PJM Q1 2026 MARKET UPDATE

After the call summary

Compiled: Feb. 4, 2026

Important highlights at a glance

The following is an overview of what our experts presented during the PJM Q1 2026 Market Update presentation on Feb. 3, 2026.

Regulatory Update

'26/27 and '27/28 Capacity Prices

The last two base residual capacity auctions (BRAs) cleared at the applicable RTO price cap:

'26/27 delivery year:	**'27/28 delivery year:**
$329.17	$333.44

These results were driven by rapid load growth, limited new supply, and accreditation changes tightening effective capacity. Additionally, for the first time, **PJM fell short of its reliability requirement by ~6,600 MW**. Access Q&A on this.

Demand/Large Load CIFP Process

While PJM's 2026 Long-term Load Forecast shows lower near-term peak demand compared to the 2025 forecast, it projects significantly higher long-term growth beginning around 2032. PJM still warns of substantial load growth through 2030, contributing to a **projected capacity shortfall as early as the 2028/2029 delivery year.**

PJM actions: In August 2025, the PJM Board initiated a Critical Issue Fast Path (CIFP) stakeholder process to address rapidly growing large load additions. Because no stakeholder proposals achieved broad support in time for a December FERC filing, the PJM Board released a Decisional Letter in mid-January outlining an interim framework for 2026. The Board sought stakeholder input (thru Jan. 30) on whether to extend the cap and floor to the '28/29 (July 2026) and '29/30 (Dec. 2026) BRAs.

FERC actions: In December, the Federal Energy Regulatory Commission (FERC) issued an order on co-located load aiming to give entities that are directly connected to a generator at the same site a faster path to grid interconnection, with several directives on how. PJM is required to make several compliance filings to address these directives.

Interconnection Queue

PJM has continued to move aggressively through the backlog created prior to queue reform. There are currently approximately 1,200 projects in the queue:

- 9 GW in Transition Cycle 1
- 27 GW in Transition Cycle 2, which includes 11 GW under the Reliability Resource Initiative (RRI)

Since 2023, 57 GW of generation in PJM received signed interconnection agreements.

Key Items to Watch in 2026

These items underscore the level of regulatory uncertainty in PJM:

- PJM Governors and the White House issued a **Statement of Principles** urging PJM to take stronger actions to ensure customers do not shoulder the full cost of new data center load growth—including **extending the price collar**.
- In the **CIFP Decisional Letter**, PJM is exploring a **Reliability Backstop Auction**, though the tariff currently lacks specifics.
- Potential **capacity market reforms** remain on the table— including effective load carrying capability (ELCC) changes, which impact resource accreditation, seasonal capacity constructs, and more.
- Both the **FERC Co-located Load Orde**r and **large load integration reforms** (PJM CIFP LLA process) will introduce significant tariff changes and new customer obligations.

Market update

Winter Weather & Price Trends

The Dec.-Jan. period was the coldest we've experienced since 2017/18. Jan. 23–Feb. 1 was the third coldest on record for that period.

Natural Gas Fundamentals

- Production: Freeze-offs sharply cut U.S. production just as demand surged; the supply/demand deficit caused steep near-term NYMEX increases. Producers currently expect modest YoY production growth, but sustained higher prices could change drilling activity.
- Storage: Natural gas storage remains near the 5-year average, but the near-term outlook shifted in recent days after a record high withdrawal.
- Demand: U.S. LNG exports are projected to be ≥30 Bcf/day of natural gas by 2030, with a notable increase expected in 2026 (to nearly 20 Bcf/day) as Golden Pass and Corpus Christi stage 3 have begun commissioning activities.
- Pipeline developments in the Appalachian and Mid-Atlantic regions that alleviate constraints and increase capacity are having an impact on the forward basis market: some regional spreads are changing due to the expectation of changing gas flows. Some basis points are seeing upward price pressure due to the expectation of strong power burn demand to meet the demand from large loads.

Electricity Fundamentals & Pricing Trends

- Supply: Over 8 GW of generation is expected to retire by 2030—a lot of which is due to state/federal laws; just over 3 GW of new generation came online in 2025—most of which was intermittent; cleared MW of new generation has declined in recent capacity auctions.
- Demand: PJM is expected to see an annual average of 5% net energy load growth over the next 10 years.
- Policy: Amid extreme load growth expectations, there are several potential market design changes to monitor, including the possibility of a seasonal capacity market design and a new demand curve.
- Pricing: Forward calendar strips have strengthened due to expected load growth and record-high capacity prices. Changing regional gas flow could impact locational index prices, along with power forwards, potentially weakening the connection between NYMEX and PJM power forwards.

Strategy considerations

Key Themes

The energy price outlook has shifted dramatically over the past few months, with many conflicting factors increasing uncertainty and risk.

Natural gas supply and demand are changing rapidly leading to strong near-term prices but there is potential value in backwardation and regional basis prices.

Power markets are changing rapidly demanding a more flexible energy purchasing strategy that includes strategically managing consumption.

- **Choose a flexible strategy:** like a layering product, that allows you to decide when and how much to buy. This gives you purchasing flexibility and greater cost control and can help you better adapt to market changes.
- **Consider your overall cost configuration:** by passing through and/or independently managing certain cost components that comprise your overall price (instead of locking it all in) you can identify and capitalize on additional cost control opportunities. Ex: basis, capacity, transmission costs.
- **Focus on what you can control:** consider strategically and intentionally managing *when* you use power to help lower demand-based costs. NRG can help with load management services, like peak load management and demand response programs, that help you earn money for your reductions. Access Q&A on this.

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