Executive Summary & Introduction

1. PJM asked the FERC to approve an Expedited Interconnection Track (EIT) for large generation projects and to extend the capacity price collar for an additional two delivery years, 2028/29 and 2029/30, as part of it broader Large Load plan.
2. Amidst broad stakeholder criticism, PJM has proposed three new transmission service tariffs—Firm Contract Demand Transmission Service, Non-firm Contract Demand Transmission Service, and Interim Network Integration Transmission Service—in response to FERC's December 18, 2025 Order directing PJM to revamp its co-location rules.
3. PJM has implemented hourly, ambient air-adjusted transmission line ratings, called AARs, that can potentially increase capacity on transmission lines by 15% to 40%.
4. The PJM Independent Market Monitor, in his 2025 State of the Market report, warned of diminishing grid reliability due to rapid data center development, citing the growing shortfalls in base capacity auctions, and rising energy, capacity and transmission costs.
5. According to FERC's 2025 State of the Markets and EEI reports, respectively, more than 50 GW of data centers were operating in the U.S. at the end of 2025 and Investor-owned utilities are working to connect 39 GW of publicly announced data center and other large loads. CBRE reported that despite a banner year for data centers led by hyperscalers, North American data center construction fell by nearly 6% in 2025.
6. The gas turbine market has been expanding in both the small and large turbine segments, while manufacturing timelines have stretched and costs have risen sharply.
7. New York Gov. Hochul wants to rewrite the state's "nation-leading" Climate Leadership and Community Protection Act because meeting its emissions reduction mandates would cost the average upstate citizen an additional $4,100 a year in energy costs.
8. Finally, the Nuclear Regulatory Commission issued its first commercial nuclear reactor construction permit in nearly 10 years to TerraPower's 345-MW plant planned near the site of a retiring coal plant in Kemmerer, Wyoming.

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):

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 NYISO	 	**New York Gov. Hochul wants to rewrite the state's nation-leading 2019 Climate Leadership and Community Protection Act (CLCPA) that requires 70% renewable energy and a 40% cut in state-wide GHG emissions by 2030 and 100% zero-emission electricity by 2040 and 9 GW of offshore wind by 2035.** Hochul cited a NYSERDA memo showing that meeting the CLCPA would cost "upstate, two car households that rely on heating oil" an **additional $4,100 a year in energy and fuel costs**," stating, *"I cannot deal in hypotheticals and aspirations when I have to govern a state where my people are suffering and I have to alleviate that pain."* Politico: Hochul backs off New York's aggressive climate timeline	Gov. Hochul blamed the failure to achieve the CLCPA mandated emissions reductions to the COVID pandemic, the financial struggles of the offshore wind industry, Trump administration policies and the ongoing affordability crisis. She also blamed NIMBYism, stating that, *"We've got a problem with localities who are saying no. If the locals don't' want it [renewable resources], I can't jam it down their throats."*	Hochul appeared to admit that perhaps the CLCPA was flawed from the start, saying, *"No matter what we do, we're always going to fail, because we jacked up the standards so high on ourselves."* *(See our June 2019 Regulatory Bulletin, Sec.2.1b for more on the CLCPA.)* Gov. Hochul believes the ongoing budget talks are likely the "best vehicle" for altering the CLCPA.

2.2 Capacity / System Reliability

Issue #	Rating	Issue	Impact	Action/Result
2.2a PJM	 $–	**PJM has asked the FERC to approve two proposals as part of its Large Load plan, one to protect resource adequacy and two, to enhance affordability:** 1. **An Expedited Interconnection Track (EIT) for large generation projects [Docket No. ER26-1563]** 2. **Extend the capacity price collar for an additional two delivery years [Docket No. ER26-1556]** Additionally, PJM is working with its stakeholders to develop a reliability backstop auction, targeted for September 2026, to buy long-term capacity *(see our January 2026 Regulatory Bulletin, Sec. 2.2a)*. PJM files price collar, expedited interconnection as part of large load plan	**1. Expedited Interconnection Track** Under the proposed "expedited interconnection track" process, PJM will facilitate a limited group of large, high impact, resource-neutral projects through an expedited 10-month process to issue a generation interconnection agreement (GIA). **The RTO will consider up to ten EIT interconnection requests per calendar year on a fast-track basis for new or uprated capacity resources of at least 250 MWs—that is backed by a pledge from a state's "primary siting authority" that it supports expediting the projects to come online within three years.** PJM asked FERC to approve the proposal by May 28, to take effect on July 31, 2026 and sunset at the end of 2027.	**2. Capacity Auction Price Collar Extension** PJM also proposed to extend the price collar for the next two capacity auctions, 2028/29 and 2029/30, at around $325/MW-day cap and $175/MW-day floor on a UCAP basis. PJM asked FERC to approve the extension by April 28, 2026 to apply the price collar to the 2028/29 auction which begins June 30. The White House National Energy Dominance Council and the governors of thirteen PJM states had called for the price collar to be extended *(see our January 2026 Regulatory Bulletin, Sec. 2.1a)*.

2.2 Capacity / System Reliability

Issue #	Rating	Issue	Impact	Action/Result
2.2b PJM	 **$+**	**In response to FERC's December 18, 2025 order directing PJM to revamp its co-location rules that allow facilities with behind-the-meter generation (BTMG) to net it against their load to reduce transmission charges, PJM proposed three new transmission services for co-located loads in Docket No. ER26-1479 to take effect on June 1, 2029, with rates and terms and conditions to be proposed in a future filing:** 1. **Firm Contract Demand Transmission Service:** Permits service up to a maximum MW. 2. **Non-firm Contract Demand Transmission Service:** Allows Eligible Customers to take service on behalf of co-located Loads that plan to withdraw energy from the PJM transmission system only on an as-needed and as-available basis. 3. **Interim Network Integration Transmission Service:** Acts as a transitional bridge for Eligible Customers who have formally requested standard NITS, by permitting the co-located load to receive transmission service and commence operations on a non-firm, interruptible basis while the transmission upgrades necessary to support long-term, firm service are constructed and placed in service.	The PJM proposal would exempt all BTMG arrangements that were in effect prior to December 18, 2025, as well as any BTMG less than 50 MWs. Further, backup generation does not count towards the 50-MW threshold PJM's proposal also sets a 3-year transition period and grandfathers entities with existing behind the meter contracts through the life of their contracts. **The Data Center Coalition (DCC)** opposes PJM's proposal on the grounds that it creates *"disincentives that will impede the development of co-located load and associated generation."* For example, under both Non-firm Contract Demand Transmission Service and Interim NITS, the data center would be subject to curtailment when the grid is under stress. PJM's proposal relies heavily on curtailment as a way to ensure system reliability. While under Firm Contract Demand Transmission Service a large data center may not be curtailed, it cannot net the BTMG against its load for purposes of paying transmission.	**The PJM Industrial Customer Coalition (ICC) and the Industrial Energy Consumers of America** criticized FERC's December Order saying that it harms behind-the-meter operations by rendering hundreds of MWs of existing BTMG uneconomic and would effectively eliminate combined heat and power as an option for manufacturers. **The PJM Independent Market Monitor** said Non-firm Contract Demand Transmission Services and Interim NITS *"create significant reliability risks for the transmission system."* because they allow large loads to avoid paying for their use of PJM's transmission system. **In its decision, the FERC must balance the nation's AI development needs, maintain existing behind-the-meter arrangements that benefit industrial manufacturers, fairly allocate cost, and protect grid reliability.** W&C: PJM proposes to carve out new services for co-located data centers

2.3 Transmission

Issue #	Rating	Issue	Impact	Action/Result
2.3a PJM	 $–	**On March 4, PJM implemented hourly ambient air-adjusted transmission line ratings, known as Ambient-adjusted Ratings or AARs.** FERC Order 881, issued in 2021, directed grid operators and transmission owners to use AARs for near-term transmission service. PJM becomes first RTO to implement ambient-air ratings for transmission under FERC Order 881	AARs can increase capacity on transmission lines by 15% to 40% compared with static ratings, according to Ampacimon, a grid technology company. Ampacimon: Comprehensive Handbook for Dynamic Line Rating Implementation Grid operators rate their transmission equipment by assessing how much capacity it can safely carry, which typically are based on static ratings based on conservative assumptions about worst-case conditions, which can lead to inefficiencies on the transmission system.	PJM is the first grid operator to implement the FERC's requirement to maximize the usable capacity of existing grid infrastructure by employing more granular and precise thermal ratings. · SPP expects to go live with AARs on September 1, 2026. · ISO New England and CAISO will do so in December 2026. · MISO and NYISO expect to comply with Order 881 by the end of 2028.

2.6 Industry Development

Issue #	Rating	Issue	Impact	Action/Result
2.6a PJM	 $+	**The PJM Independent Market Monitor (IMM), in his 2025 State of the Market report, stated that there are "clear warning signs" for PJM's capacity market and for grid reliability due to rapid data center development.** PJM's last two base capacity auctions show a growing shortfall compared to its reserve margin targets. The gap was 210 MW for 2026/27 and 6,520 MW for 2027/28. PJM does not have enough capacity to serve data centers. Price impacts have been large and will continue to grow. Last year, wholesale power in PJM cost $67 billion, up 54% from $43.5 billion in 2024 *(see Table 1 at right)*. · Energy costs were up 51% year over year. · Capacity costs increased 262%, the most over the period, and accounted for 16% of total costs last year, compared to 6.5% in 2024. According to the IMM, PJM's last three capacity auctions resulted in a combined total increase in system costs of $23.1 billion. · Transmission cost were up 4.5% and accounted for 22% of total costs in 2025.	PJM's stakeholder process, expected to result in "one or more" proposals for approval by the FERC. Currently, PJM is working with its stakeholders to develop a reliability backstop auction *(see Sec. 2.2a of this Regulatory Bulletin)*. UD: 'Clear warning signs' as PJM wholesale power costs jump 54% in one year	The PJM IMM stated that, *"the core elements of the PJM market design remain robust" but* to avoid "wealth transfer issues," data centers should be required to provide their own new power supplies, with a fast-track load and generation interconnection process, or face curtailment when the grid is stressed. The IMM wants to avoid creating conditions for the return to cost of service regulation or a variant of cost of service regulation, adding that allowing utilities to build generation for data centers under cost of service regulation shifts costs and risks to other utility customers.

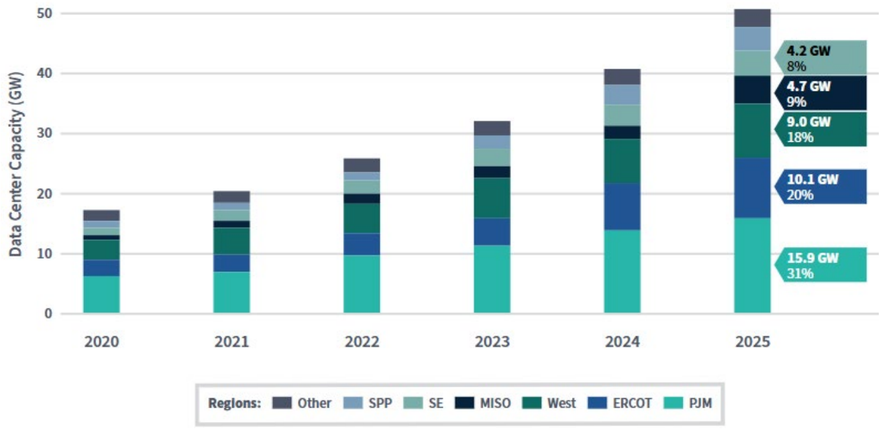
Table 1: PJM Wholesale System Cost. 2025 vs. 2024

	2025	2024	Percent change
Energy	$40.0B	$25.6B	51.0%
Capacity	$10.6B	$2.8B	262.0%
Transmission	$15.0B	$13.9B	4.5%

2.6 Industry Development

Issue #	Rating	Issue	Impact	Action/Result
2.6b U.S./ Data Centers	 	**According to FERC's 2025 State of the Markets Report, more than 50 GW of data centers were operating in the U.S. at the end of 2025, representing 24% compound annual growth since 2020.** According to the **Edison Electric Institute (EEI)**, Investor-owned utilities (IOUs) are working to connect 39 GW of publicly announced data centers and other large loads the U.S., and twenty states have approved at least one large load tariff, while nine states have pending large load tariffs. MISO, with 43% CAGR, saw the most rapid data center development in that period, with ERCOT, SPP, and the Southeast next with annual growth rates between 28% to 30%. U.S. data center project capacity more than doubled year over year, reaching 241 GW, a third of which remained under active development *(see Table 1 at right)*.	The data centers enjoyed a banner year, buoyed by hundreds of millions of dollars in investment from hyperscalers: Amazon, Google, Meta, Microsoft and Oracle. Amazon, Google, Meta and Microsoft's capex increased by 76%, while Oracle's more than tripled. **CBRE's 2025 report on the data center market** show record demand for AI and cloud computing services, as the data center vacancy rate hit a historic low of 1.4% despite supply increasing 36% across markets.	**However, the North American data center building boom has slowed for the first time in six years during the second half of 2025. Capacity under construction fell nearly 6% year over year.** CBRE cites delays in procuring power and electrical equipment needed for upgrading existing transmission lines, or for new generation as the main drivers of construction delays *(see Sec. 2.6c of this Regulatory Bulletin for more on gas turbine manufacturing delays)*.

Table 1: Data Center Capacity (GW) by Year, 2020 to 2025



2.6 Industry Development

Issue #	Rating	Issue	Impact	Action/Result
2.6c U.S./ Gas Turbine Market	 **$+**	**The gas turbine market looks very different from previous boom cycles.** During the dot-com era, gas turbine demand was concentrated in a single sector and its eventual collapse left excess capacity across the industry, which ratepayers have benefitted from over the last 20 years. **Today's demand is broader, more durable, and coming from multiple sectors**. Data centers and artificial intelligence, industrial growth, electrification and the need to maintain reliability as older assets retire are all driving orders simultaneously. In 2025, worldwide orders reached 846 gas turbines totaling 100.3 GW, more than double 399 units and 58.2 GW ordered globally in 2024. · In the U.S. alone, orders totaled 427 units, or 43.1 GW. This rapid escalation underscores both the scale of demand and the limited slack in the manufacturing system. UD: 5-year waits and rising costs: How demand is redefining the gas turbine market	· In 2025, 70% of all turbines sold were under 100 MW, up from 66% the year before. Growth has been particularly strong in the 3 MW to 20 MW range, which is increasingly important for localized reliability needs, industrial applications and modular power deployments. · At the larger end, advanced H– and J-class turbines accounted for more than half of all new MWs ordered, despite representing only 14% of total unit count. **There are structural constraints on turbine manufacturing—it is no longer a temporary market disruption.** Delivery of large natural gas turbines now takes more than five years. Smaller turbines take 18 to 36 months. **Costs have risen sharply**. EPRI research shows average gas turbine prices increased from $2,000/kW to $3,000/kW, up nearly 50%. **The market is expanding in two directions at once**, adding more small turbines for distributed and flexible applications while also deploying large units to meet system-level capacity needs.	This dual expansion is increasingly visible in the data center market. A growing share of new AI-driven infrastructure is being built in modular increments of 20 MW to 40 MW, designed to scale over time, which reinforces demand for smaller, flexible units even as utilities continue ordering large-frame turbines to support grid reliability. **The limiting factor is the manufacturing system itself.** Meeting the demand requires more castings, expanded factory space, and additional assembly capacity. It also requires more labor for engineering, procurement and construction to design and build facilities. Manufacturing capacity is becoming as important as generation capacity. **The mix of turbine sizes is shifting, manufacturing timelines have stretched, and costs have reset. These forces together will shape how the electric grid evolves over the next decade.**

2.6 Industry Development

Issue #	Rating	Issue	Impact	Action/Result
2.6d U.S./ NRC/ DOE		**The Nuclear Regulatory Commission (NRC) issued its first commercial nuclear reactor construction permit in nearly 10 years to TerraPower's 345-MW plant planned near the site of a retiring coal plant in Kemmerer, Wyoming.** TerraPower: NRC approves the Natrium Reactor construction permit The NRC said that after a streamlined hearing process, it authorized its office of Nuclear Reactor Regulation to issue the permit. NRC issued its safety evaluation for TerraPower's permit in December finding the preliminary design meets applicable regulatory requirements, but with *"some remaining areas of uncertainty in the KU1 design and analysis"* but that the *"outstanding safety questions may be resolved through R&D efforts."* NRC: TerraPower, LLC—Kemmerer Power Station Unit 1 application	**Kemmerer Power Station Unit 1 will be the first utility-scale advanced nuclear power plant in the U.S.** TerraPower will supply power to PacifiCorp's grid, with a targeted commercial operation date (COD) in 2030. Kemmerer Power Station Unit 1 is being developed through the Department of Energy's (DOE's) Advanced Reactor Demonstration Program. **TerraPower's design is called Natrium, a *"sodium-cooled fast reactor with a patented molten salt-based energy storage system,"* which can boost the unit's output to 500 MW when needed.** DOE: NRC issues construction permit for TerraPower's Natrium advanced reactor	TerraPower and Meta announced a deal in February that Meta would help fund the development of and receive power from two new Natrium units with 690 MW of capacity, with delivery as early as 2032. Meta also secured rights to energy from up to six other Natrium units totaling 2.1 GW in capacity with delivery targeted for 2035.

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/