring Analytics. • Transmission costs totaled \$13.9 billion, or 32% of total wholesale costs of \$43.6 billion in 2024. Energy costs made up nearly 59% of the cost of wholesale power and capacity just 6.6%. <p><i>(See Sec. 2.1b of this Regulatory Bulletin for more about the preliminary injunctions issued by the U.S. District Court for the District of Columbia allowing five offshore wind projects to resume construction; and Secs. 2.3b and 2.3c for Exelon and FirstEnergy utilities’ capital expenditure plans for transmission investments.)</i></p> <p>Please contact your Calpine Representative to inquire about utilizing our CORE and TORE products to reduce your capacity and transmission costs.</p>

2.3 Transmission

Issue #	Rating	Issue	Impact	Action/Result
2.3b PJM/ Exelon		<p>Exelon’s 4-year, \$41.3 billion capital expenditure plan, up 9% from the previous plan, is driven primarily by transmission development, according to the utility’s fourth quarter 2025 earnings presentation.</p> <p>More than 70% of the increase in Exelon’s capital expenditures is driven by increased demand for high-voltage transmission lines to support data center growth, evolving generation supply and the reliability and resiliency needs arising from increasingly volatile weather.</p>	<p>Longer term, Exelon has a “line of sight” on an additional \$12 billion to \$17 billion of transmission buildout over 10 years, of which over 60% includes projects enhancing existing infrastructure supporting reliability, generator retirements and providing additional operational flexibility and efficiency.</p> <p>In addition, meeting the goals of Illinois’ Climate and Equitable Jobs Act will likely require <i>billions more in transmission investments</i>.</p>	<p>The utility also has a pipeline of 18 GW of “high probability” data centers, up from 16 GW a year ago, as well as an additional 43 GW in large load interconnection requests.</p> <p>Exelon forecasts 3.1% net load growth over the next four years, up from a 0.3% decline from 2017 through 2025.</p> <p>Please contact your Calpine Representative to inquire about utilizing our CORE and TORE products to reduce your capacity and transmission costs.</p>
2.3c PJM/ First Energy		<p>FirstEnergy’s 5-year capital expenditure plan jumps 30% to \$36 billion, driven by \$19 billion in transmission investments, according to the utility’s fourth quarter 2025 earnings presentation.</p> <p>FirstEnergy expects its weather-adjusted sales will grow 2.2% a year over the next five years, driven by 5% annual industrial sales growth, much of it from data centers.</p> <p>The company estimates that each GW of new data center load will require about \$250 million in transmission spending.</p> <p>FirstEnergy’s utilities have a combined 4.1 GW of contracted data center load, plus a</p>	<p>12.9-GW pipeline through 2035, including:</p> <ul style="list-style-type: none"> · 7 GW in Ohio · 5.2 GW in Maryland · 2.4 GW in Pennsylvania · 1.2 GW in New Jersey · 1,2 GW in West Virginia <p>In West Virginia, FirstEnergy’s Monongahela Power and Potomac Edison utilities asked the state’s Public Service Commission (PSC) for permission to build a \$2.5 billion, 1.2-GW gas-fired power plant in Madsville, as part of their integrated resource plan.</p>	<p>The company is seeking a \$1.2 billion loan from the U.S. Department of Energy to fund the West Virginia gas plant.</p> <p>FirstEnergy will seek to build additional generation in West Virginia to support data centers if the Madsville plant receives PSC approval.</p> <p>West Virginia is the only state FirstEnergy operates in that allows utility-owned generation.</p> <p>Please contact your Calpine Representative to inquire about utilizing our CORE and TORE products to reduce your capacity and transmission costs.</p>

2.4 Ancillary Services

Issue #	Rating	Issue	Impact	Action/Result
<p>2.4a PJM</p>	 	<p>This January, when the weather brought multiple days of extreme cold, record or near-record electricity demand, and significant stress across both the electric and natural gas systems, PJM was able to maintain reliability of the electric grid.</p> <ul style="list-style-type: none"> From January 16 to 21, temperatures across the PJM footprint stayed below freezing. This was followed by Winter Storm Fern, which brought snow and ice, as well as a round of more severe arctic weather for January 23 to February 2. <p>PJM was able to call on sufficient generation to serve electricity demand, cover reserves, and provide enough exports to keep neighboring grids stable during Winter Storm Fern, incurring \$798 million in out-of-market “uplift” costs in the process.</p> <p>PJM reviews January cold weather operations PJM January Cold Weather Operations presentation</p>	<p>The PJM generation fleet experienced approximately 18-19 GW of outages, 2-3 GW higher than the anticipated. Plant equipment failures were by far the most commonly cited cause. During the January 2025 cold spell, where PJM set a winter hourly peak record of 143.9 GW, outages totaled only 12-13 GW.</p> <p>Storm and cold-related transmission outages were minimal and the system performed well, and both the gas production and transportation systems enjoyed robust performance throughout the January 2026 events.</p> <p>PJM also requested and was granted the use of a temporary order from the Department of Energy, under Section 202c, to allow generators to run in excess of environmental permit levels in case of emergency.</p>	<p>A key challenge during the event was the misalignment of gas and electric markets. Tight gas supplies and inflexible gas scheduling meant that PJM had increased operational costs and required the ISO to take additional actions to preserve reliability during the highest-risk periods.</p> <ul style="list-style-type: none"> Specifically, PJM had to secure gas supplies in the morning of Friday, January 23 covering the MLK weekend through the morning peak demand of Tuesday morning, January 27. Forecasts at that point had predicted four consecutive days of potentially record-setting electricity demand that week. However, temperatures during the heart of the arctic wave from January 26 to 30 came in significantly warmer than widely accepted forecasts, and school, government and office closings drove down electricity demand further. <p>As a result PJM had to make out-of-market payments to generators when real-time energy prices did not cover their costs. These actions cost approximately \$798 million in out-of-market “uplift” costs from January 24 to February 1, according to preliminary estimates.</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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