PJM Market Update Webinar
Q&A

The following are answers to the questions our presenters received from participants during the PJM market outlook webinar in January 2023.

Regulatory

Q: Do you expect PJM to move to a seasonal capacity market construct like MISO has recently done?
A: The Midcontinent Independent System Operator (MISO) is not alone in relying on seasonal capacity markets. The New York Independent System Operator (NYISO) has had summer and winter capability periods from the market's onset. PJM *is* exploring the efficacy of seasonal markets in an effort to capitalize on potential efficiencies between summer and winter capacity ratings. This is a longer-term project however and we anticipate a thorough vetting by stakeholders before moving forward.

Q. Are there any regulatory changes on the horizon?
A. In Washington D.C., a new regulation recently passed that will increase renewable portfolio standard (RPS) requirements and related costs in the District. Contracts signed prior to March 1, 2023, are "grandfathered" and can thereby delay the requirement (and commensurate costs) until March 2026.

Supply/demand/fundamentals

Q. What short-term PJM market risks should I look out for?
A. The usual market fundamentals are driving short-term market risks, including:

- Weather
- Freeport LNG facility (LNG exporter) returning to service
- Generation fuel availability/pricing

Supported by international prices, 2022 U.S. coal exports were strong and supply chain issues resulted in low stockpiles for electric generation. U.S. mining activity has increased slightly, and coal inventories have made recoveries, according to PJM's weekly fuel inventory report. Lower natural gas prices could help grow coal stockpiles however this could also be supportive for higher power burns from natural gas generators — especially this summer.

Coal still plays a large part in PJM's electric fuel mix, especially in the western zones (IL/OH). However, more coal retirements are slated for 2023. This could also result in support for higher power burns from natural gas generation, potentially leading to higher natural gas prices.

Strategy

Q. What are some spring/summer buying strategies?
A. Some general strategy options heading into spring/summer 2023 include:

- Always be ready to transact. Buying opportunities come at unexpected times, such as during the middle of a mild winter. Spring rallies are not uncommon as the market shifts focus to the risk of summer. Don't expect a predictable pattern, but rather determine your plan and strategy in advance so that you can transact quickly if needed.
- When you build your strategy, consider your budget and risk tolerance, and internal buying policies
- Consider a layered purchasing approach by locking in a percentage now and setting targets to monitor opportunities and mitigate risk for future layers.
- If you are willing to take some risk and have tolerance for monthly price changes, consider leaving a portion of your projected demand open to the index/spot market.
- Remember the cheapest unit of energy is the one that you don't use. Consider load management/your load flexibility. There are programs to help reduce energy spend if your organization can safely curtail or create energy efficiencies.

Q. What product options are available to manage risk in this volatile energy market?
A. To fulfill some of the buying strategy options noted above, NRG offers a suite of managed products that provide the most flexible options for managing budget and risk via gradual layered buying. These include:

Power	Gas
Load Following Block & Index	NYMEX+
PowerPortfolio	Floating Basis
Demand response/load management	

Sustainability

Q. How can NRG help my business meet its sustainability goals?
A. First, we'll work with you to understand your goals and where you are in terms of your current efforts to deliver an effective, customized solution.

Demand side solutions, such as energy efficiency services, is one approach that can help your business reduce consumption and lower your overall carbon footprint. This could also help lower your peak load contribution (PLC) and your overall costs.

We can also help you explore your options for offsetting the impact of your energy usage from conventional sources and/or purchasing green energy, including:

Sustainability (con't)

Q. How can NRG help my business meet its sustainability goals? (con't)

- **National Green-e RECs** can help meet certain sustainability goals and are customizable to the percentage of load you would like to offset. These typically come from Texas wind generation, which is a lower cost, liquid REC market. There are other regional RECs available, like PJM-specific RECs and PA Tier 1 Solar RECs, which allow businesses to support targeted, close-to-home renewable projects —but with a higher price point.
- **Carbon offsets for natural gas** are a flexible option that, like RECs, can be added to any purchase.
- **Renewable natural gas** is a more costly option that has limited availability.
- **Renewable Select** is a retail electric solution that secures solar and/or wind energy, sourced from a specific facility, at a fixed price, without the complexities of a PPA or vPPA.
- **PPAs/vPPAs** allow you to commit to renewable electricity without taking ownership of the physical energy by participating in a structured power purchase agreement/virtual power purchase agreement. This is a more complex option for very large energy-users and often takes over a year to negotiate terms.

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