

PJM Capacity Market— 2025/2026 BRA results & outlook for upcoming auctions

Released September 9, 2024



Executive Summary

- PJM's **2025/26 BRA** took place in July 2024 and cleared at historically high levels: **\$270/MW-day** for the RTO and MAAC; the auction cap for BGE (**\$466/MW-day**) and Dominion (**\$444/MW-day**)—which rejoined the capacity market after four delivery years as an FRR region, and was modeled as an LDA for the first time.
- These high prices were driven by:
 - Higher demand: +8GW ICAP¹ reliability requirement (compared to the 2024/25 BRA)
 - Lower supply: -4GW ICAP¹ offered (compared to the 2024/25 BRA)
 - PJM's CIFP reforms, implemented for the first time, which raised individual bids by lowering capacity accreditation
- For the **2026/27 BRA**, taking place in December 2024, Aurora considers the outcome highly uncertain: from \$100/MW-day (low case) to \$696/MW-day (high case), with ~\$250/MW-day a p50 expectation. Key factors impacting the 2026/27 BRA relative to the previous auction include:
 - A significantly steeper VRR curve, causing sharply increased price sensitivity compared to previous auctions, raising outcome uncertainty.
 - Higher demand: +3GW UCAP reliability requirement, which could cause a \$696/MW-day clearing price (barring supply increases).
 - A strong incentive for increased supply, due to (i) expected higher clearing prices and (ii) effectively removed capacity performance penalties in >50% of PJM, due to a \$0/MW-day Net CONE. The extent of supply increases is highly uncertain, but could come from withheld capacity in the 2025/26 BRA (~6GW), DR additions, bidders switching from seasonal to annual bids, or new capacity.
- **Through 2030**, Aurora expects average p50 clearing prices of \$250-300/MW-day for the RTO, \$280-350/MW-day for MAAC, and \$300-700/MW-day for Dominion. These consistently high clearing prices are expected due to PJM's now fundamentally tight supply-demand ratio and continuing peak load increases.

1) Installed capacity. Structural changes between the 2024/25 and 2025/26 BRAs make a comparison in GW UCAP (unforced capacity)—the market's native unit—meaningless.

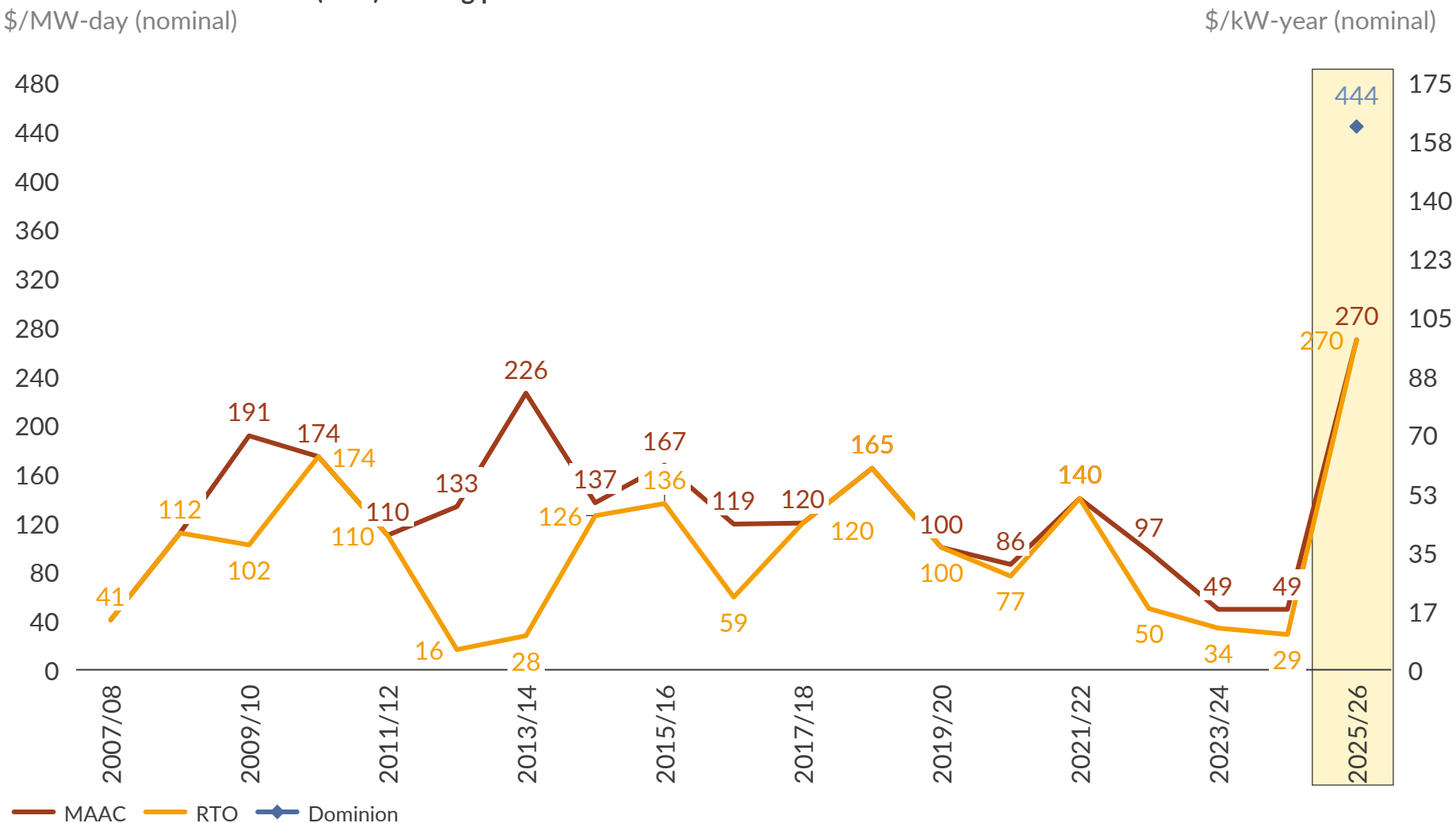
Agenda



- I. 2025/26 BRA: results & drivers
- II. 2026/27 BRA: parameters, drivers, & expectations
- III. Long-term forecast

Results | The 2025/26 BRA cleared at \$270/MW-day, a record for PJM's capacity market, with Dom clearing at its \$444 price cap

PJM Base Residual Auction (BRA) clearing price for RTO and selected LDAs
\$/MW-day (nominal)



RTO

- The Base Residual Auction (BRA) for the 2025/26 delivery year cleared RTO-wide at **\$269.92/MW-day**, the highest in the 19-year history of PJM's capacity market.¹

Dominion

- Dominion, which re-entered the capacity market for the 2025/26 BRA, is one of the two constrained Locational Deliverability Areas (LDAs) in the 2025/26 BRA, clearing well above the RTO at **\$444.26/MW-day**.
- LDAs account for transmission constraints across PJM and have individual procurement targets.²

MAAC

- MAAC, which has historically been a constrained LDA, cleared at the same level as the rest of the RTO in the 2025/26 BRA.

1) The first delivery year for which PJM held a capacity auction was 2007/08. 2) LDA auction target capacities take existing capacity and capacity transfer objectives (CETO) into account.

Drivers | Supply decreases, load growth, Dominion's capacity market re-entry, and CFP rule changes all contributed to record-high clearing prices

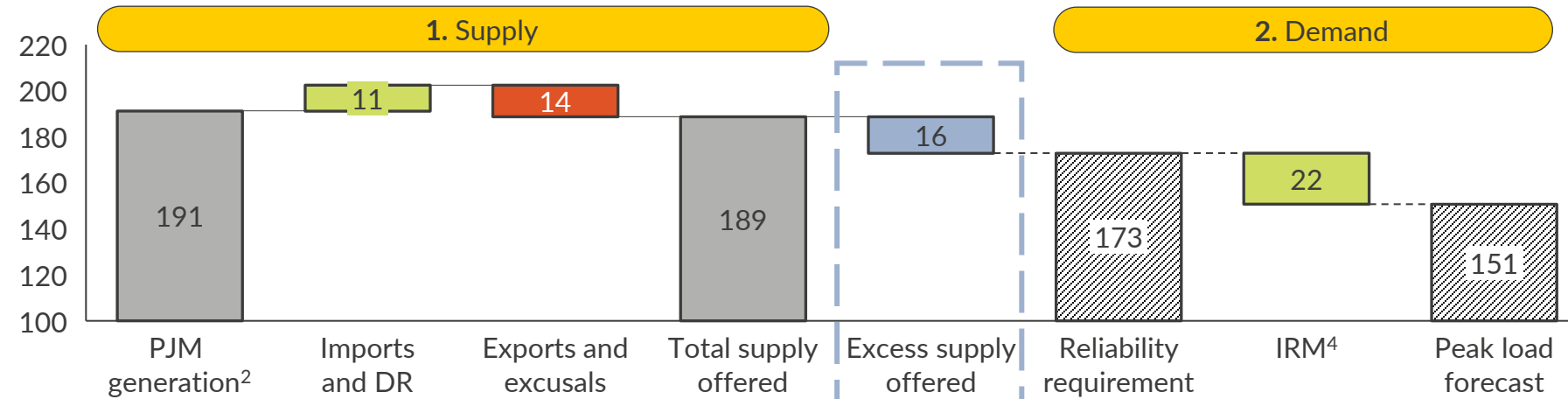
Factors contributing to the 2025/26 BRA's high clearing prices

| | | Impact on Clearing Prices |
|--|--|---------------------------|
| Supply decreases | <ul style="list-style-type: none"> Due to retirements and modestly lower Demand Response participation, supply eligible to offer into the capacity market declined by 6.5GW¹ from the 2024/25 BRA to the 2025/26 BRA. Extremely limited new generation is expected to come online prior to the start of the 2025/26 delivery year, particularly for resource types with higher ELCCs, such as dispatchable generation and offshore wind. In total, only 110MW of unforced capacity (UCAP) from new generation cleared the 2025/26 BRA. | ↑↑ |
| Demand growth | <ul style="list-style-type: none"> Driven by data center demand, PJM forecasted peak load increased by 2.2% from 2024/25 to 2025/26, from 150.6GW to 153.9GW. | ↑ |
| Dominion rejoining the capacity market | <ul style="list-style-type: none"> Prior to the 2025/26 BRA, the Dominion LDA primarily satisfied its capacity obligation through an FRR² plan outside of the PJM capacity market. Its entry into the capacity market for the 2025/26 delivery year added ~22GW to the RTO UCAP reliability requirement.³ However, the generation resources previously used to satisfy Dominion's FRR obligations contributed only ~17GW UCAP of supply, 5 GW below the amount added to the reliability requirement.³ With Dominion back in the capacity market, this imbalance contributed to the RTO-level supply-demand tightness. | ↑ |
| CFP rule changes | <ul style="list-style-type: none"> The introduction of a marginal capacity accreditation methodology decreased ELCCs⁴ for most resource classes, and therefore UCAP supply. However, the impact of this change was partially offset by a corresponding reduction in the UCAP reliability requirement. Updates to PJM's approach to modeling reliability risk contributed to an increase in the Installed Reserve Margin (IRM) from 14.7% in the 2024/25 BRA to 17.8% in the 2025/26 BRA. | ↓ / ↑ |

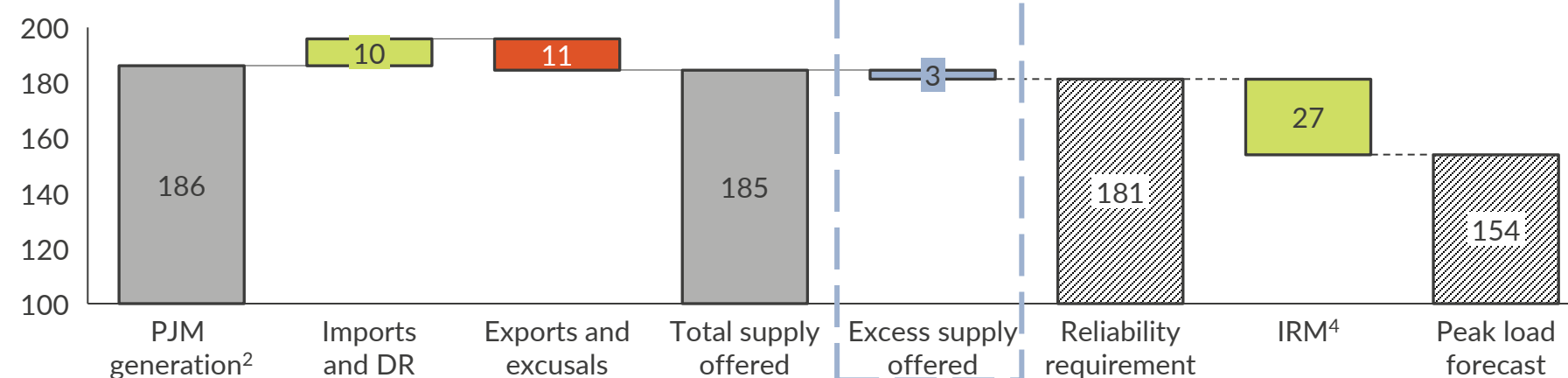
1) Measured in ICAP (Installed Capacity) terms. 2) Fixed Resource Requirement. 3) Aurora estimate based on data released by PJM. 4) Effective Load Carrying Capability.

Supply-demand | 2025/26 BRA conditions were much tighter than the previous auction: excess supply offered fell from 16 to 3GW ICAP

2024/25 BRA supply and demand
GW ICAP



2025/26 BRA supply and demand
GW ICAP



- Given the dramatic change in calculation of UCAP between the 2024/25 and 2025/26 BRA, ICAP¹ values provide the most apt comparison between supply and demand conditions between auctions.

1 Total supply offered into the BRA (or committed via an FRR plan) declined from 189GW to 185GW, driven by retirements and modestly lower DR³ participation.

2 Total demand, as reflected by the reliability requirement, increased from 173GW to 181GW, due to:

- Peak load growth from 151GW to 154GW, driven primarily by data center demand.
- IIRM⁴ increase from 14.7% to 17.8%, driven primarily by changes to PJM's reliability risk modeling.

1) Installed capacity. While PJM's capacity market procures Unforced Capacity (UCAP), results are presented in ICAP terms due to substantial changes in PJM's computation of UCAP between the 2024/25 and 2025/26 auctions. 2) Including Fixed Resource Requirement (FRR) capacity. 3) Demand response. 4) Installed Reserve Margin.

Supply | PJM reported 9.8GW ICAP as “excused” from the 25/26 BRA, comprising categorically exempt resources and retiring thermal plants

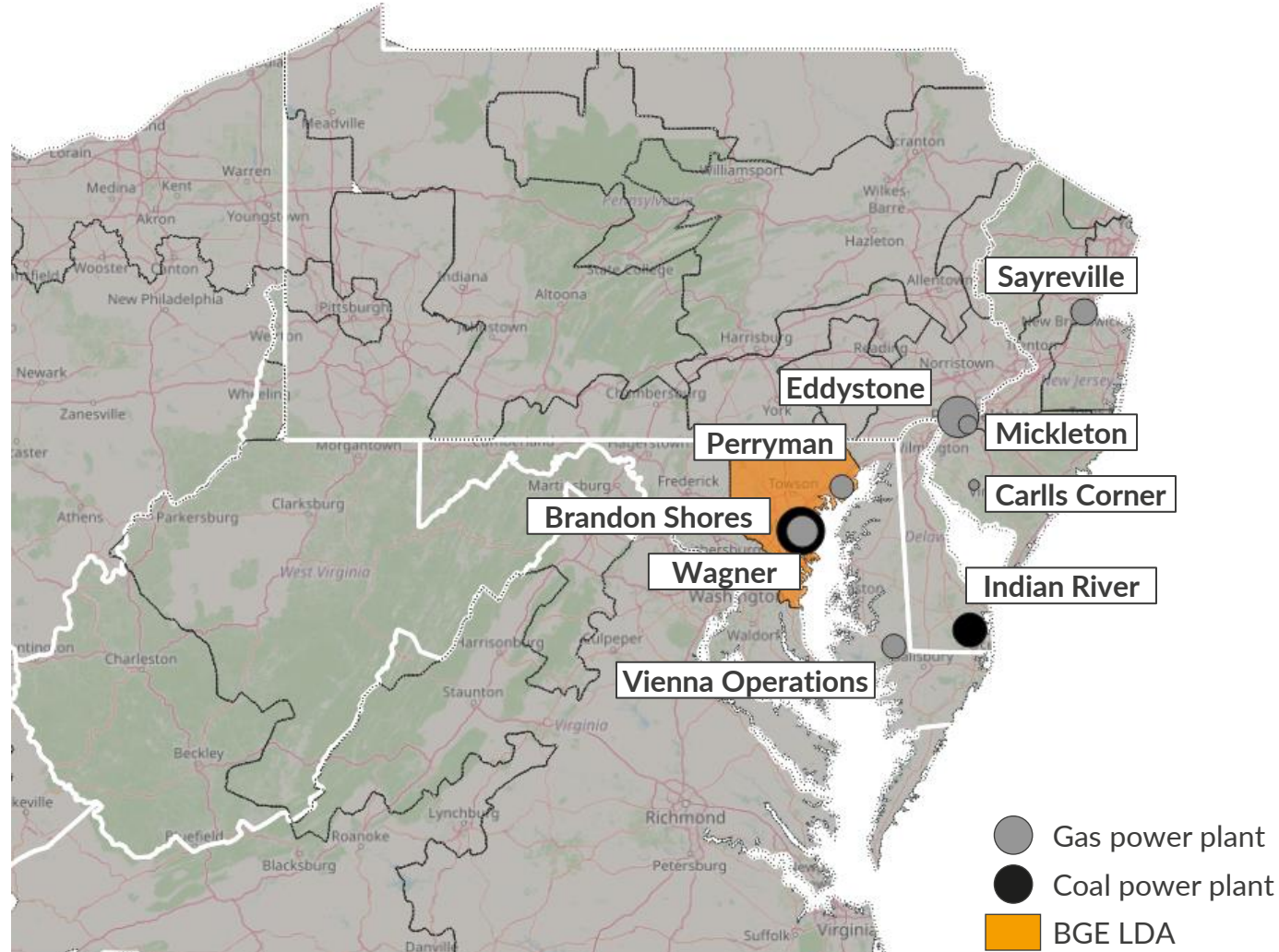
Resources “excused” from 2025/26 BRA

| | Total ICAP GW | Associated plants MW ICAP | Likelihood of re-entering capacity market |
|-------------------------------------|------------------|--|--|
| Reliability must run (RMR) plants | 2.4 | Brandon Shores (1,282); Wagner units 3-4 (702); Indian River (412) | Very unlikely: these plants have already confirmed retirement dates and secured revenue through retirement via the RMR agreements. |
| Other thermal deactivation requests | 1.5 | Eddystone (760); Sayreville (217); Vienna (167); Carlls Corner (75); Mickleton (57); Perryman 6 Unit 1 (55); Wagner units 1, CT 1 (139) | Unlikely: Withdrawn deactivation requests are precedented, but rare. Certain of these plants (Carlls Corner, Mickleton, and Sayreville) formally retired in June 2024. |
| Categorically exempt resources | ~6 | Not available, but the IMM reported that 3.9GW ICAP of intermittent resources and 1.3GW ICAP of storage resources elected not to offer into the 2024/25 BRA. | Unclear; moderately likely that a portion will re-enter: <ul style="list-style-type: none"> Information on why these resources did not participate is not publicly available, but avoiding of capacity performance penalties is likely a key factor. High clearing prices and a lack of CP penalties in much of the RTO for the 2026/27 delivery year (due to \$0 net CONE) may incentivize capacity to return. |

- **Methodology note:** PJM does not publish the data shown here explicitly, except for total excused capacity. The capacities and generators listed are the result of Aurora’s analysis, based on the best available data.
- **Almost all resource classes are subject to capacity market must-offer requirement,** and PJM only grants exemptions under specific circumstances:
 - If the resource has submitted a deactivation request to PJM.
 - If the resource has “significant physical operational restrictions” or is “under major repair.”
 - If the resource has committed to provide capacity to a region outside PJM.
- Intermittent, Demand Response, and storage (including hydroelectric pumped storage) resources are **categorically exempt** from the capacity market must-offer requirement.

Supply | Thermal plants that did not participate in the 2025/26 BRA due to planned retirements are concentrated in Eastern PJM, particularly BGE

Resources “excused” from 2025/26 BRA due to planned deactivation



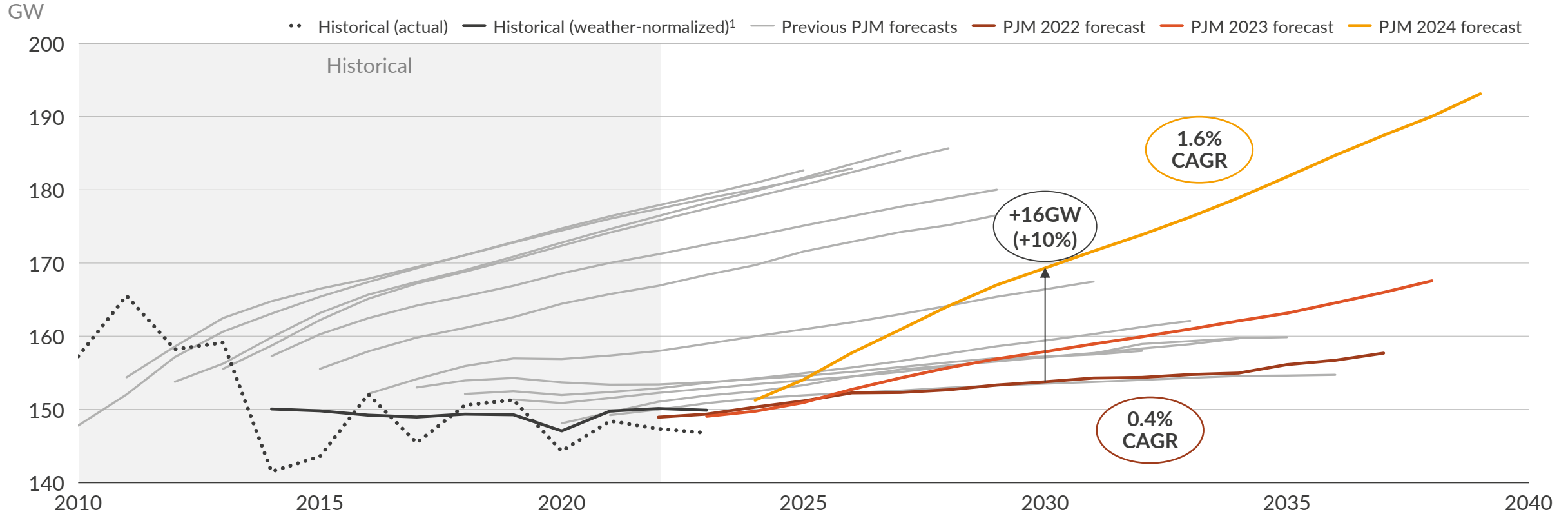
The retiring thermal plants that PJM excused from the 2025/26 BRA were concentrated in the eastern portion of PJM, particularly in the Baltimore Gas & Electric (BGE) LDA in Maryland.

- The 1.3GW ICAP Brandon Shores plant and 0.7GW ICAP Wagner plant, both of which are operating through 2028 on Reliability-Must-Run (RMR) contracts, did not participate in the 2025/26 BRA.
- The loss of these plants from the 2025/26 BRA left BGE with only 0.6GW UCAP of internal capacity, resulting in the BGE LDA clearing at its price cap of \$444.26/MW-day.
- Prompted by concerns over the impact of capacity market prices on consumer energy bills, ratepayer advocates in several PJM states (including Maryland) have urged PJM to account for the RMR units in the capacity market, even if that requires delaying the 2026/27 BRA.

Methodology note: PJM does not publish the plants shown here explicitly, except for total excused capacity. The power plants listed are the result of Aurora’s analysis, based on the best available data.

Demand | 2025/26 BRA demand rose sharply compared to previous auctions primarily due to PJM's 2024 peak load forecast increase

Historical and forecasted RTO coincident peak load



- PJM has consistently overpredicted peak and total annual load, repeatedly shifting its forecast back year-on-year during the last decade.
- Despite PJM's expectations of load growth, peak load in PJM has generally decreased since 2010, primarily due to efficiency improvements.
- Between its 2022 and 2024 load forecasts, PJM raised its 2030 expectations for coincident peak load by 16GW (10%), primarily due to increased expectations of data center and EV growth.

1) As reported by PJM.

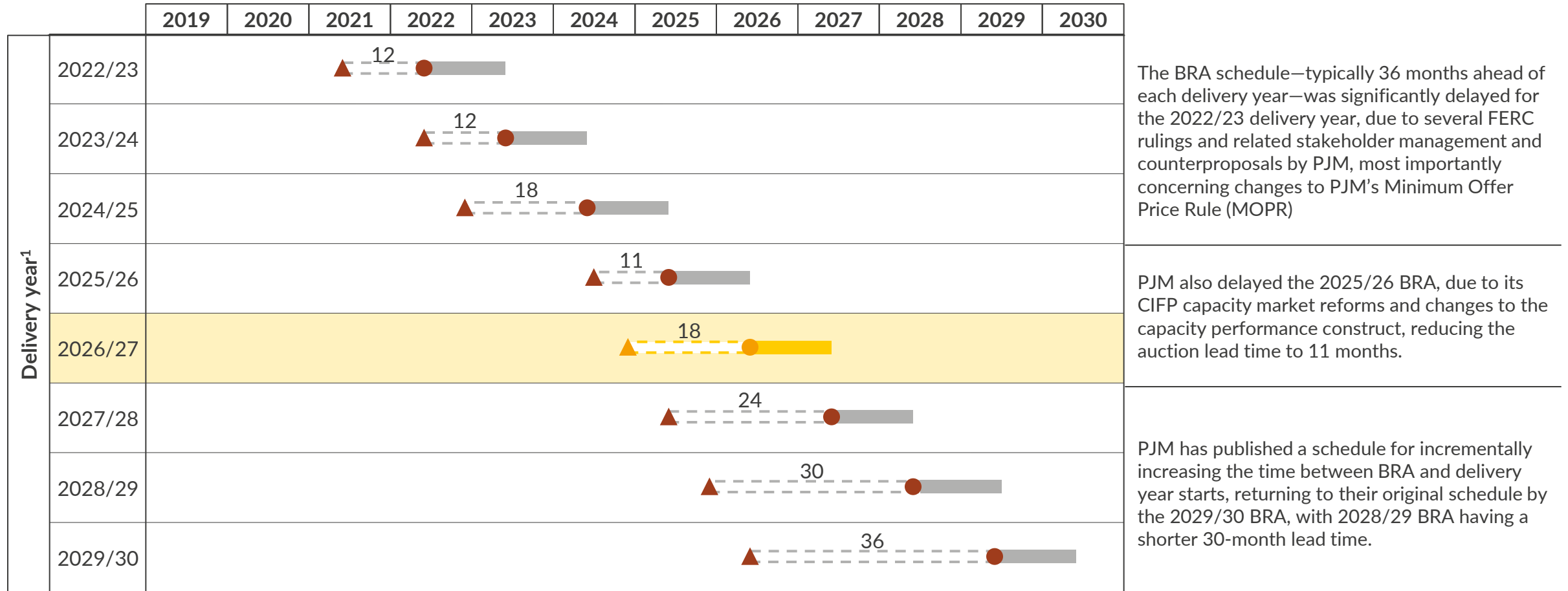
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Timeline | The 2026/27 BRA will take place 18 months before the delivery year, with a return to 36 months planned for the 2029/30 BRA

PJM's Base Residual Auction (BRA) schedule



▲ Base Residual Auction (BRA) ● Start of delivery year¹  Months delay between BRA and delivery year  Delivery year

1) Delivery years run from June 1 through May 31.

Drivers | Demand has risen by 3GW compared to the previous BRA, while changes in supply are highly uncertain—with >3GW additions feasible

| | Factor | Key changes from 25/26 BRA, GW UCAP | Price impact | Explanation |
|--------|------------------------------|--|---------------------------------|--|
| Supply | New entrants | + 0.8-5.5 | ↓ | <ul style="list-style-type: none"> Trumbull CC (0.8GW UCAP) expected to participate for first time. Additional capacity possible due to new batteries, renewables, DR, and imports; incentivized by high expected clearing prices and low capacity performance penalties (due to the \$0 Net CONE in many regions, yielding a \$0 penalty rate). |
| | Re-entry of exempt resources | + 0-2.0 | ↓ | <ul style="list-style-type: none"> Up to ~6GW ICAP available that withheld from 2025/26 BRA. Incentivized by abovementioned high clearing prices and low capacity performance penalties, but unclear how much will re-enter, if any. |
| | ELCC changes | - 1.2 | ↑ | <ul style="list-style-type: none"> Lower ELCCs for renewables and batteries will reduce effective supply (partially offset by higher ELCCs for combustion turbines). |
| | Retirements | - 0-1.5 | ↑ | <ul style="list-style-type: none"> New retirements possible despite expected high capacity prices, e.g. due to environmental regulations. |
| Demand | Reliability requirement | RTO: +2.8 DOM: +0.9 | RTO: ↑ DOM: ↑ | <ul style="list-style-type: none"> Strong increase in forecasted RTO-wide and Dominion peak load driven primarily by data center additions, raising reliability requirements. |
| | VRR curve shape | Significantly steeper | ↑/↓ | <ul style="list-style-type: none"> Caused by updated VRR parameters and a switch to a gas CC as PJM's reference generator, significantly raising Gross CONE (which sets the VRR's upper bound) and lowering Net CONE (to \$0/MW-day for much of the RTO). |
| LDAs | CETL | EMAAC: -1.1 SWMAAC: -1.2 DOM: +1.5 | EMAAC: ↑ SWMAAC: ↑ DOM: ↓ | <ul style="list-style-type: none"> Significantly lower CETL in EMAAC and SWMAAC may constrain capacity imports, potentially causing price separation in these LDAs. Dominion's CETL increase more than offsets its higher reliability requirement, potentially lowering its clearing price compared to the 2025/26 BRA. |

Supply | 2026/27 BRA prices could range from \$100 to \$700/MW-day, depending on supply—with a \$200-\$300 Central expectation

Sources of capacity supply shifts for 2026/2027 BRA, GW UCAP

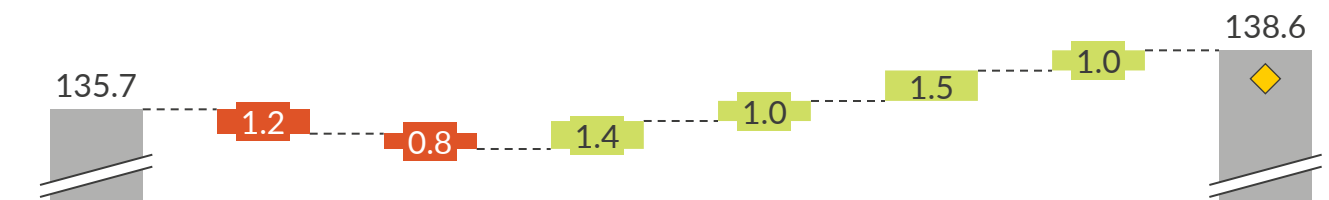
High case

- Clearing price: \$696/MW-day
- Price setter: RPM price limit



Central case

- Clearing price: \$200-300/MW-day
- Price setter: New unit or higher-cost DR²



Low case

- Clearing price: ~\$100/MW-day
- Price setter: Existing unit or lower-cost DR

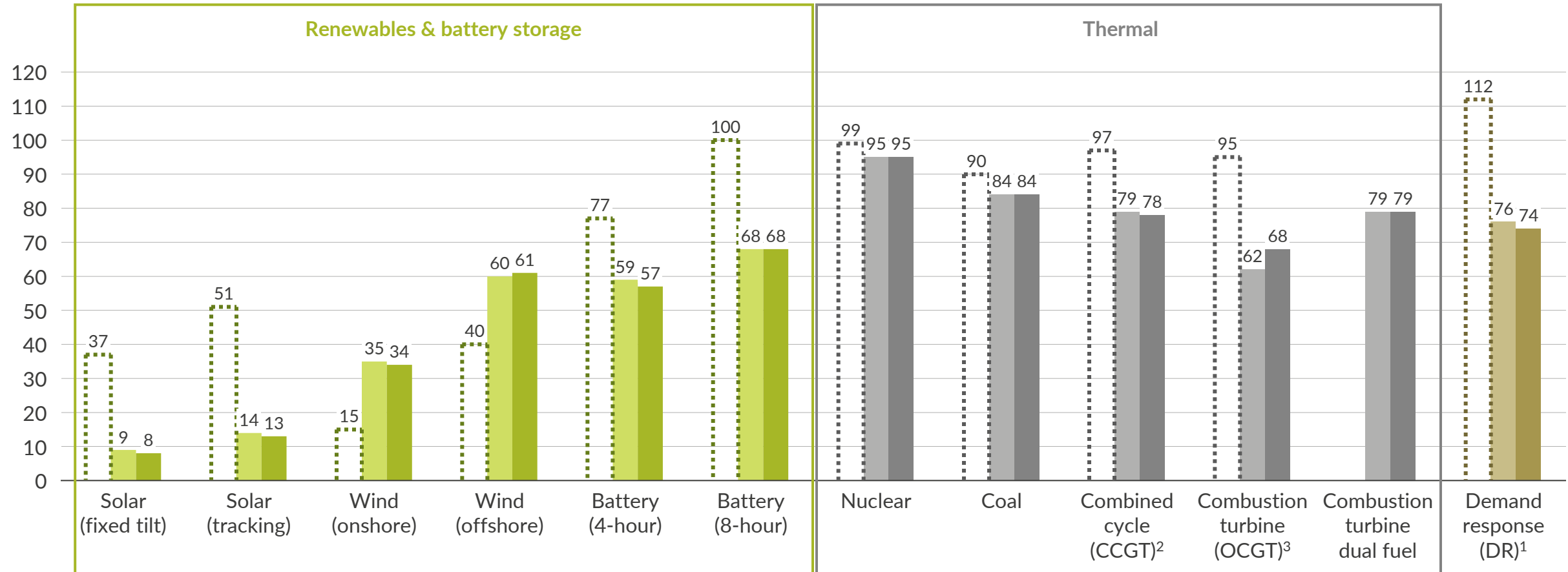





- The amount of supply anticipated to participate in the 2026/27 BRA ranges from 134.5 to 142.0GW UCAP.
 - Supply decreases, relative to the 2025/26 BRA, range from 1.2GW UCAP to 2.7GW UCAP, depending on additional retirements.
 - Supply increases range from 1.6GW to 7.5GW UCAP, depending on new entry, exempt resources re-entering the capacity market, and incremental demand response and import participation.
- Small changes in supply could drive large differences in clearing prices—the “Low supply” case would result in clearing at the price cap, while the “High supply” case would likely see a clearing price set by an existing unit or lower-cost demand response resource.

1) 2026/27 BRA capacity reflects total capacity offering into the auction. The quantity of cleared capacity depends on the amount of offered capacity, bid levels, and the shape of the VRR curve. 2) Demand response.

Supply | 2026/27 ELCCs increased by 6p.p. for combustion turbines but decreased slightly for most renewables and batteries, relative to 2025/26

Capacity accreditation by technology¹
%



 2025/26 BRA (pre-CIFP)¹  2025/26 BRA (post-CIFP)  2026/27 BRA

¹"Pre-CIFP" values for thermal plants reflect historical average of [1 - EFORD] per technology class; for DR, "pre-CIFP" values are effective, as implied by PJM's parameters through the 2025/26 BRA's FPR. All other values are ELCCs. ² Combined cycle gas turbine. ³ Open cycle gas turbine.

Sources: Aurora Energy Research, PJM

Supply | Much of PJM has \$0 Net CONE for 2026/27, removing Capacity Performance penalty risk and potentially incentivizing more supply

Many areas of PJM will have effectively no capacity performance penalty for the 2026/27 delivery year, due to their Net CONE¹ dropping to \$0/MW-day.

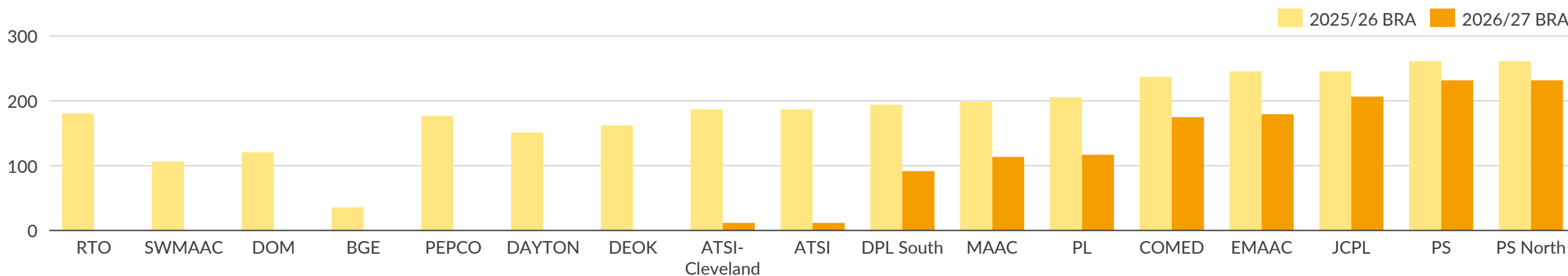
- This could incentivize additional supply to (re-)enter the capacity market that previously may have withheld due to penalty risk—e.g. renewables, which are exempt from must-offer obligations and susceptible to penalty risk, having little control over output during system stress events.
- Because the capacity performance penalty rate for each 5-minute interval is proportional to Net CONE, performance penalties are null when Net CONE falls to \$0:

$$\text{Charge Rate}_{LDA} = \frac{\text{Net CONE (ICAP)}_{LDA}}{360}$$

Risks:

- Even with a \$0 Net CONE, capacity generators will be subject to capability testing and penalties for test failure. Intermittent resources are exempt from such tests, however.
- This may increase penalty risk for LDAs with a non-zero Net CONE, as (i) much of the RTO has little incentive to perform, potentially triggering drawn-out PAIs² and (ii) the total penalty cap is proportional to the BRA clearing price, which could be as high as \$700/MW-day.
- Although it has not stated any plans to do so, PJM could reform its capacity performance penalties to ensure a non-zero penalty rate.

Net CONE for PJM RTO and LDAs \$/MW-day ICAP

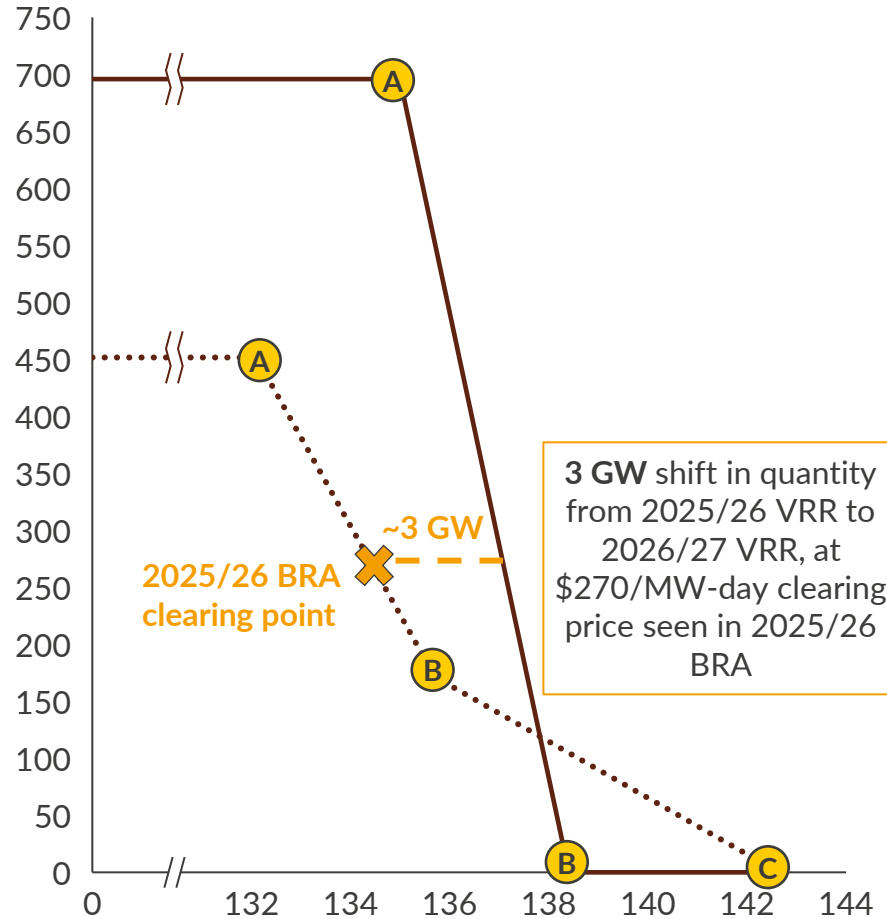


1) Net cost of new entry—an annualized estimate of the revenue required to cover fixed and capital costs, net of margins earned from energy and ancillary services. 2) Performance Assessment Intervals.

Demand | The 2026/27 BRA's VRR curve is much steeper than previously, making price outcomes significantly more volatile

RTO-wide VRR curve¹, incl. point definitions

\$/MW-day (nominal), GW UCAP



Key impacts of VRR curve changes

1. The steeper shape of the 2026/27 VRR curve—resulting from changes to the parameters underlying the VRR—increases clearing price uncertainty and volatility.
2. The outward shift of the 2026/27 VRR curve—resulting from increases to PJM's Reliability Requirement—implies that at least 3GW of additional supply is necessary to maintain a clearing price at or below the \$270/MW-day seen in the 2025/26 BRA.

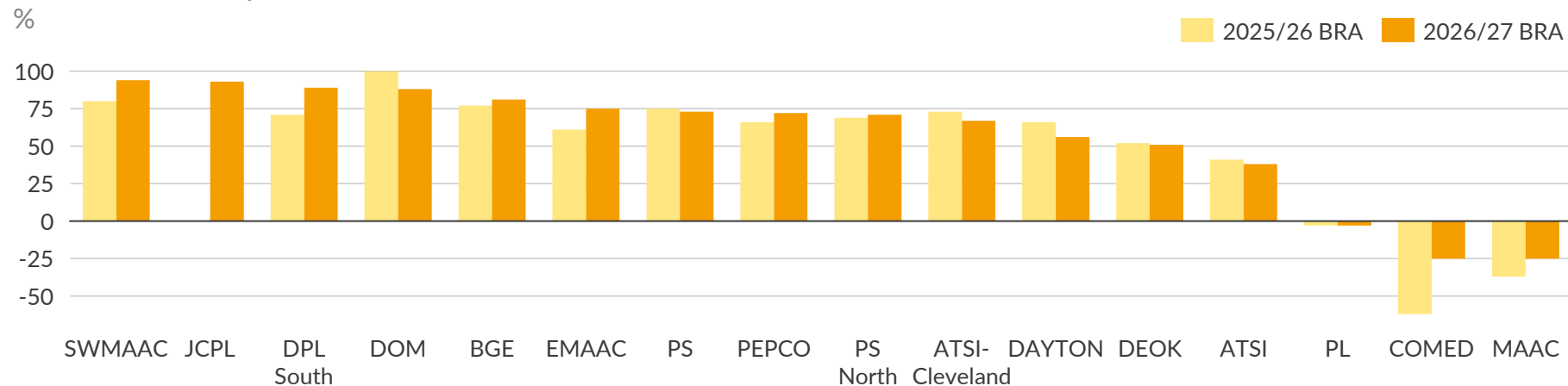
Key parameter changes for the 2025/26 BRA relative to the previous auction

| Parameter | 2025/26 BRA (prev. auction) | 2026/27 BRA (next auction) | Driver(s) |
|------------------------------------|--------------------------------|-------------------------------|--|
| Reliability Requirement | 144,450MW | 147,246MW | ▪ Increase in forecasted RTO peak load of 3.3GW |
| Gross CONE (determines point A) | \$451.6/MW-day UCAP | \$695.8/MW-day UCAP | ▪ Shift in the VRR reference resource from a combustion turbine to a combined cycle, which is both more capital intensive (increasing Gross CONE) and more lucrative in energy and ancillary services markets (decreasing Net CONE). |
| Net CONE (determines point B) | \$228.8/MW-day UCAP | \$0/MW-day UCAP | |

1) Variable Resource Requirement—PJM's capacity demand curve, defined by 3 points. 2) VRR curves are net of FRR demand. As PJM has not yet released FRR designations for the 2026/27 BRA, the values here assume identical FRR participation from the 2025/26 BRA.

LDAs | SWMAAC, JCPL, DPL South, BGE, & EMAAC all have higher likelihood of price separation, due to tighter CETO:CETL ratios

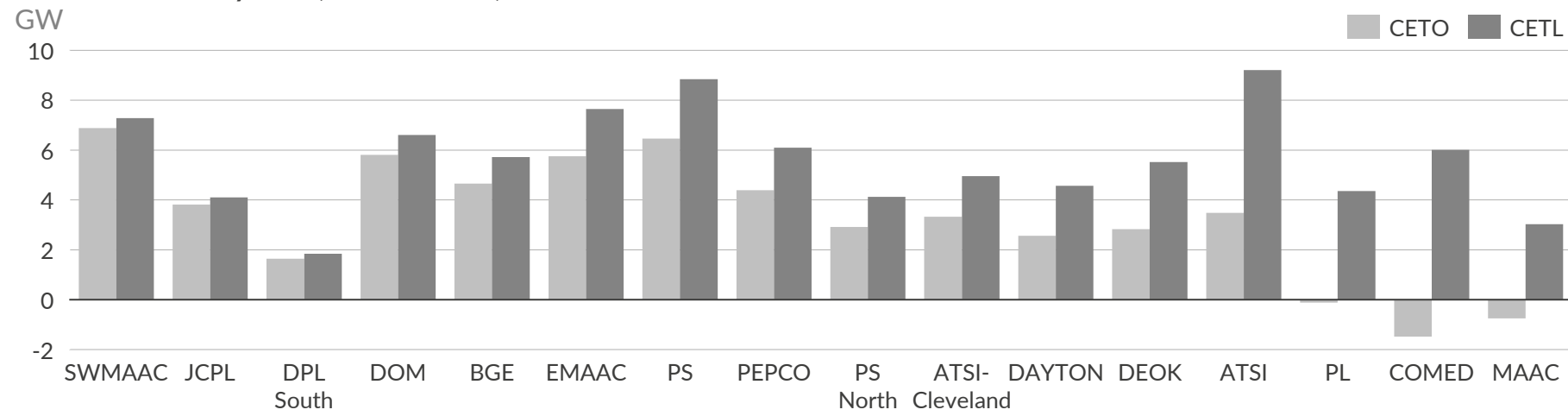
CETO:CETL ratio by LDA



← Higher ratio: more likely to clear above parent region

Lower ratio: less likely to clear above parent region →

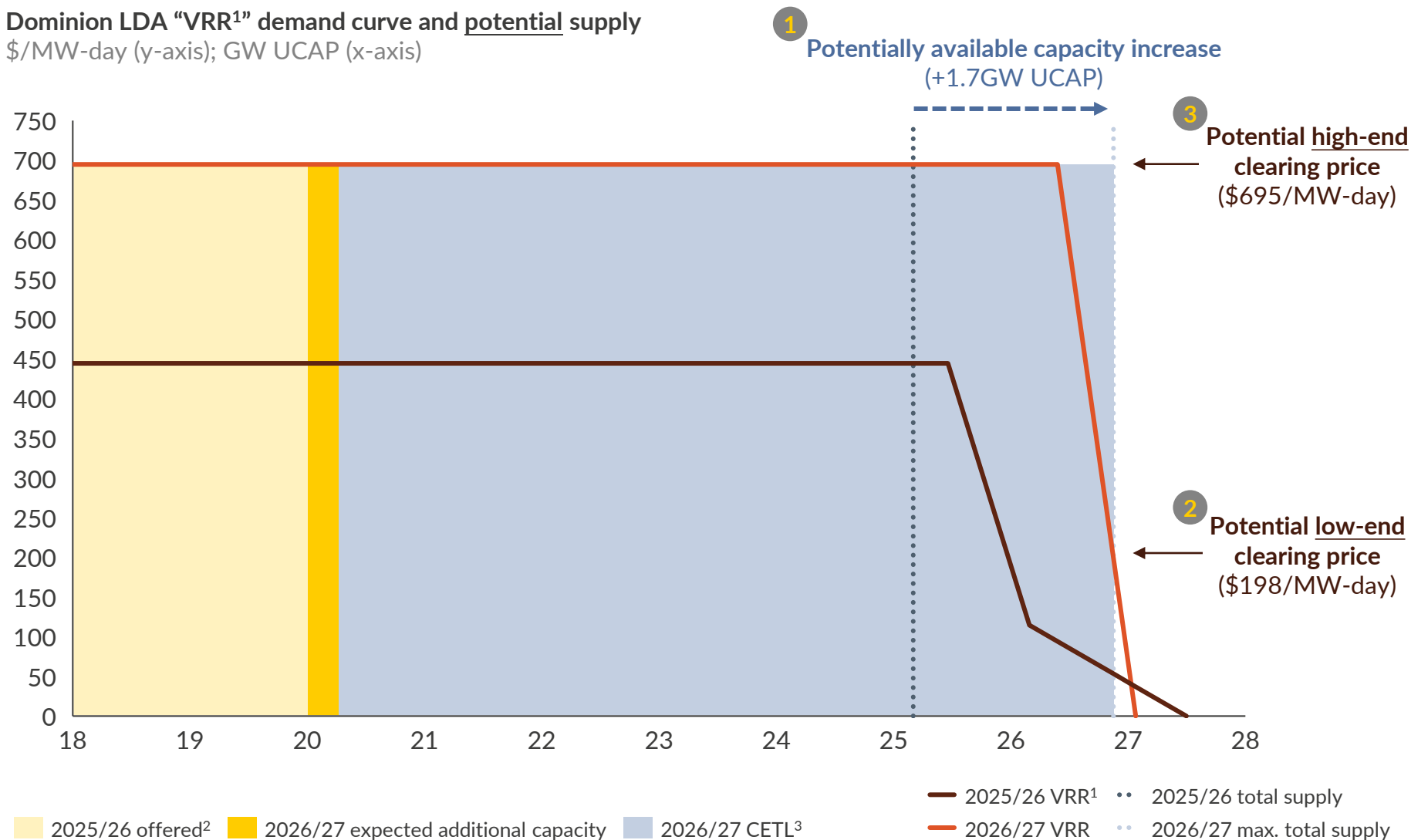
CETO and CETL by LDA (2026/27 BRA)



- **Capacity Emergency Transfer Limits (CETLs)** determine how much capacity can be imported into an LDA during peak system stress moments, thus acting as constraints on PJM's cost optimization of the BRA.
- An LDA's **Capacity Emergency Transfer Objective (CETO)** is PJM's estimate of the capacity import necessary to satisfy loss of load expectation requirements.
- The closer CETO is to CETL, generally the more likely that LDA will clear above its parent price ("price separation").
- SWMAAC, JCPL, DPL South, Dominion, BGE, and EMAAC all have a relatively high likelihood of price separation, due to tight CETO:CETL ratios ($\geq 75\%$).
- Of the above LDAs, only Dominion's CETO:CETL ratio is lower than the previous BRA.

LDA | Dominion's large CETL increase could bring its clearing price as low as \$198/MW-day, although \$695 is still feasible

Dominion LDA "VRR¹" demand curve and potential supply
\$/MW-day (y-axis); GW UCAP (x-axis)



1) Variable Resource Requirement. 2) Excl. (estimated) capacity offered as winter-only but not cleared because no summer-only counterpart available. 3) Capacity Emergency Transfer Limit/Objective. 4) Estimated from BRA parameters via [reliability requirement] - [CETO]. 4) Also assuming RTO does not clear >\$198/MW-day; but in that case CETL would likely not be fully utilized.

Sources: Aurora Energy Research, PJM

- 1 The total available capacity in Dominion—as indicated by PJM's auction parameters—has risen by 1.7GW compared the last auction, primarily due to its 1.4GW CETL³ increase.
 - PJM expects net additional 0.3GW UCAP of capacity bidding within the LDA.
- 2 As a result, Dominion's price could clear as low as \$198/MW-day, if the entire extent of the LDA's CETL is utilized and no participants bid above that level.⁴
- 3 However, neither of the abovementioned criteria are guaranteed—as underscored by CETO³<CETL, i.e. PJM's expectation that not all of CETL will be used—and Dominion could still feasibly clear at its auction cap of \$695/MW-day if supply falls ≥0.5GW short of the 26.9GW available.

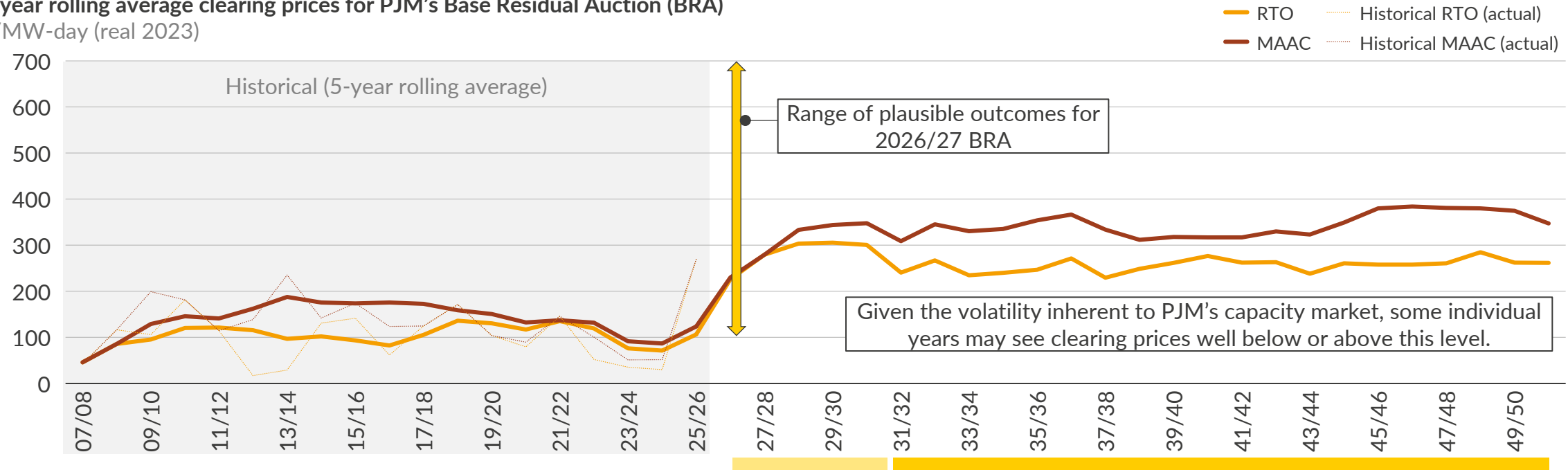
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Outlook | Aurora's Central case expects clearing prices to remain at the high levels seen in the 2025/2026 BRA

5-year rolling average clearing prices for PJM's Base Residual Auction (BRA)
\$/MW-day (real 2023)



2026-2030

Prices remain around the \$250-\$300/MW-day level, as tight supply-demand conditions are expected to persist:

- PJM forecasts continued short-term peak load growth.
- Additional thermal resources (particularly coal plants) have announced retirements before 2030.

2031-2050

Sustained higher prices of \geq \$250/MW-day, as newbuild is required almost every year:

- Retirements from gas plants built in the ~20s reaching end of life, new capacity needed.
- Gas capacity factors driven down by continued renewables growth and flexible demand (e.g., EVs); higher CM revenue needed.

Drivers | Peak load growth and retirements will persist until at least 2030, partially offset by potential new build, DR, and imports






Drivers of capacity price developments through 2029

| | Factor | Expected change from 25/26 to 29/30 BRA GW UCAP | Price impact | Explanation |
|--------|-------------------------------|---|--------------|--|
| Supply | New entrants | +11 | ↓ | <ul style="list-style-type: none"> New resources primarily comprise solar, wind, and battery storage resources in the interconnection queue, with a small amount of additional thermal capacity possible. |
| | Other new sources of capacity | Imports: +4 Demand response: +4 | ↓ | <ul style="list-style-type: none"> The 2025/26 BRA saw low demand response and capacity import participation by historical standards. Higher RPM clearing prices will likely incentivize further participation from these resources. |
| | Retirements | -10 | ↑ | <ul style="list-style-type: none"> Coal plants totaling 7GW UCAP have announced retirements by 2029.¹ Some additional peaking capacity may also retire; though higher RPM clearing prices will incentivize these units to remain online. |
| Demand | Peak load | +12 | ↑ | <ul style="list-style-type: none"> PJM's 2024 load forecast sees peak load rising from 153.5GW in 2025 to 165.7GW in 2029. Because PJM uses its own forecasting to assess peak load for the RPM, this forecast provides a basis for near-term auctions. |
| | VRR curve shape | Uncertain | ↑/↓ | <ul style="list-style-type: none"> PJM refreshes the parameters underlying the VRR curve annually. An increase in the Net CONE parameter above the \$0/MW-day used for the 2026/27 BRA would result in a less steep VRR curve. |

1) Rockport, Kincaid, Miami Fort, Keystone, Conemaugh.

Risks | Structural changes to PJM's capacity market or state policy could lower the price outlook, but most have low probability of occurring

Potential measures PJM or its member states may take that could reduce capacity market prices

| Measure | Relevant areas | Estimated likelihood | Explanation |
|---|------------------------|---|--|
| Interconnection queue fast-track process | PJM |  | <ul style="list-style-type: none"> PJM is considering implementing a process that would allow “shovel-ready projects” to fast-track their interconnection and construction process, to benefit system reliability.¹ PJM's planning committee is also considering ways for new projects to bypass the interconnection queue by taking over retiring resources' capacity interconnection rights and physical locations. |
| Policy hindering impact of data centers on power grid | OH, VA |  | <ul style="list-style-type: none"> Legislators in both OH and VA proposed multiple bills in 2023 and 2024 to regulate data centers' impacts on power costs, environment, and local land use. If successful, such bills could slow data center additions or oblige operators to source and pay for power in ways that minimizes impacts on PJM rates. |
| State subsidies for new generation | MD, PA |  | <ul style="list-style-type: none"> State Delegates of MD—the state containing BGE, which cleared at \$466/MW-day in the 2025/26 BRA—have announced potential plans to introduce bills to (i) add energy storage to the state's distribution grid and (ii) provide additional REC support to advanced-stage solar projects. PA Sen. Gene Yaw (R) has announced plans to introduce bills to (i) create a fund to support power plant construction (akin to the Texas Energy Fund) and (ii) increase certainty within the state's permitting process. |
| Include RMR plants in capacity auction | DE, DC, IL, MD, NJ, OH |  | <ul style="list-style-type: none"> Ratepayer advocates from 6 states urged PJM in an August 30 open letter to include RMR units in the capacity auction. However, PJM uses RMR primarily to guarantee transmission security (rather than resource adequacy), and their inclusion in the capacity auction could distort the necessary price signals to replace the retiring plants. |
| State or LSE exit as FRR region to lower costs | - |  | <ul style="list-style-type: none"> Although no states or utilities have announced intentions to opt out of PJM's capacity market, multiple entities including MD, NJ, and Dominion VA threatened to do so (with Dominion following through) around 2020 when PJM expanded its bid floor (“MOPR”) to apply to subsidized renewables. Such exits could provide feasible pathways for states and utilities to lower costs to ratepayers, should PJM see continued high capacity clearing prices. |

1) According to PJM executive vice president for market services and strategy Stu Bresler.

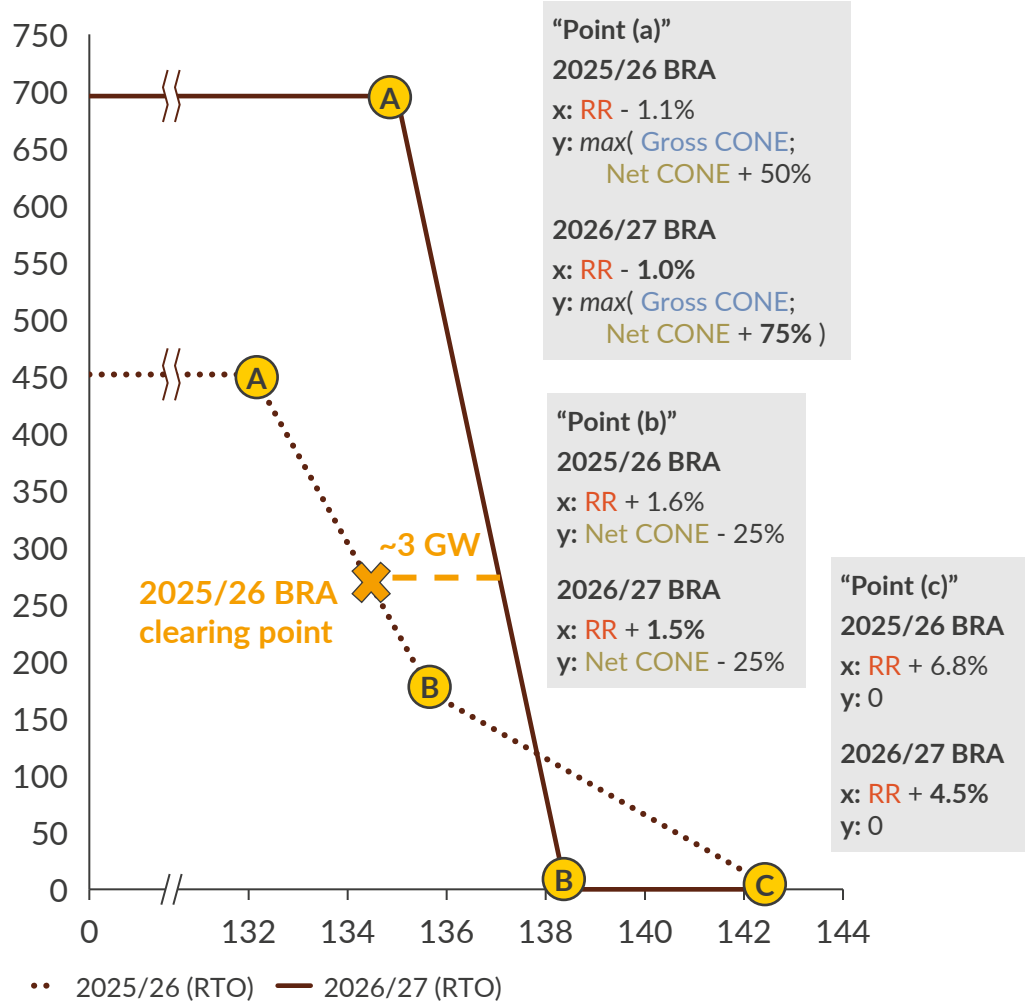
Agenda



I. Appendix

Demand deep-dive | VRR shifted out & more vertical; roughly 3 GW UCAP more demand at 2025/26 BRA's \$270/MW-day price point

RTO-wide VRR curve¹, incl. point definitions
\$/MW-day (nominal), GW UCAP



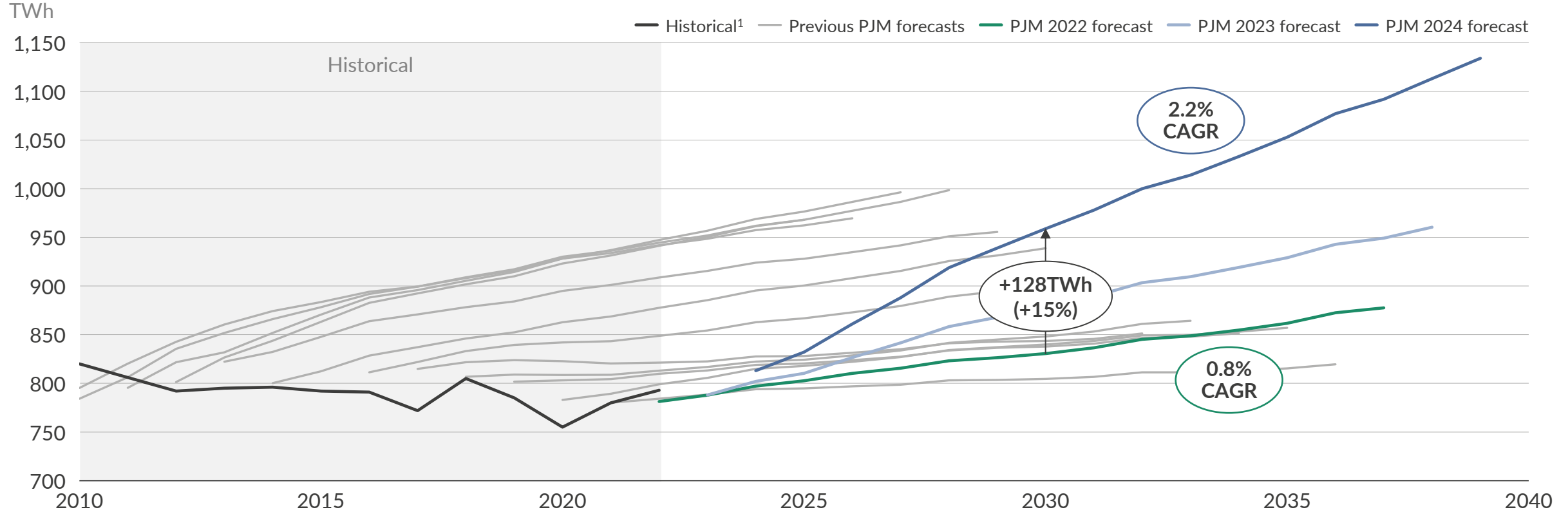
Key parameter changes for the 2025/26 BRA relative to the previous auction

| Parameter | 2025/26 BRA (prev. auction) | 2026/27 BRA (next auction) | Driver(s) |
|---|------------------------------------|------------------------------------|---|
| Reliability Requirement (RR) ² | 144,450MW (133,564MW excl. FRR) | 147,246MW (136,360MW excl. FRR) | <ul style="list-style-type: none"> Increase in forecasted RTO peak load of 3.3GW Increase in Installed Reserve Margin (IRM) from 17.8% to 18.6%. |
| Gross CONE | \$451.6/MW-day UCAP | \$695.8/MW-day UCAP | <ul style="list-style-type: none"> Shift in the VRR reference resource from combustion turbine to combined cycle. Relative to combustion turbines, combined cycle units are both more capital intensive (increasing Gross CONE) and more lucrative in energy and ancillary services markets (decreasing Net CONE). |
| Net CONE | \$228.8/MW-day UCAP ⁹ | \$0/MW-day UCAP | |

1) Variable Resource Requirement—PJM's capacity demand curve, defined by 3 points.

Demand | PJM load has trended downwards since 2010, but the RTO's load forecasts have risen sharply in past 2 years—up to 2.2% CAGR

Historical and forecasted RTO net annual energy consumption



- PJM has consistently overpredicted peak and total annual load, repeatedly shifting its forecast back year-on-year during the last decade.
- Despite PJM's expectations of load growth, annual load in PJM has generally decreased since 2010, primarily due to efficiency improvements.
- Between its 2022 and 2024 load forecasts, PJM raised its 2030 expectations for total annual load by 128TWh (15%).
- Load has consistently risen since 2020, partially due to data center growth, although 2020 load was exceptionally low due to the COVID-19 pandemic.

1) 2023 historical data missing, as PJM did not report historical net annual energy use for that year in its 2024 Load Forecast Report.

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