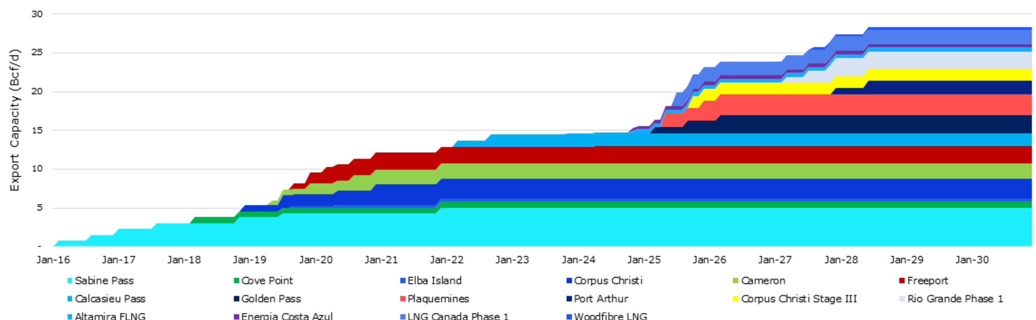
Compiled: April 22, 2024

The following are answers to the questions our presenters received from participants during the U.S. Summer 2024 Market Update webinar.

What impact does the recent Dept. of Energy pause on export permits have on the current and planned facilities for LNG exports?

The recent DOE pause could impact projects past mid-2028. The near-term project queue, which is set to add 10.6 Bcf/day of capacity, is unaffected since these projects have already been approved and have the permits under review.

By the end of 2025 there will be over 20 Bcf/day export capacity in the U.S. and over 23 Bcf/day export capacity in North America



Source: public reporting from LNG facilities

With the Mountain Valley Pipeline (MVP) expected to be completed this year, how has/does this impact(ed) basis trends?

Following the volatility of 2022, basis pricing has been moving in a favorable direction both for the near-term and further out on the curve for the Northeastern markets. Some of the price movement was in response to the loosening of supply/demand coming off a mild 2023. However, since the permits for MVP were expedited, basis is trading significantly lower (over the past year and a half in particular) and, in most cases, is backwardated through 2028. With the expected growth of gas demand from power burn generation and export capacity, it may make sense to lock in that basis value longer term and create a layered approach for your natural gas purchases.

Is it true that demand response values are down and, if so, is DR worth it?

DR values are primarily driven by capacity prices. Although the PJM enrollment season is closing, it's worth noting that it is the biggest DR market. PJM DR values are quite low historically, but the next capacity auction results are expected this summer, which could have an impact. DR values in other markets, like New York (especially downstate) and New England, are quite strong (as high as $300k/MW in New York City when participating in both the utility and ISO programs). But it really comes down to the ability and willingness of an organization to curtail load for economic benefit.

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You could consider enlisting help from NRG via our Strategic Load Management service, which could help you prepare to earn money for demand response. It could also help with strategies for reducing on peak load days to help lower your capacity and transmission obligations (i.e. "tags") and thus your cap and trans costs.

Another option to consider that works with or without participation in DR is NRG's proprietary Responsive Economic Dispatch (RED) program. This program has no penalties but provides an opportunity for you to earn for what you can curtail.

I've always signed fixed price contracts but would like to consider other alternatives based on the current index discount, but I am concerned about the risk.

If you think about your investment strategy, it's not really about putting all your money into one financial instrument. The same applies to your investment in energy supply—it could benefit you to diversify, especially in a dynamic price market. Concern about switching away from the familiarity and simplicity of a fixed price product is not uncommon. However, you have choices in how you manage your exposure to index pricing when you're not on a straight fixed price plan that allow you to hedge against rising prices, while capitalizing on low pricing or dips as they occur.

NRG's Load Following Block & Index (or LFBI) product offers the ability to layer energy hedges in percentages of your load—including the ability to execute one or multiple hedges to cover 100% of your requirements and eliminate index exposure. With this product structure, if market prices fall such that the index is no longer attractive, you can fix 100% of your load. We like to call this "enhanced fixed price" by achieving your fixed price in layers, with the option to participate in the index market.