

Market Commentary

WEEK ENDING 08.28.26



PJM files **3 major market proposals** with FERC in 3 weeks.



U.S. natural gas **prices hold steady** while Europe trades 7x higher.



August finishes as **hottest nationally since 1950**.

SUMMARY

August was defined by regulatory volume rather than weather. PJM put three major filings in front of the [Federal Energy Regulatory Commission \(FERC\)](#), published a review of the largest data center load-loss event in its history, and released a 5-year strategy conceding that "over a decade of predictably flat load growth is over." The filings share one thread: who pays for the supply gap data center growth created. The Reliability Backstop Procurement (RBP), still pending at FERC, would cover the 6,831.3-megawatt (MW) shortfall this fall, with the average cost of selected offers capped at \$555/MW-day, roughly where the 2028/2029 auction would have cleared without the [price collar](#). A second package would put uncovered Large Loads first in line for curtailment and, starting with the 2029/2030 delivery year, keep their demand out of the capacity auction curve until they bring new capacity or receive a backstop allocation. Power prices were quiet — one Hot Weather Alert all month, with the summer's heat premium already unwound — but the decisions due between now and December will shape capacity-related charges for years.

U.S. natural gas remains stable and well supplied. [Prompt-month Henry Hub](#) futures held a narrow \$2.65–\$2.85 per million British thermal units (MMBtu) range over the past 30 days. The September contract settled at \$2.907 as liquefied natural gas (LNG) demand climbed and

production slipped. Storage stands at 3.184 trillion cubic feet (Tcf), 167 billion cubic feet (Bcf) above the 5-year average and on track to peak near 3.925 Tcf — comfortable by any measure heading into winter. Europe is a different market: Title Transfer Facility gas trades above \$23/MMBtu — roughly seven times U.S. prices — with storage only 62% full and forwards above \$20/MMBtu through March 2027. Strait of Hormuz disruptions have tightened global LNG further. For U.S. buyers, that combination means strong, sustained export demand against a domestic market that remains comfortably supplied.

August 2026 is on pace to be the hottest August nationally since 1950 on power-weighted cooling degree days (CDDs), but the heat concentrated from Texas to California, outside PJM's load centers: Dallas ran triple digits nearly every day, while the Midwest and East stayed near the 30-year normal. September is forecast above normal across much of the central and eastern U.S. The bigger signal is winter: ENSO 3.4 readings sit 1.8 degrees Celsius above normal, with some models projecting anomalies near 3 degrees — which would rank among the strongest [El Niño](#) events on record. Early forecasts lean on that signal heavily, pointing to a Midwest and Northeast winter averaging more than 3 degrees above normal.

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SUMMARY

Looking Ahead

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

- **Evaluate forward natural gas purchases while the domestic market is calm:** U.S. prompt-month prices held a narrow \$2.65-\$2.85/MMBtu range with storage 167 Bcf above the 5-year average, while Europe trades near seven times U.S. levels and keeps export demand strong — a backdrop that has historically favored reviewing hedging plans before winter demand builds.
- **Know how your agreement handles capacity:** The Reliability Backstop Procurement would add a one-time capacity purchase this fall, and state commissions will decide over the coming months whether those costs are shared broadly or isolated to data centers — worth confirming now whether your capacity is fixed for the term, passed through, or trued up once actual rates are set.
- **Plan around the calendar, not after it:** FERC decisions are sought by September 29 and October 12, the backstop auction runs September 30 through October 21, and the 2029/2030 capacity auction posts results in December. Contracts renewing in the next two quarters will be priced against that sequence of decisions rather than after it resolves.
- **Understand your position if PJM calls for reductions:** The August 13 filing would place uncovered Large Loads ahead of the demand response programs existing customers participate in today, but responding well still depends on seeing your load as it happens rather than reviewing it weeks later. We look at this gap in [The Cost of Making Today's Energy Decisions With Yesterday's Data](#).

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

POWER MARKET

July was defined by extreme heat and record load. In August, PJM moved the action off the grid and into the regulatory process. PJM put three major filings in front of FERC in as many weeks, published a review of the largest data center load-loss event in its history, and released a 5-year strategy conceding that the era of flat load growth is over.

Energy prices: heat risk premium unwinds

The PJM market was relatively tame through August as weather came in seasonable, but all five of this summer's current coincident peaks appeared in July. PJM issued a Hot Weather Alert for August 9-11— the only operational alert of the month — a sharp contrast to July's peak of roughly 168,158 MW and \$1,222.75 per megawatt-hour (MWh) West Hub print on July 2.

The near-term weather premium has largely come out of the front of the curve as attention shifts to winter, with forecasts pointing to milder conditions due to a strengthening El Niño.

Reliability Backstop Procurement: decision due

PJM's July 31 RBP filing (Docket ER26-3380-000) is still pending at FERC. It is a one-time procurement covering the 6,831.3 MW of [unforced capacity](#) by which the 2028/2029 [Base Residual Auction](#) cleared short.

- FERC approval requested by September 29; procurement opens September 30 and runs through October 21, with results by early December.

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POWER MARKET

- Commitments run up to 15 years and are open to new generation, storage, demand response, and distributed energy resources that can be online by June 1, 2032.
- The MW-weighted average levelized cost of selected offers is capped at \$555/MW-day — essentially what the market signaled on its own. PJM's 2028/2029 auction report shows the regional transmission organization (RTO) would have cleared at \$554.72/MW-day without the price collar.
- Remaining costs flow through PJM to load-serving entities, with states deciding how they're assigned at retail, including to data centers.

That last point is where the real fight is. State commissions will decide over the coming months whether all customers share these costs or whether they're isolated to data centers.

August 13 filing: a new curtailment tier for Large Loads

PJM's second, broader package (Docket ER26-3515-000) implements the remaining directives from its July 27 Board letter. Comments were due September 3; PJM requested an October 12 effective date.

Interim Resource Adequacy Service (IRAS) — previously known as "Connect and Manage" — would allow large data centers to enter service **without** first securing capacity to cover their demand, but the share of demand left uncovered would become available for reduction ahead of existing Pre-Emergency Load Management. In plain terms, PJM would curtail these uncovered Large Loads first before calling on the demand response programs that existing customers participate in today. A "Large Load" is defined as demand with a cumulative peak of at least 50 MW at a single electrical site, applying to loads entering service after June 1, 2027. PJM stresses that an IRAS obligation does not mean routine curtailment — it establishes a reliability resource called on only when real-time conditions warrant.

The package also creates two new mechanisms. The first is a Large Load Registry, tracking location, in-service dates, peak demand, and backup generation across the footprint. The second is Bring Your Own New Capacity (BYONC), which lets a Large Load customer reduce its IRAS exposure by bringing qualifying new capacity to the system. That capacity must offer into PJM's capacity

auctions as price takers for 10 consecutive delivery years. PJM says this intentional high bar is meant to ensure supply is "new and not repackaged."

Most relevant to existing customers: beginning with the 2029/2030 delivery year, PJM would exclude uncovered incremental Large Load demand from the capacity auction demand curve until that load has BYONC or an RBP allocation. PJM's rationale is direct — "the rest of PJM's load should not be exposed to the price impacts" of new Large Loads buying capacity through the regular auction instead of bringing new supply. If it holds, it will ease some of the upward pressure on capacity charges for everyone else.

The Northern Virginia event: Large Loads cut both ways

Most of this year's commentary has framed data centers as a demand problem. An event reviewed in August shows they are also an operational one.

On July 22, a 230-kilovolt transmission line outage in Northern Virginia caused roughly 3,800 MW of data center load to disconnect and transfer to backup generation — the largest such event in PJM history. PJM-wide load dropped from 99,984 MW to 96,205 MW, producing significant voltage and frequency swings. PJM and Dominion published a joint review on August 11, and PJM is now evaluating new interconnection reliability requirements, including ride-through standards for large computational loads. This is the fourth Large Load workstream alongside RBP, IRAS, and the interconnection queue, and is likely to produce tariff changes.

Governance reform accelerates, with FERC pushing

Following its July 23 technical conference, FERC issued an August 10 notice initiating a dispute-resolution process directing PJM to prepare governance reforms. PJM filed a term sheet August 21 proposing to expand its Section 205 filing rights, convert stakeholder voting from binding to advisory, extend Board terms from 3 years to 9, and grant the Organization of PJM States filing rights on certain resource adequacy matters. FERC mediators convened stakeholders September 1, with a package expected at the September 24 Members Committee.

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POWER MARKET

These reforms would shift real authority toward the Board and the states while signaling that market rule changes will arrive faster moving forward, in both directions.

Interconnection Cycle 1: next milestones

The 715 projects — 201.5 gigawatts (GW) — that qualified on August 3 now move into study. PJM posted its summer peak model August 28, with winter peak and light-load cases following on September 11, a first view of potential Phase 1 system impacts. Our caution stands: Since 2020, PJM has processed more than 300 GW, but only 51 GW currently sits with signed agreements, and those 51 GW are either not being built at all or are being slowed by hurdles such as state permitting and supply chain backlogs.

Key Takeaways

Demand growth, overwhelmingly from data centers, continues to outrun new supply. PJM's filings put peak demand growth at roughly 32 GW between 2024 and 2030 (about 30 GW of it from data centers), with the Board warning Large Load demand could rise 70 GW by 2038. PJM's own 5-year strategy, released August

19, puts it bluntly: "Over a decade of predictably flat load growth is over." President and CEO David Mills and Board Chair Paula Conboy told stakeholders that "while this is a 5-year strategy, we do not have 5 years to deliver on most of these priorities."

What changed in August is that the response is now concrete and dated. Between FERC decisions sought by September 29 and October 12, mediated governance talks, Cycle 1 study milestones, the RBP auction September 30 through October 21, and the 2029/2030 capacity auction in December, the next 4 months carry more scheduled decision points than any comparable stretch in recent PJM history, and several will show up in capacity-related charges.

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 7/31/2026	5.730	4.225	4.922	6.902	8.375	4.177
12-Month Strip on 8/28/2026	5.590	4.062	4.771	6.920	8.180	3.973
Monthly \$ Change	-0.140	-0.163	-0.151	0.018	-0.195	-0.204
Monthly % Change	-2.5%	-3.9%	-3.1%	0.3%	-2.3%	-4.9%

Fig. 4-1

NATURAL GAS MARKET

Depending on which side of the Atlantic you are located, the cost of natural gas tells a very different story.

In the U.S., natural gas prices have remained remarkably stable. Over the past 30 days, prompt-month Henry Hub futures have traded within a narrow range of approximately \$2.65 to \$2.85/MMBtu, but on the final contract expiration day, the September 2026 contract settled above the range at \$2.90 due to tighter near-term balances as LNG demand ramped up and production faltered. Next-day cash prices in the Northeast have been trading well below \$2 and in some cases below \$1.50, which could prompt some producers to curtail gas at low-cost delivery points as we enter the mild early fall season.

The supply backdrop remains more than adequate. U.S. natural gas storage inventories entered the 2026 injection season at 1.828 Tcf, nearly identical to the 5-year average of 1.815 Tcf. Since then, strong injections have pushed inventories significantly higher. As of late August, total working gas in storage stands at 3.184 Tcf,

or 167 Bcf above the 5-year average. Looking ahead, analysts currently project end-of-season storage inventories to peak near 3.925 Tcf, a level widely viewed as comfortable and sufficient to meet typical winter demand requirements.

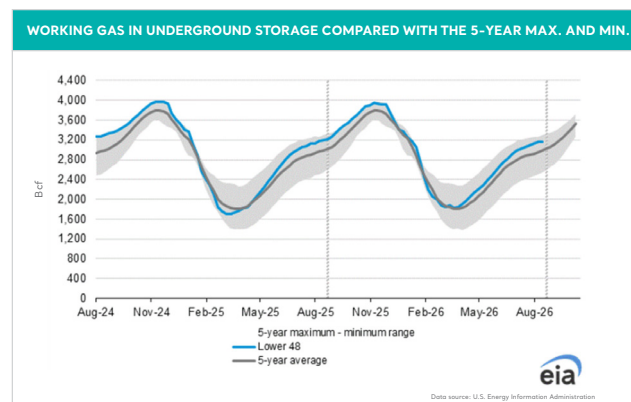


Fig. 4-2

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NATURAL GAS MARKET

In contrast, European natural gas markets continue to face a much tighter fundamental outlook. While U.S. prompt-month prices are hovering near \$2.90/MMBtu, natural gas at the [Title Transfer Facility \(TTF\)](#), Europe's primary pricing hub, is trading above \$23/MMBtu, with forward prices remaining above \$20/MMBtu through March 2027. This represents a premium of roughly seven times prevailing U.S. prices.

Recent disruptions to energy shipments through the Strait of Hormuz have further tightened global energy markets, contributing to a sharp increase in LNG prices amid the continuing uncertainty surrounding U.S.-Iran negotiations. At the same time, European gas storage inventories remain below historical norms. Current storage levels are approximately 62% full, placing inventories below the 5-year range for this time of year. Analysts are suggesting storage could struggle to reach 75% heading into November, putting a strain on the system if this winter happens to be colder than normal.

The combination of relatively low European storage inventories, elevated global LNG prices, and ongoing geopolitical uncertainty is expected to sustain strong demand for U.S. LNG exports. As a result, U.S. export facilities are likely to continue operating at or near full capacity through the upcoming winter season.

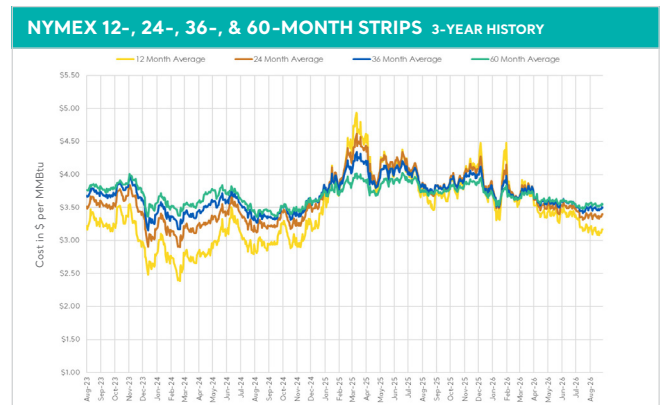


Fig. 5-3

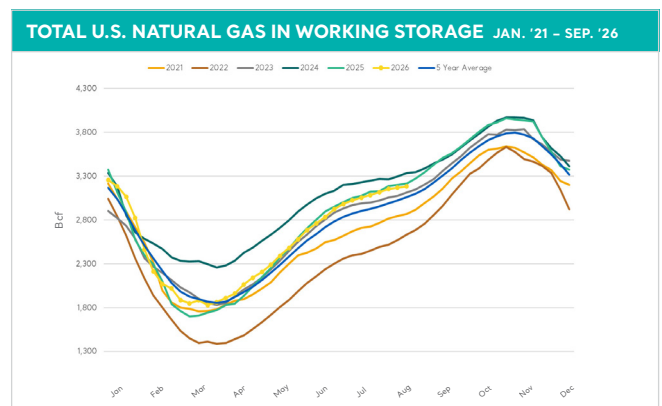


Fig. 5-4

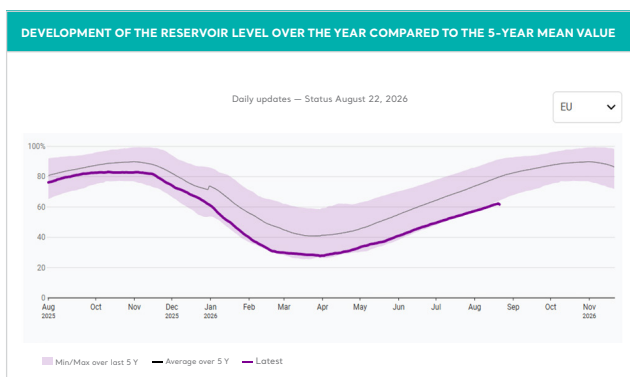


Fig. 5-1

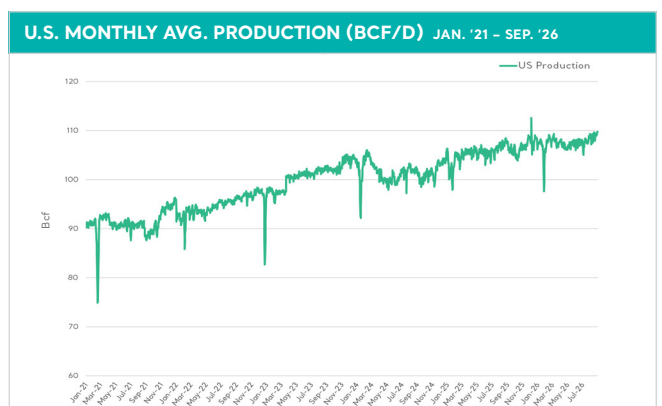


Fig. 5-5

LAST MONTH ON THE NYMEX

	Prompt-Month (Oct. '26)	12-Month Strip	36-Month Strip	Winter Strip '26-'27
Settlements on 7/31/2026	2.747	3.183	3.496	3.523
Settlements on 8/28/2026	2.888	3.167	3.498	3.402
Monthly \$ Change	0.141	-0.016	0.002	-0.121
Monthly % Change	5.1%	-0.5%	0.1%	-3.4%

Fig. 5-2

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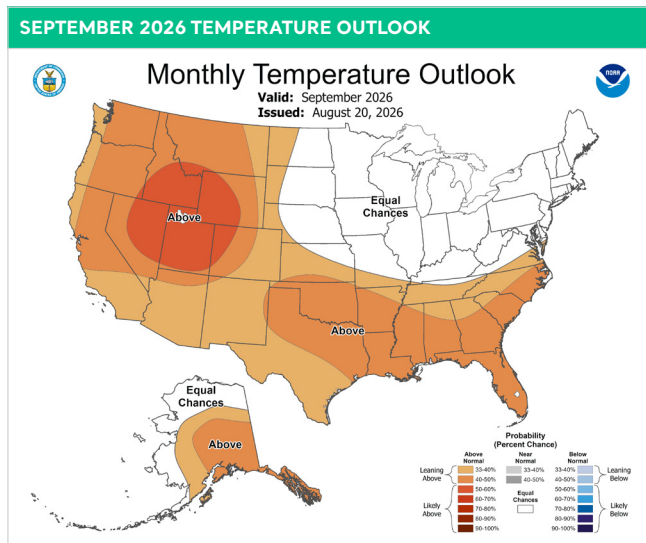
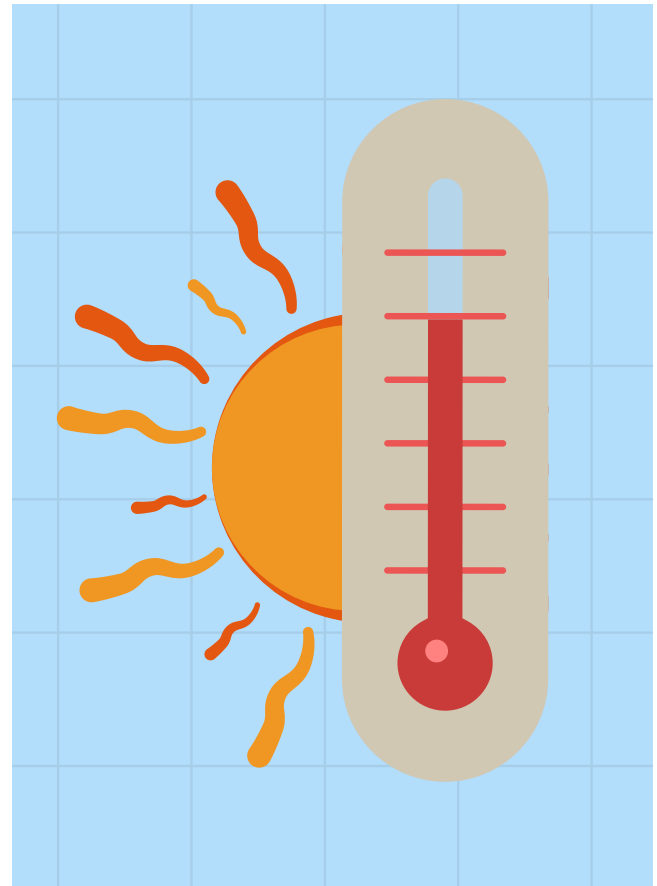
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WEATHER

August 2026 is on pace to be the hottest on record nationally since 1950 based on power-weighted CDDs. While temperatures were largely close to the 30-year normal in much of the Midwest and East, areas from Texas to California saw significant heat. Dallas featured triple-digit temperatures consistently across the month, topping out at 109 degrees on August 23 and 24. Only 4 days of the month were under 100 degrees through August 26.

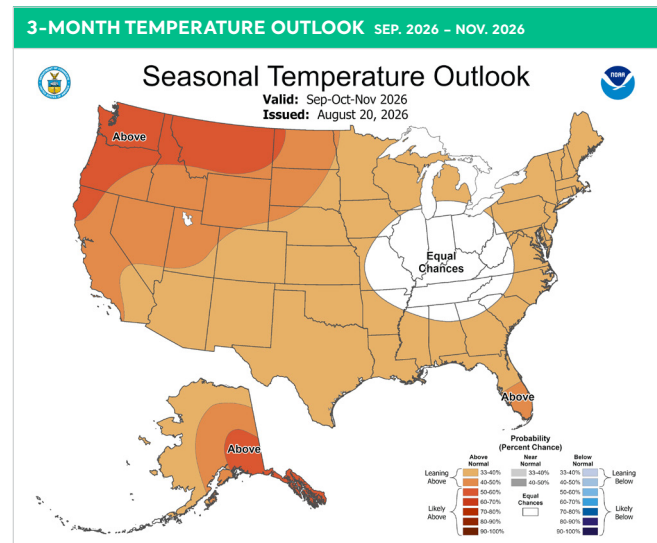
September is forecast above normal in large portions of the central and eastern U.S. This is based on medium-range weather models and a significant warming trend in September months in recent years. Only 1 year in the last 10 (2020) has finished below the 30-year normal nationally based on power-weighted CDDs.

Temperatures in the ENSO 3.4 region are at 1.8 degrees Celsius above normal, as we currently sit in an El Niño Advisory waiting for the arrival of an official El Niño declaration. Many models are now projecting anomalies to approach 3 degrees above normal, which could make this the strongest El Niño event on record. Early winter forecasts are heavily relying on this signal, suggesting much of the Midwest and Northeast could average more than 3 degrees above normal for the winter.



[Source](#)

Fig. 6-1



[Source](#)

Fig. 6-2