U.S. Summer Market Update Webinar
Q&A

Compiled: April 14, 2025

The following are answers to the questions our presenters received from participants during the U.S. Summer Market Update webinar on April 10, 2025.

Weather

Do warmer summers typically follow normal-temperature winters?

There is little to no correlation from season to season. Too much can and usually does change before the start of the next season.

Policy

Is there a high risk of Mexico putting tariffs on the natural gas they import from the U.S. , even though natural gas is covered under the USMCA?

Currently, there appears to be minimal near-term risk to natural gas exports to Mexico from the U.S. as it relates to tariffs.

Can Canadian provinces that export power to the U.S. actually "turn off the power" and what protections do U.S. consumers have against this?

Rather than physically shutting off power, it seems more likely that markets will dictate the flow of power between the two countries. For example, on March 3, Ontario implemented a one-day surcharge on exports to the U.S. If this were to be applied for an extended period and Canadian power becomes too expensive, it would be less likely to clear in the ISO day-ahead markets. Please contact your account executive or energy strategist for regulatory updates and risk mitigation strategies.

What do you expect to be the impact of Texas SB388?

Please join our ERCOT Summer Market Update to get the latest information on this bill and other regulatory policy and actions that may be on the horizon. You'll also hear from our strategists on the latest market fundamentals and forecasts.

Pricing & Fundamentals

What can we expect from the next PJM capacity auction?

After a record-high clearing price of $269/MW-day in the 2025/26 PJM base residual auction (BRA), the 2026/27 BRA is expected to take place in July. PJM has been working to implement measures to address concerns around supply/demand trends and mitigate the risk of continued high clearing prices. After state leaders, including the governors of Pennsylvania and Maryland, voiced their frustrations with the impact to consumers, PJM proposed a price floor of $175/MW-day and a price ceiling of $325/MW-day for the next two BRAs ('26/27 and '27/28). They are still awaiting a decision from FERC, although one is expected to be announced this month.

Strategy

Are we looking at summer to be a repeat of what happened in 2024, where rates actually dropped, or should buyers avoid the summer and either lock in now or wait until the shoulder months?

While it is difficult to predict where rates will move in the future (especially in the near-term) due to a variety of uncertainties, we *can* rely on market fundamentals to develop a thoughtful outlook and risk management strategy. Consider the following:

- Fundamentals in 2025 are vastly different than they were in 2024:
- Natural gas prices are significantly higher.
- Natural gas storage is at a deficit to the 5-year average.
- Natural gas production levels and LNG exports are much stronger.
- There is a new presidential administration and changing regulatory environment.
- Power demand growth expectations continue to surface and become closer to materializing.

These factors represent a tighter market environment than last year, carrying the risk of upward pressure on pricing. Weather will also impact where prices settle in comparison to 2024.

What are the benefits of renewing our electricity contract now if it doesn't expire until 2027?

Electricity demand forecasts are *bullish*, while current forward power pricing is *backwardated*. Locking in lower forward prices today could help mitigate costs in a potentially rising price environment.

Would it be better to purchase energy at index rates or lock in at a fixed rate if the market stabilizes after natural gas production increases and data centers come on flow?

Which approach is "better" would depend on the degree to which index prices decline relative to where forward prices were. To solve for this, a layered purchasing strategy may be more appropriate and provide the ability to take advantage of both favorable market index prices, and forward hedges to manage risk. In addition, regional specifics may weigh in on the decision of when and how much exposure to market index rates your business has tolerance for.

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