Market Commentary

WEEK ENDING 11.06.26

October's price spikes show PJM's **shoulder months can now carry peak-season risk**.

Storage tops 3.8 Tcf as mild weather **pushes gas prices lower**.

October finishes as **3rd warmest nationally** since 1950.

SUMMARY

October is usually a quiet shoulder month in PJM, when lower demand gives generators and transmission owners time for routine maintenance. This year, it looked more like a summer peak. Unusually warm weather, continued load growth, and about 62 gigawatts (GW) of generation that was offline for maintenance tightened the system. Real-time prices reached $3,000 per megawatt-hour (MWh), West Hub Day-Ahead prices set an October record above $1,000/MWh, and PJM called on demand response resources and received a Department of Energy (DOE) emergency order covering October 13-16. The bigger takeaway: As data centers add demand around the clock, PJM has less room for error during its spring and fall maintenance seasons.

Forward prices reflected October's volatility and the uncertainty surrounding PJM's longer-term supply-and-demand balance. Near-term prices rose with the spikes, then eased as weather forecasts moderated, generators returned, and natural gas prices softened. Longer-dated prices were more resilient — a sign the market is increasingly willing to look past short-term relief and still sees risk for future summers and shoulder months.

The midterm elections are unlikely to change this winter's fundamentals because load, scheduled maintenance, and transmission constraints are essentially unchanged. The longer-term effects could be bigger. A shift in congressional control could bring more scrutiny of data center development, tax incentives, permitting, clean energy policy, and who pays for grid costs. State policy may matter even more, through large load interconnection rules, economic development incentives, and how much of the grid cost tied to new data centers falls on those customers. These debates could affect how quickly proposed data centers become actual load, which matters most after 2028, when load uncertainty increasingly shapes capacity expectations and the forward power curve.

Natural gas prices moved lower as mild weather and strong production eased supply concerns. The November contract settled at $2.817 per million British thermal units (MMBtu), and storage climbed from about 3.5 trillion cubic feet (Tcf) to more than 3.8 Tcf in October, above the 5-year average. Calendar year 2027 pricing for a winter-weighted customer is trading near the 10th percentile of its historical range.

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SUMMARY

Risks remain: A sustained cold snap, a historically large speculative short position, and overseas prices above $30/MMBtu (roughly 10x U.S. levels) could tighten the market quickly.

October finished as the third warmest nationally since 1950, based on gas-weighted heating degree days (HDDs). El Niño remains in place, with sea surface temperatures in the ENSO 3.4 region (the area of the Pacific Ocean used to track El Niño) about 2.5 degrees Celsius above normal. November forecasts favor above-normal temperatures across the northern half of the country, and warmth remains the major story in winter forecasts.

Looking Ahead

Based on the insights in this month's Market Commentary, we recommend a few key things for our customers to consider:

- **Plan for price risk outside of summer and winter:** October showed that high-priced hours in PJM can now arrive in shoulder months, when many budgets assume calm markets. If part of your load floats with the market, such as the index portion of a Load Following strategy, review how much of your usage is exposed in spring and fall, and whether you could reduce usage when PJM calls on demand response.
- **Don't let near-term power relief set your long-term expectations:** Near-term power prices eased late in October, but the 2029 price at West Hub climbed to $74.57/MWh in early November. If you're comparing renewal terms, a lower price for next year doesn't mean later years will follow. Weigh term length against where forward prices sit for each year of the agreement.
- **Look beyond this winter for natural gas:** This winter looks well supplied, but the futures market prices the next two winters higher as liquified natural gas (LNG) exports grow. With calendar year 2027 pricing near the 10th percentile of its historical range, evaluate fixed-price coverage for 2027 and beyond. A Partial Fixed approach can lock in part of your volume at today's levels, protecting you if a cold snap lifts prices, while the rest follows the market — allowing you to benefit from any downward movement.

To learn more about how this impacts your business, reach out to your IGS Energy rep or email EnergyAdvisor@igs.com

POWER MARKET

PJM risk has traditionally followed a predictable seasonal pattern, with the greatest exposure concentrated in summer and winter. October's conditions challenged that assumption, and the forward market's response suggests the shift may extend well beyond a single month.

October's volatility signals changing shoulder seasons

October continued the trend of tightening system conditions translating into significant price volatility across PJM. What made the month notable was not simply the magnitude of the price spikes, but when they occurred. October is traditionally a shoulder month, when electricity demand and prices are relatively moderate. This year, periods of unusually warm weather, significant generation outages, and continued load growth combined to create conditions that looked more like a summer peak than a typical fall market.

The bigger takeaway is that PJM's risk is becoming less seasonal. As large loads, particularly data centers, continue to come online, the system has less room for error when generation and transmission are unavailable.

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POWER MARKET

The warning signs emerged early in the month. On October 7, PJM real-time prices briefly reached $3,000/MWh as solar output declined into the evening peak. Conditions became more challenging October 12-14, when temperatures climbed as much as 20 degrees above normal while approximately 62 GW of generation was unavailable for maintenance. West Hub Day-ahead prices exceeded $1,000/MWh during the highest-priced hour, setting an October record. On October 13, real-time prices at AD Hub remained above $1,500/MWh for more than 2 hours and peaked just below $2,500/MWh. PJM called on demand response resources (businesses paid to reduce usage during tight conditions) and received a DOE emergency order covering October 13-16.

The significance extends beyond a few hours of extreme prices. Generators and transmission owners traditionally use spring and fall to perform maintenance because demand is lower. But as around-the-clock large load demand grows, those shoulder periods may offer considerably less operational cushion. PJM's Christopher Pilong captured the challenge during the Federal Energy Regulatory Commission (FERC) October 21 reliability conference, describing large load demand as "like a rising sea level... every hour of the day." Until additional generation and transmission can be built, PJM expects operational flexibility and emergency procedures to remain important tools.

The forward markets are pricing more long-term risk

The forward market reflected both October's volatility and the uncertainty surrounding PJM's longer-term supply-and-demand balance. Near-term prices initially rose as repeated real-time spikes made system-tightness risk tangible. They later retreated as weather forecasts moderated, generators returned from maintenance, and natural gas prices softened.

But longer-dated prices were more resilient. The market appears increasingly willing to look through short-term improvements in weather and generation availability while maintaining risk for future summers and, increasingly, shoulder months. Longer-dated forward prices have been on a historic run that started when FERC approved a price collar for several years of capacity clearing prices on April 21, 2025. While the cap has kept capacity prices lower than they would have cleared through market results, energy prices have continued to move up since the order formally recognized the underlying conditions:

- Accelerating load growth
- Generation retirements
- A compressed auction schedule
- A backlogged interconnection queue
- Permitting and supply chain constraints
- Insufficient time for new generation to respond to price signals

Fig. 3-2 shows the 2029 around-the-clock energy price at PJM West Hub, which has climbed from $48.67/MWh on the day of the April 2025 order to $74.57/MWh in early November.

POWER MARKET COMMODITY CHANGES (c/kWh)

ISO & Index Point	PJM AD Hub	PJM NI Hub	MISO Illinois Hub	PJM West Hub	ISONE Mass Hub	ERCOT Houston Hub
Markets Served	OH	IL (ComEd)	IL (Ameren)	PA/MD/NJ	MA	TX
12-Month Strip on 9/25/2026	6.098	4.434	5.391	7.500	7.810	4.150
12-Month Strip on 10/30/2026	5.894	4.330	5.232	7.070	7.745	3.953
Monthly $ Change	-0.204	-0.104	-0.159	-0.430	-0.065	-0.197
Monthly % Change	-3.3%	-2.4%	-3.0%	-5.7%	-0.8%	-4.7%

Fig. 3-1

ATC FLAT BLOCK PRICE BY CURVE DATE



Fig. 3-2

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POWER MARKET

What the midterm elections *could* change

The midterm elections are unlikely to materially change PJM's near-term fundamentals. The amount of load on the system, generators scheduled for maintenance, and transmission constraints entering this winter are essentially unchanged by the election.

The longer-term implications could be more significant. Changes in congressional control could increase scrutiny of data center development, federal tax incentives, transmission and generation permitting, clean energy policy, and the allocation of infrastructure costs associated with large load growth.

State policy may ultimately be even more consequential. Pressure is likely to increase around large load interconnection requirements, economic development incentives, and the question of how much of the incremental grid cost associated with new data centers should be borne by those customers rather than the broader customer base.

That pressure was likely to build regardless of the election outcome, but the debates could affect how quickly proposed data center projects become actual load. That's particularly important after 2028, when uncertainty around load growth increasingly influences capacity expectations and the forward power curve. An interesting dynamic emerged the day after the elections: Near-term forward prices rose on recent volatility, while 2028 forward prices moved slightly lower.

NATURAL GAS MARKET

The November 2026 natural gas contract settled at $2.817/MMBtu after trading at a high of $3.32 and a low of $2.50 during the second half of October. Over the past month, the U.S. natural gas market has shifted toward a more comfortable supply outlook heading into winter. Henry Hub prices experienced periods of volatility early in October as pipeline outages, Gulf Coast production disruptions, and stronger liquefied natural gas (LNG) export demand supported the market. More recently, however, unusually warm weather and expectations for continued production growth have pushed near-term prices lower.

Storage has also improved considerably during October. U.S. inventories increased from approximately 3.5 Tcf at the beginning of the month to more than 3.8 Tcf by the end of October. Continued warm weather has limited early-season heating demand and allowed additional gas to move into storage, with inventories now expected to approach 3.9 Tcf before the injection season ends. While current inventories remain below last year's levels, they are still above the 5-year average, providing the market with a relatively healthy cushion heading into winter.

For consumers, the combination of strong production, improving storage, and mild early-winter weather has helped reduce near-term price risk. The futures market also reflects this more comfortable outlook, with the upcoming winter trading at a substantial discount to the following two winters. In other words, the market currently expects supply to be adequate to meet demand this winter under normal or warmer-than-normal conditions.

However, the weather remains the biggest near-term variable. Much of the country has experienced unusually warm conditions this fall, significantly delaying the start of meaningful heating demand.

LAST MONTH ON THE NYMEX				
	Prompt-Month (Dec. '26)	12-Month Strip	36-Month Strip	Winter Strip '26-'27
Settlements on 9/25/2026	3.196	3.175	3.524	3.406
Settlements on 10/30/2026	2.898	2.828	3.340	2.926
Monthly $ Change	-0.298	-0.347	-0.184	-0.480
Monthly % Change	-9.3%	-10.9%	-5.2%	-14.1%

Fig. 4-1

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NATURAL GAS MARKET

A transition to sustained colder-than-normal weather could quickly increase residential and commercial natural gas consumption and change the current supply outlook. Speculative traders are also carrying a historically large short position (a bet that prices will fall), which could amplify an upward price move if colder weather or another supply disruption forces traders to quickly reverse those positions.

The global market adds another layer of uncertainty. European and Asian natural gas prices have risen above $30/MMBtu, roughly 10 times recent U.S. Henry Hub prices. European storage is also entering winter below historical norms. The significant premium for natural gas overseas continues to provide a strong incentive for U.S. LNG facilities to operate at high utilization rates, steadily increasing the amount of domestic natural gas ultimately tied to global demand.

What this means for consumers

For the near term, the overall picture remains relatively favorable. Strong U.S. production, healthy storage inventories, and mild weather have kept domestic natural gas prices contained despite much higher prices overseas. Consumers, therefore, enter the early part of winter with a more comfortable supply position than global market conditions might suggest.

The risk becomes more asymmetric as winter progresses. A normal or warm winter would likely allow inventories to remain healthy and keep prices relatively subdued. A prolonged cold pattern, particularly if accompanied by production interruptions and sustained record-level LNG demand, could tighten the market much more quickly.

Looking beyond this winter, the market is signaling higher prices as additional LNG export capacity comes online and U.S. natural gas demand continues to grow. Consumers should therefore distinguish between today's relatively comfortable near-term market and the potentially tighter supply-and-demand environment developing over the next several years.

TOTAL U.S. NATURAL GAS IN WORKING STORAGE JAN. '21 – NOV. '26

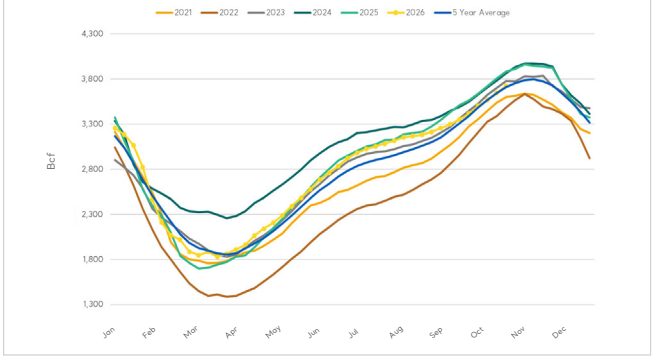


Fig. 5-1

U.S. MONTHLY AVG. PRODUCTION (BCF/D) JAN. '21 – NOV. '26

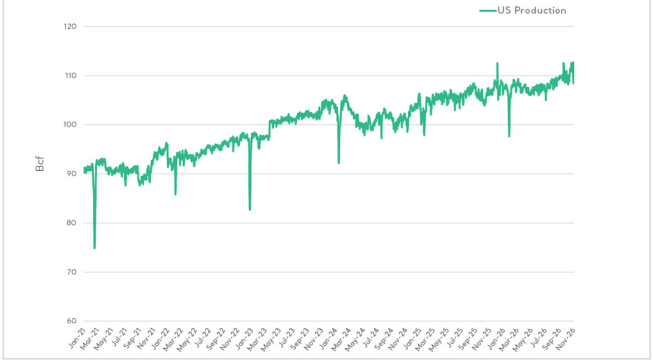


Fig. 5-2

NYMEX 12-, 24-, 36-, & 60-MONTH STRIPS 3-YEAR HISTORY

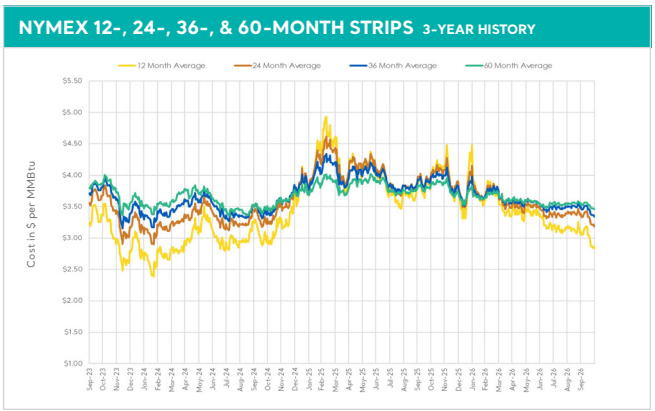


Fig. 5-3

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NATURAL GAS MARKET

For customers with a typical winter-weighted load profile seeking a 1-year term, calendar year 2027 pricing is currently trading near the 10th percentile of its historical range, which includes the all-time lows experienced during the COVID-19 pandemic. When forward prices approach the 10th percentile, it indicates that prices have been higher approximately 90% of the time and lower 10% of the time on a historical basis. While historical percentages do not guarantee future price direction, such valuations have traditionally provided a favorable entry point for consumers to evaluate incremental hedging opportunities.

1-YEAR WINTER-WEIGHTED CUSTOMER PROFILE JAN. '27 – DEC. '27

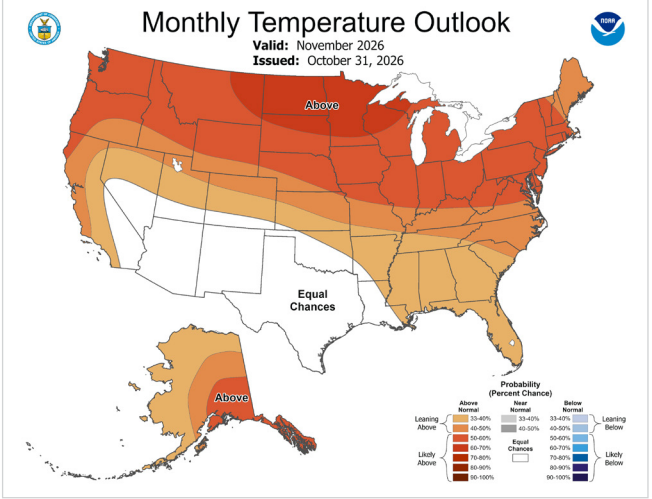


Fig. 6-1

WEATHER

- October finished as the third warmest nationally since 1950, based on gas-weighted heating degree days (HDDs). While the month was forecast by many to be above normal, observations largely came in warmer than anticipated. Nearly the entire Lower 48 finished warmer than the 30-year normal, with the central U.S. as much as 7 to 9 degrees above normal.
- Forecasts for November reflect a textbook El Niño pattern, with above-normal temperatures favored in the northern half and near-normal temperatures forecast across the South. Observed temperatures so far this month, combined with current 2-week forecasts, appear to be proving those forecasts right, as the first half of the month could register more than 10 degrees above normal in the north-central U.S.
- El Niño conditions remain present, with sea surface temperatures running around 2.5 degrees Celsius above normal in the ENSO 3.4 region. As a result, warmer-than-normal temperatures are the major story in winter forecasts, with November already appearing to see influences from this signal. Sea surface temperatures are expected to peak in December and January before gradually cooling into next spring.

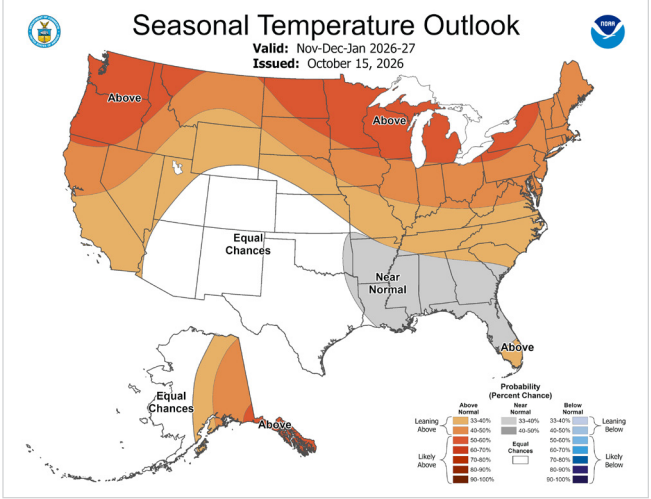
NOVEMBER 2026 TEMPERATURE OUTLOOK



Source

Fig. 6-2

3-MONTH TEMPERATURE OUTLOOK NOV. 2026 – JAN. 2027



Source

Fig. 6-3