

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Horizon Merger Sub, Inc.

The AES Corporation on behalf of its
Public Utility Subsidiaries

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EC26-99-000

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rules 211 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),² submits these comments responding to the filing on May 21, 2026 (“May 21st Filing”), requesting approval of a proposed transaction under Section 203 of the Federal Power Act in which BlackRock, EQT, QIA and CalPERS will acquire AES. BlackRock, which also owns supply in the markets through its Blanket Authorization, will acquire the largest share in AES and will represent the shares of CalPERS. The May 21st Filing requests approval of the formally defined transaction (“Transaction”) in which Horizon Merger Sub, Inc. (“Horizon Merger Sub”) will merge with and into the AES Corporation (“AES”), with AES continuing as the surviving corporation under the new owners. BlackRock will hold a controlling interest in AES.

Horizon Merger Sub is currently a subsidiary of Horizon Parent, L.P. (“Horizon Parent”). Horizon Parent is a limited partnership controlled by Global Infrastructure

¹ 18 CFR §§ 385.211 (2025).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

Management, LLC (“GIM”). GIM is a subsidiary of BlackRock, Inc. (“BlackRock”) and operates under the trading name Global Infrastructure Partners (“GIP”). Prior to the closing of the Transaction, GIP, together with EQT AB (“EQT”), Qatar Investment Authority (“QIA”) and California Public Employees’ Retirement System (“CalPERS”), together “Purchasers”, will each pay their share of the purchase price and receive ownership shares in Horizon Merger Sub in return. Once the Transaction is approved and consummated, AES will be jointly owned by investment funds and vehicles controlled or managed by the Purchasers or the affiliates of the Purchasers with pro rata shares in AES: (1) 36.625 percent by BlackRock (GIP), (2) 33.375 percent by EQT, (3) 10 percent by QIA and (4) 20 percent by CalPERS. CalPERS’s 20 percent ownership is held through an investment vehicle managed by a BlackRock (GIP) affiliate on behalf of CalPERS, resulting in CalPERS holding a passive 20 percent interest and BlackRock (GIP) holding a controlling 56.625 percent interest in AES. The May 21st Filing states (at 12) that BlackRock (GIP) and EQT will have the right to appoint members of the AES board. The Transaction is a merger of GIP, EQT, and AES resources.

BlackRock, the parent company of GIP, owns 2,218.0 MW of generation in PJM. According to its quarterly report that is required per its Blanket Authorization, BlackRock owns greater than 10 percent of and is affiliated with 18 other PJM market participants, including Exelon (11.02 percent ownership) and Public Service Enterprise Group (10.41 percent ownership).^{3 4} In addition, BlackRock owns less than 10 percent of other PJM market participants under the Blanket Authorization, including Talen Energy Corp (9.01 percent ownership), NextEra Energy Inc (8.58 percent ownership), FirstEnergy Corp. (8.49 percent ownership), NRG Energy Inc (8.48 percent ownership), Vistra Energy Corp (8.43 percent ownership) and Constellation Energy Corp (6.49 percent ownership). BlackRock also owns 15.72 percent of MARA Holdings Inc., a data center developer who recently submitted a

³ See *BlackRock, Inc.* 191 FERC ¶ 61,052 at P 8 (2025).

⁴ *BlackRock, Inc.* Quarterly Filing of BlackRock, Inc., EC16-77-000, et al. (May 14, 2026).

Section 203 application to acquire Long Ridge Energy Generation LLC.⁵ Applicants' market power analysis does not include BlackRock's ownership under the Blanket Authorization. These resources could benefit from BlackRock's structural market power it will have after the Transaction and other Section 203 transactions, as well as private information BlackRock has about AES's competitors. The Blanket Authorization affiliates should be included in the Applicants' analysis.

EQT is a private equity firm based in Sweden. EQT's affiliates in PJM include Scale Microgrids, Reworld Holding Corporation, Madison Energy Holdings, and Cypress Creek Holdings. EQT owns 366.5 MW of generation in PJM. EQT and BlackRock also own qualifying facilities that were not included in the May 21st Filing. These resources can affect the PJM market, and PJM has recently expanded the means by which such resources can participate in the market through distributed energy resource aggregations. Applicants should be required to identify all affiliated resources and include them in the market power analysis.

QIA is the sovereign wealth fund of the State of Qatar. QIA currently does not have affiliates in PJM.

The Market Monitor has identified the increase in structural market power that would result from approval of the Transaction.⁶ Applicants have not asserted that this Transaction provides any offsetting public benefits, such as enhanced competition or market efficiency. Applicants have not proposed any mitigation. Section 203 of the Federal Power Act requires a finding that approval of the Transaction is consistent with the public interest. Although

⁵ Joint Application for Authorization Under Section 203 of the Federal Power Act of Long Ridge Energy Generation LLC, et al., Docket No. EC26-92-000 (May 8, 2026).

⁶ See Attachments A (Public Market Power Analysis) & B (Highly Confidential Market Power Analysis). Because the Market Monitor's analysis contains market sensitive information that should not be disclosed to competitive duty personnel, the Market Monitor has included an IMM Protective Agreement, similar to an agreement recently relied on in Docket No. EC26-63, that protects from disclosure highly confidential privileged information to competitive duty personnel. The Protective Agreement, included as Attachment C, largely follows the Model Protective Order.

Section 203 has been interpreted not to require Applicants to show benefits to the public interest, it cannot be approved if concerns about harm to competition are supported with evidence in the record, and those concerns are not mitigated.⁷ The Transaction cannot be approved “on balance,” where on balance the transaction is harmful because the Applicants do not show that benefits offset unmitigated harms.⁸ In this case, Applicants ignore the concerns and show no offsetting benefits. The Transaction cannot be approved, including on balance, without a finding that benefits to the public interest offset the harm identified in the record.⁹ Applicants should accept the targeted mitigation proposed by the Market Monitor. The failure to accept such targeted mitigation would validate the concern that the increase in structural market power will harm the public interest if the Transaction is approved. Applicants have not explained why the Transaction is consistent with the public interest.

Consideration of the impact of the Transaction on market power is critical to determine whether the Transaction is in the public interest, given that competitive markets are relied upon to ensure just and reasonable rates in PJM.¹⁰ Applicants provide results

⁷ See 16 U.S.C. § 824b; *Inquiry Concerning the Commission’s Merger Policy Under the Federal Power Act: Policy Statement*, Order No. 592, 77 FERC ¶ 61,263 (1996) (*mimeo*), FERC Stats. & Regs. ¶ 31,044 (1996) (“Merger Policy Statement”), *reconsideration denied*, Order No. 592-A, 79 FERC ¶ 61,321 (1997) (“Merger Policy Statement”); see also *Revised Filing Requirements Under Part 33 of the Commission’s Regulations*, Order No. 642, FERC Stats. & Regs. ¶ 31,111 (2000) (“Order No. 642”); *Transactions Subject to FPA Section 203*, Order No. 669, FERC Stats. & Regs. ¶ 31,200 (2005) (“Order No. 669”), *order on reh’g*, Order No. 669-A, FERC Stats. & Regs. ¶ 31,214 (“Order No. 669-A”), *order on reh’g*, Order No. 669-B, FERC Stats. & Regs. ¶ 31,225 (2006) (“Order No. 669-B”).

⁸ See Merger Policy Statement, FERC Stats. & Regs. ¶ 31,044 at 68597 (“we recognize that there may be unusual circumstances in which, for example, a merger that raises competitive concerns may nevertheless be in the public interest because customer benefits (such as the need to ensure reliable electricity service from a utility in severe financial distress) may clearly compel approval. Consistent with the Guidelines, the Commission would continue to account for such circumstances and could, in a particular case, conclude that on balance the merger is consistent with the public interest”)

⁹ See 16 U.S.C. § 824b(b) (“the Commission shall approve the proposed disposition, consolidation, acquisition, or change in control, if it finds that the proposed transaction will be consistent with the public interest”).

¹⁰ See *Shell Energy N. Am. (US), L.P. v. FERC*, 107 F.4th 981, 986–987 (DC Cir. 2024); *Public Citizen, Inc. v. FERC*, 7 F.4th 1177, 1193–1195 (2021).

showing that the Transaction would result in an increase in structural market power for AES, but that meets the thresholds defined for the Commission's initial screen for market power. Applicants' analysis understates the effect on market power and the full market power of Applicants because Applicants do not include BlackRock's Blanket Authorization assets or BlackRock and EQT's QF assets. The May 21st Filing should be rejected and the Applicants required to refile with a market power analysis that includes all assets owned by BlackRock and EQT.

The Market Monitor's market power analysis shows that the Transaction would result in an increase in structural market power for AES, as measured by an increase in the frequency of AES as a pivotal supplier in local energy markets defined by frequently binding transmission constraints, an increase in aggregate market power in the energy market, and an increase in market power in the capacity market.

The fact that the Transaction does not fail the Commission's HHI thresholds in the Applicants' Delivered Price Test ("DPT") analysis does not ensure that the Transaction does not increase market power. The DPT is based on assumptions about generator marginal costs, rather than actual data or actual market offers, and it does not account for the realities of the nodal power market in which PJM market prices are formed. In particular, the DPT equally weights all MW in a submarket, while PJM's actual market clearing logic weights them by the distribution factors with respect to constraints in clearing the market and forming prices. Market power can increase at levels below the Commission's thresholds, and market power can increase in ways that the Commission's analysis does not consider.

The Commission does not require a pivotal supplier analysis in the initial evidentiary support in applications for approval of transactions that pass the Commission's market power screens, based on the DPT.¹¹ The Commission has found in a prior case that the Market Monitor's analyses and findings of market power do not "cast doubt on the results of

¹¹ See 192 FERC ¶ 61,074 at P 130 (2025).

Applicants' DPT."¹² The Commission determined not to rely on the Market Monitor's pivotal supplier analysis in a prior case.¹³ ¹⁴ As a result, the Commission has not analyzed the relative merits of the DPT analysis and the Market Monitor's pivotal supplier analysis for transactions in the PJM LMP markets. The Commission has instead relied on the DPT alone, using HHI only, in determining whether a transaction is consistent with the public interest. For this Transaction, the Market Monitor analyzes constraints that meet the Commission's threshold for frequently binding constraints, so that the Commission can make a better comparison of the results. The Market Monitor also analyzes constraints that are binding for 100 hours per year or more (one percent of hours).

The Market Monitor recommends that any order approving the Transaction requires specific behavioral commitments by AES. None of the behavioral commitments would create a burden on Applicants because all are designed to help ensure competitive behavior. Each of the conditions addresses an identified insufficiency in the PJM market power mitigation rules. These are not general market issues but specific insufficiencies in the rules. Absent the inclusion of the identified behavioral commitments, the Market Monitor opposes the Transaction. If the identified conditions were accepted, the Market Monitor does not oppose the Transaction. The Transaction as filed would increase market power and fail to mitigate that increase in market power, and is therefore not consistent with the public interest.¹⁵

The Market Monitor requests that the Commission consider whether any transaction that results in increases in market power in the PJM Capacity Market without clear behavioral conditions should be approved as consistent with the public interest given the fact that the PJM Capacity Market is already characterized by endemic market power. The Market

¹² 193 FERC ¶ 61,124 at P 65 (2026).

¹³ 195 FERC ¶ 61,082 at P 63 (2026).

¹⁴ *See id.* at P 64.

¹⁵ *See* 16 U.S.C. § 824b.

Monitor does not propose in this proceeding any measures to correct flaws in or to enhance the PJM market rules, recognizing that such matters are not within the scope of Section 203 proceedings. The actual state of the existing markets does determine the context within which the Transaction must be evaluated.

In Section 203 applications and market based rate applications, the Commission relies on the sufficiency of the market monitoring and market power mitigation provisions in the RTO's tariff to mitigate local market power within the RTO.¹⁶ If the market monitoring and market power mitigation provisions in the RTO's tariff are insufficient, detailed analysis of submarkets created by constraints within the RTO is necessary and any market power created or enhanced by the merger or acquisition requires explicit mitigation to ensure market power is not exercised.¹⁷ Each of the behavioral conditions proposed by the Market Monitor meets this Commission defined standard.

I. COMMENTS

A. The Transaction Increases Structural Market Power

The Transaction would combine the generation portfolio of AES with the generation portfolios of BlackRock and EQT. AES's assets in PJM consist of 1,583.4 MW of generation, including coal fired, solar, wind, and battery resources in the AEP, APS, and DOM Zones of PJM. BlackRock's assets in PJM, excluding assets owned through Blanket Authorization, consist of 2,218.0 MW of generation, including natural gas fired, solar, and wind resources in the APS, DOM, EKPC, PENELEC, and PPL Zones of PJM. EQT's assets in PJM consist of 366.5 MW of generation, including municipal solid waste fired and solar resources in the BGE, PECO, and PSEG Zones of PJM. The Market Monitor provides its detailed market power analysis as Attachment A. The Transaction would increase local market power with respect

¹⁶ See *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 241 (2007), *order on reh'g*, Order No. 697-A, 123 FERC ¶ 61,055 (2008).

¹⁷ Order No. 697-A at P 111.

to constraints that frequently bind in the PJM market, particularly in the Chesapeake submarket. All three companies, BlackRock, EQT, and AES have market power in the energy market with respect to frequently binding constraints. The Transaction would combine that local market power into one entity with greater local market power. Applicants should be required to evaluate market power for the Chesapeake submarket. The Transaction also results in small increases in aggregate market power in the energy and capacity markets.

The current need for new generating capacity in PJM is an opportunity for increased competition and new entry. This is a time when competition could protect the public interest in affordable and reliable power while expanding supply to meet new demand. Instead, ownership of existing generation is being consolidated in a small group of owners, which is counter to the public interest. The structural market power created by this ownership consolidation undermines competition and creates the potential for the exercise of market power, at a time when data center load growth is already resulting in noncompetitive prices.¹⁸ Price increases that result from market power are noncompetitive, inefficient, unjust and unreasonable. The Commission's consideration of this trend in the concentration of asset ownership in PJM with every Section 203 application review is essential to ensure that the transactions are consistent with the public interest and that PJM competitive markets remain competitive.

B. HHI Is Not a Definitive Test of Market Power

The Commission's review of transactions under Section 203 of the Federal Power Act relies in part on the Herfindahl-Hirschman Index (HHI) as a measure of the concentration of ownership in a defined market.¹⁹ The HHI is the sum of the squared market shares of all market participants.

¹⁸ See Monitoring Analytics, LLC, *Analysis of the 2027/2028 RPM Base Residual Auction—Part A*, (January 5, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20272028_RPM_Base_Residual_Auction_Part_A_20260105.pdf>.

¹⁹ See U.S. Department of Justice and Federal Trade Commission, Horizontal Merger Guidelines, 57 Fed. Reg. 41,552 (1992); Merger Policy Statement, FERC Stats. & Regs. at 30,119–20.

The Commission's Merger Policy Statement requires applicants to file a Delivered Price Test ("DPT") analysis.²⁰ The DPT analysis is designed to serve as a screen for impacts on competition. Applicants filed a DPT analysis that did not identify any competitive concerns. In response to concerns raised that Section 203 proceedings should not turn on whether "... the proposed filing requirements place the Commission in a position of relying on merger applicants' potentially biased analysis," the Commission indicated that it "will continue to use all means available to ensure that merger applications are complete, accurate, and free from bias."²¹ A check on whether applicants' analyses contain bias is the consideration of alternative analyses. In the Merger Policy Statement, the Commission recognized the limits of the DPT analysis, particularly when applied to wholesale power markets rather than the vertically integrated utility status quo that existed at the time of the Merger Policy Statement.²² The Merger Policy Statement explicitly welcomes alternative analyses from intervenors.²³ Rejecting alternative analyses without explanation because they

²⁰ See 18 CFR Part 33; Merger Policy Statement.

²¹ Order No. 642 *mimeo* at 24–25.

²² See Order No. 642 *mimeo* at 17 ("One value of the screen process is that some mergers may be quickly approved if the evidence as to the lack of effect on competition is convincing and verifiable and the merger is otherwise found to be consistent with the public interest. The screen process may also be useful in narrowing issues that may require further analysis. This can be especially helpful to intervenors. In addition, the screen process is useful to suggest possible mitigation measures if there is a potential competitive concern.").

²³ See *id.* at 68600 ("[T]he Commission will need to evaluate the relevant product and geographic markets affected by each merger proposal; these markets, in turn, depend on the specific characteristics of the merger applicants and the products and markets in which they potentially trade. Consequently, mergers may require analysis of different product and geographic markets due to factors (such as the existence of constrained transmission paths) that affect the size of a particular market or the hours in which trade of the product is critical to determine whether merger applicants possess market power. Such distinguishing factors will need to be identified and analyzed on a case-by-case basis. Thus, the analytical process explained in this Policy Statement is a framework under which appropriate adjustments may be required to be incorporated to take account of factors unique to a merger. Furthermore, as noted above, this Policy Statement also is intended to be sufficiently flexible to accommodate the kinds of new merger proposals that will be presented to the Commission as the energy industry evolves to meet the challenges of a more competitive marketplace."); see also

are not the DPT analysis contradicts the Merger Policy Statement, which promulgated rules. Decisions of the Commission cannot properly ignore rules.²⁴ The Market Monitor's analysis has been accepted for consideration in other Commission proceedings.²⁵ The Market Monitor's analysis provides a more granular look at the impacts on PJM markets, taking into account how PJM markets actually operate. The Market Monitor's analysis can and does identify concerns that a DPT analysis can and does miss, even when the DPT analysis is performed as designed. The DPT analysis does not take into account that PJM markets rely on locational marginal pricing ("LMP"). LMP markets are dynamic, and transmission constraints bind at specific times and locations. The DPT analysis can serve its intended purpose as one possible screen, but the impacts on competition cannot be properly evaluated in an LMP market in reliance on the DPT analysis alone. The Applicants' analysis demonstrates that the traditional DPT analysis does not detect the kind of market power concerns identified in the Market Monitor's analysis.

Notwithstanding whether the HHI level, or the change in the HHI level, exceeds the Commission defined levels for concern, a supplier may have the ability to raise market prices above the competitive level. If reliably meeting the PJM system load requires energy from a single supplier, that supplier is singly pivotal and has monopoly power in the aggregate

Order No. 642 *mimeo* at 37 ("The Commission emphasized in the NOPR that the horizontal screen is not meant to be a definitive test of the likely competitive effects of a proposed merger. Instead, it is intended to provide a standard, generally conservative check to allow the Commission, applicants and intervenors to quickly identify mergers that are unlikely to present competitive problems. The horizontal screen approach allows applicants, intervenors and the Commission to have a common starting point from which to evaluate proposed mergers. Failing the initial screen does not necessarily mean the Commission will reject the merger. Rather, it means only that the Commission must take a closer look at the competitive impacts of the proposed merger.").

²⁴ See, e.g., *Arizona Grocery Co. v. Atchison, T. & S. F. R. Co.*, 284 U.S. 370, 389 (1932) ("Where ... the Commission has made an order having a dual aspect, it may not in a subsequent proceeding, acting in its quasi-judicial capacity, ignore its own pronouncement promulgated in its quasi-legislative capacity.").

²⁵ See *Dynegy Inc., et al.*, 150 FERC ¶ 61, 231 (2015); *Exelon Corporation, Constellation Energy Group, Inc.*, 138 FERC ¶ 61,167 (2012); *NRG Energy Holdings, Inc., Edison Mission Energy*, 146 FERC ¶ 61,196 (2014); see also *Analysis of Horizontal Market Power under the Federal Power Act*, 138 FERC ¶ 61,109 (2012).

energy market. If reliably meeting the PJM system load requires energy from three suppliers, those suppliers are jointly pivotal and have oligopoly power in the aggregate energy market. The number of pivotal suppliers in the energy market is a better measure of structural market power than the HHI. The same is true in the capacity market. If the capacity of a single supplier is needed to clear the capacity market, that supplier is pivotal. The HHI is not a definitive measure of structural market power. The capacity market illustrates the mismatch between the HHI metric and the pivotal supplier metric. The identification of jointly pivotal suppliers as a source of market power does not require an assumption that the suppliers collude. There are multiple mechanisms that would permit the exercise of market power when there are limited suppliers providing relief to a constraint. FERC's definition of highly concentrated markets, based on an HHI greater than 1800, includes between five and six owners with equal market shares, while the three pivotal supplier test evaluates whether three suppliers are jointly required in order to clear the market.

The current market power mitigation rules for the PJM energy market rely on the assumption that the aggregate market includes sufficient competing sellers to ensure competitive market outcomes. With sufficient competition, any attempt to economically or physically withhold generation would not result in higher market prices, because another supplier would replace the generation at a similar price. This assumption requires that the total demand for energy can be met without the supply from any individual supplier or without the supply from a small group of suppliers. This assumption is not correct when there are pivotal suppliers in the energy market as a result of the interaction between demand and available incremental supply. That is the definition of a pivotal supplier or group of pivotal suppliers. In 2025, there were pivotal suppliers in the aggregate energy market on 95.3 percent of days.²⁶

²⁶ See Monitoring Analytics, L.L.C., *2025 State of the Market Report for PJM*, Vol. 2, Section 3: Energy Market at 136.

The Market Monitor's market power analysis shows a small increase in the energy market HHI based on the Transaction. The Market Monitor's analysis shows that BlackRock, EQT, and AES are pivotal suppliers in the PJM Capacity Market and in the PJM Energy Market, and that market power would increase a small amount with the Transaction. Local market power in the energy market would increase with the Transaction. The Market Monitor's pivotal supplier analysis includes both three pivotal supplier tests with a market defined by supply within 150 percent of the competitive market price and singly pivotal supplier tests with a market defined by supply within 105 percent of the competitive market price. The 105 percent threshold is consistent with the market definition used for the DPT, and the one pivotal supplier test is consistent with the Commission's pivotal supplier screen used for Market Based Rates.²⁷ Under multiple metrics, the results show that Applicants' ability and incentive to exercise market power would increase as a result of the Transaction. The magnitude of the increases in market power metrics reflect the relatively small size of the assets involved in the Transaction.

The overall market context of these proposed Transaction is also important. PJM's Capacity Market is extremely tight and was actually short in the 2026/2027, 2027/2028, and 2028/2029 auctions. The capacity market is likely to remain extremely tight for the foreseeable future, resulting in prices that are extremely high by PJM capacity market historical standards, which increases the potential impact of market power and results in every capacity owner being singly pivotal.²⁸ Every capacity market owner is required in order to

²⁷ See 119 FERC ¶ 61,295 (2007) and 153 FERC ¶ 61,065 (2015).

²⁸ See Monitoring Analytics, L.L.C., *Analysis of the 2025/2026 Base Residual Auction*, Parts A through H, <<https://www.monitoringanalytics.com/reports/Reports/2024.shtml>>, the *Analysis of the 2026/2027 RPM Base Residual Auction—Part A* (October 1, 2025). <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_A_20251001.pdf> and the *Analysis of the 2027/2028 RPM Base Residual Auction—Part A* (January 5, 2026). <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20272028_RPM_Base_Residual_Auction_Part_A_20260105.pdf>, which can also be found at <<https://www.monitoringanalytics.com/reports/Reports/2025.shtml>> and <<https://www.monitoringanalytics.com/reports/Reports/2026.shtml>>.

clear the market. When there is endemic market power, effective market power mitigation is essential to ensure competitive pricing. Conditioning the approval of transactions that increase market power on behavioral conditions that address market power would help ensure that the public interest is not harmed.

C. BlackRock Should Not Be Allowed to Own Both Blanket Authorization Affiliates and Control Other Suppliers in the PJM Market.

BlackRock owns 10 percent or more of the outstanding voting securities of multiple public utilities pursuant to a section 203(a)(2) blanket authorization, including major public utilities in PJM such as Exelon and PSEG. BlackRock ostensibly lacks the ability to control the public utilities that it has acquired under a section 203(a)(2) blanket authorization.²⁹ However, BlackRock's increasing portfolio with controlling interest in public utilities and its growing investment portfolio in data center development cannot reasonably be neglected. BlackRock is the second largest shareholder of PSEG and Exelon, which gives them access to nonpublic operational and commercial information, creates incentives to use information across companies to their benefit and creates incentives to take actions that benefit the blanket authorization portfolio.³⁰ Other public utilities that are controlled by BlackRock have a parent company that has access to their competitor's confidential information. If the Commission approves the Transaction, AES will have access to the confidential information of other public utilities such as Exelon and PSEG. The Transaction must be evaluated in light of that information access and the resulting potential use of that information to influence market outcomes.

²⁹ See 188 FERC ¶ 61,166 (2024) (*Global Infrastructure Mgt.*); See also 194 FERC ¶ 61,213 (2026) (*Conetoe Solar*).

³⁰ See *Exelon Corporation*, SEC Schedule 14A (March 18, 2026); See also *Public Service Enterprise Group Incorporated*, SEC Schedule 14A (March 10, 2026).

The Commission also raised concerns with BlackRock's growing market position outside of its blanket authorizations.³¹ Allowing BlackRock to own controlling shares in any assets in PJM undermines the purpose of blanket authorizations. Blanket authorizations are intended for owners that make commitments to remain passive in the markets. By acquiring AES outside the blanket authorizations process, BlackRock is not a passive owner in PJM assets. By acquiring a controlling interest in any PJM asset, BlackRock calls into question whether other BlackRock investments treated as passive interests can reasonably continue to be treated as passive. Significant beneficial ownership combined with significant control enhances both the incentive and the ability to exercise market power beyond what an analysis limited to controlling interests would measure. The Applicants' DPT analysis does not measure the full extent of BlackRock's supply that would benefit from its market power as a result of the Transaction. A market power analysis that includes all supply owned by BlackRock is necessary to understand the full impact of the Transaction.

It is not consistent with the public interest or consistent with the Blanket Authorization rules for BlackRock to be both a passive owner and a controlling owner of supply in the PJM market at the same time. BlackRock should either have Blanket Authorization or own and control PJM market resources, not both.

The Market Monitor recommends that this Transaction be rejected until BlackRock decides whether to own and control market assets or to be a passive owner through the Blanket Authorization option.

³¹ See *BlackRock, Inc.*, 191 FERC ¶ 61,052 at P 40 (2025); See *BlackRock, Inc.*, 188 FERC ¶ 61,166 at PP 3–4 (Christie, Comm'r, concurring) (2024).

D. Applicants Should Commit to Keep Existing Capacity in the PJM Capacity Market.

BlackRock is a cofounder of the Artificial Intelligence Infrastructure Partnership (“AIP”) with Microsoft and MGX.³² NVIDIA, xAI, GE Vernova, NextEra Energy, Kuwait Investment Authority and Temasek later joined AIP.³³ BlackRock acquired CyrusOne Inc., a data center developer and operator, in a joint acquisition with KKR in 2022.³⁴ On October 15, 2025, AIP, MGX and BlackRock announced that they will acquire 100 percent of the equity in Aligned Data Centers (“Aligned”). Aligned is one of the largest data center developers in the world and owns data centers in Virginia, Maryland and Ohio.³⁵ EQT also owns EdgeConneX, Inc., a data center developer that they acquired in 2020 and recently announced an “AI infrastructure strategy” focusing on building the physical infrastructure for AI.³⁶

Removing the capacity from the market would be a form of withholding. Physical withholding through uneconomic retirement or to serve data center load are among possible mechanisms to exercise market power. The acquisition of generation assets by BlackRock and EQT in the Transaction creates a clear potential for this form of withholding by removing the

³² BlackRock, Inc. BlackRock, Global Infrastructure Partners, Microsoft, and MGX Launch New AI Partnership to Invest in Data Centers and Supporting Power Infrastructure (September 17, 2024) <<https://ir.blackrock.com/news-and-events/press-releases/press-releases-details/2024/BlackRock-Global-Infrastructure-Partners-Microsoft-and-MGX-Launch-New-AI-Partnership-to-Invest-in-Data-Centers-and-Supporting-Power-Infrastructure/default.aspx>>.

³³ BlackRock, Inc. GE Vernova and NextEra Energy to collaborate with AI Infrastructure Partnership (March 19, 2025) <<https://www.blackrock.com/corporate/newsroom/press-releases/article/corporate-one/press-releases/ai-infrastructure-partnership>>.

³⁴ Global Infrastructure Partners. KKR and GIP Complete Acquisition of CyrusOne (March 25, 2022) <<https://www.global-infra.com/news/kkr-and-gip-complete-acquisition-of-cyrusone/>>.

³⁵ See Aligned Data Centers, Location <<https://aligneddc.com/locations/>>.

³⁶ EQT AB, EQT Introduces AI Infrastructure Strategy to Help Build the Foundation of the AI Economy (April 21, 2026) <<https://eqtgroup.com/news/eqt-introduces-ai-infrastructure-strategy-to-help-build-the-foundation-of-the-ai-economy-2026-04-21>>.

generation from the PJM capacity and energy markets and dedicating the generation to serve its own data center load.

The impact on competition from the growth of load from data centers is the most critical issue affecting PJM markets and the public interest in competitive outcomes today. A comprehensive solution has not been defined. In the meantime, consolidation in the markets continues and is evaluated transaction by transaction. The Commission was in a similar situation in 1996 when it adopted the Merger Policy Statement. Open access was the overriding issue at that time, and the Commission exercised its conditioning authority to make open access a condition for approval of mergers.³⁷ The conditioning authority can and should be invoked today to address a new issue requiring priority attention. Indeed, the condition recommended by the Market Monitor, a commitment to not remove resources from the markets to serve data centers is less burdensome than the requirement to provide open access was in the mid 1990s. Applicants have provided no information on how the inclusion of such a commitment would affect their plans, if at all.

The 2026/2027, 2027/2028 and 2028/2029 Base Residual Auctions (“BRAs”) resulted in capacity procurement shortfalls, falling below PJM's installed reserve margin in three

³⁷ See, e.g., 16 U.S.C. § 824b; Merger Policy Statement at 68598 (“The Commission's interpretation of the public interest standard has never been static. ... [O]ur view of what it takes to mitigate market power sufficiently to allow approval of a merger had evolved over time. We pointed out that as the industry had become more competitive, we began examining market power in transmission more closely, and that comparable access was now required. ... [W]hile in the past we had focused only on increases in market power, we no longer believed that we could find any merger to be consistent with the public interest, whether or not the merger created increased market power, unless the merging utilities provided open access. We adopted this revised view of the public interest in light of EPCRA's goal of encouraging greater wholesale competition and the significant increase in actual competition.”), citing [El Paso Electric Company and Central and Southwest Services Inc.](#), 68 FERC ¶ 61,181, 61,914–15 (1994), *dismissed*, 72 FERC ¶ 61,292 (1995).

successive auctions.^{38 39 40} Every capacity owner in PJM was pivotal in almost every RPM auction prior to the current extreme conditions in the capacity market. The current market shortage conditions due to growing data center load amplify that market power by cementing the single pivotal supplier of every capacity owner and every capacity resource.⁴¹

The potential removal of existing capacity from the capacity market by applicants would be a form of withholding and result in PJM market prices that exceed the competitive level. The Market Monitor has documented and quantified the negative impact of data center loads on the competitiveness of the capacity market and on the prices in the capacity market for PJM customers in the last three BRAs.⁴² The Market Monitor has also documented and

³⁸ See Analysis of the 2026/2027 RPM Base Residual Auction - Part B,” (March 3, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_B_20260303.pdf>.

³⁹ See Analysis of the 2027/2028 RPM Base Residual Auction - Part B,” (July 9, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20272028_RPM_Base_Residual_Auction_Part_B_20260709.pdf>.

⁴⁰ See PJM, L.L.C., 2028/2029 Base Residual Auction Report, (July 14, 2026), <<https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2028-2029/2028-2029-bra-results-report.pdf>>, accessed July 16, 2026.

⁴¹ See Market Monitor Comments in Docket Nos. EC25-148, EC25-151, EC26-13, EC26-31, EC26-39, EC26-58.

⁴² See Monitoring Analytics, LLC, “Analysis of the 2025/2026 RPM Base Residual Auction—Part A,” (September 20, 2024) <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_A_20240920.pdf>; “Analysis of the 2025/2026 RPM Base Residual Auction—Part B,” (October 15, 2024) <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_B_20241015.pdf>; “Analysis of the 2025/2026 RPM Base Residual Auction—Part C,” (October 15, 2024) <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_C_20241106.pdf>; “Analysis of the 2025/2026 RPM Base Residual Auction—Part D,” (December 6, 2024) <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_D_20241206.pdf>; “Analysis of the 2025/2026 RPM Base Residual Auction—Part E,” (January 31, 2025) <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_E_20250131.pdf>; “Analysis of the 2025/2026 RPM Base Residual Auction—Part F,” (February 4, 2025) <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_F_20250204.pdf>; “Analysis of the

quantified the negative impact of data center loads removing capacity from the capacity market on the competitiveness of the energy market and prices in the energy market.⁴³ There is, thus, significant evidence in the record showing the adverse impact on competition in the capacity market and in the energy market resulting from the removal of resources from the markets to serve data centers. Removal of capacity from the capacity market would also make PJM less reliable. The fact that PJM is already short of its reliability target and that PJM faces very significant levels of forecast data center load makes this reliability impact an even greater risk. Allowing the removal of capacity to serve data center load would shift the costs and risks of data centers from data centers to all other PJM customers. This is inconsistent with the policy goal of ensuring that data centers do not impose their costs and risks on other customers.⁴⁴

The current rules in the PJM tariff do not explicitly address the removal of capacity resources from the capacity market to serve data center load. Although the Market Monitor does not agree, PJM staff have publicly stated that the deactivation rules that define the PJM

2025/2026 RPM Base Residual Auction—Part G Revised,” (June 3, 2025); <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_G_20250603_Revised.pdf>; “Analysis of the 2025/2026 RPM Base Residual Auction—Part H,” (July 31, 2025) <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_H_20250731.pdf>; “Analysis of the 2026/2027 RPM Base Residual Auction—Part A,” (October 1, 2025) <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_A_20251001.pdf>; “Analysis of the 2026/2027 RPM Base Residual Auction—Part B,” (March 3, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_B_20260303.pdf>.

⁴³ See Monitoring Analytics, LLC Comments to the Maryland PSC Senate Bill 1 Co-location Study Administrative Docket PC 61 (September 24, 2024); <https://www.monitoringanalytics.com/filings/2024/IMM_Comments_MDPSC_PC61_20240924.pdf>; Supplemental Comments to the Maryland PSC Senate Bill 1 Co-location Study Administrative Docket PC 61 (December 13, 2024). <https://www.monitoringanalytics.com/filings/2024/IMM_Supplemental_Comments_re_MDPSC_PC61_Co_Located_Load_20241213.pdf>;

⁴⁴ See National Energy Dominance Council, Statement of Principles Regarding PJM (January 16, 2026), <<https://www.energy.gov/documents/statement-principles-regarding-pjm>> (“Principles”).

analysis and the Market Monitor analysis of proposed deactivations and their conclusions do not apply to the removal of resources to serve data center load.⁴⁵ For example, if the deactivation rules do not apply, PJM does not have to make a reliability determination and the Market Monitor does not make a market power determination. For example, if the deactivation rules do not apply, there are no rules governing Section V (RMR) status for resources that would exit the market to serve data center load.

Applicants should be required to state that, if the Transaction is approved, they will not remove assets from the PJM Capacity Market to serve data center load. The White House Ratepayer Protection Pledge and the Principles issued by the National Energy Dominance Council and the PJM Governors make explicit that new data center load should be met by new generation.⁴⁶ Removing this capacity from the PJM Capacity Market would be directly counter to the Pledge and the Principles, would shift risks and costs to PJM customers, would have a negative impact on PJM competitive markets, and therefore would not be consistent with the public interest as the Commission has defined it.⁴⁷ The Pledge and the Principles represent significant statements about the public interest that requires protection, but the Pledge and Principles are not directly enforceable. This case presents an opportunity to implement the Pledge and Principles by requiring a commitment consistent with the Pledge and Principles that could be relied on to protect the public interest.

⁴⁵ See PJM, Co-Located Load Order Workshop (March 18, 2026) <<https://www.pjm.com/committees-and-groups/workshops/cllsco>>.

⁴⁶ See White House, “Ratepayer Protection Pledge Proclamation,” (March 4, 2026), <<https://www.whitehouse.gov/presidential-actions/2026/03/ratepayer-protection-pledge-proclamation/>> accessed March 20, 2026 (“Pledge”).

⁴⁷ See National Energy Dominance Council, Statement of Principles Regarding PJM (January 16, 2026), <<https://www.energy.gov/documents/statement-principles-regarding-pjm>> (“Principles”).

E. Applicants Must Clarify Their Ownership of Qualifying Facilities and Behind the Meter Facilities.

The May 21st Filing states (at 16-17) that BlackRock owns and operates qualifying facilities (“QFs”) or “facilities that are behind the meter on a host’s site and make no wholesale sales of electricity” that are exempt from the Commission’s regulations under sections 203 and 205 of the FPA. The May 21st Filing states (at 21) that EQT’s affiliates also own QFs that are exempt from the same regulation. According to Exhibit B of the May 21st Filing, BlackRock is affiliated with 241.3 MW of QFs and EQT is affiliated with 272.1 MW of QFs. The May 21st Filing (at 21-22) incorrectly argues that as DER Aggregation participation in CAISO and NYISO “is minimal and/or focused on demand response only ... there is no reason to expect dissimilar results in other organized markets once Order No. 2222 is implemented, rendering such QFs irrelevant for market power analysis.” There is no supporting evidence provided for this assertion. There is no supporting evidence provided for the assertion that such resources will not and do not play a significant role and have market power in PJM markets.

Resources on the distribution system or colocated with retail load are becoming more relevant in the PJM markets because of the DER Aggregation Resources’ expected participation starting in 2028 and the recent Commission’s Order regarding Co-Located Load.⁴⁸ DER Aggregation Resources will make wholesale sales of electric energy and therefore, are public utilities based on the definition under the FPA.⁴⁹ DER Aggregation Resources, as any other public utilities, are subject to the Commission’s regulation under sections 203 and 205 of the FPA. Applicants should be required to identify all QFs in the PJM

⁴⁸ See 188 FERC ¶ 61,076 for the Commission order on DER Aggregation Resources’ participation in PJM; See 195 FERC ¶ 61,209 for the Commission order on Co-Location arrangement and behind-the-meter generation.

⁴⁹ See 18 CFR § 366.1 (*Public utility*. The term “public utility” means any person who owns or operates facilities used for transmission of electric energy in interstate commerce or sales of electric energy at wholesale in interstate commerce).

market. If any of the resources of the applicants that are not included in the market power analysis of the May 21st Filing would participate as part of a DER Aggregation Resources in PJM, it is a material change from the application and the applicants must be required to notice the Commission regarding the change. The Applicants' market power analysis should be updated to include all such resources.

As an example, there is a market case currently developing in which a hyperscaler plans to partner with a DER Aggregator to bring 100 MW of new DER capacity as part of a Bring Your Own New Generation ("BYONG") framework for large load additions.⁵⁰ The structure of the DER aggregation is not clear yet, however, this agreement shows how DER Aggregation Resources may play a role in the PJM market in the coming years, as large loads try to find a new capacity to bring to PJM.

The point of an analysis designed to protect the public interest in competition is to determine the true impact on competition. Asserting that some assets that could be used to exercise market power and to adversely impact the public interest should be ignored is not acceptable. All assets, regardless of their regulatory status, that, as a result of this Transaction, could adversely impact the public interest in competition must be considered. Otherwise, the analysis cannot serve its stated purpose.

F. Behavioral Recommendations Would Address the Exercise of Market Power Due to the Transaction.

The Market Monitor requests that the Commission require as a condition of the Transaction that the AES Horizon resources not be removed from the capacity market in order to serve data center load and withheld from the PJM markets.

⁵⁰ See *Voltus Inc.* Voltus and Google to Deliver Grid Capacity and Local Economic Benefits Through Bring Your Own Capacity Agreement (June 2, 2026) <<https://www.voltus.co/press/voltus-google-bring-your-own-capacity-pjm>>; See also *Google LLC*. We've signed a first-of-its-kind agreement with Voltus to create a smart capacity solution for the grid. (June 2, 2026) <<https://blog.google/company-news/outreach-and-initiatives/sustainability/voltus-agreement/>>.

Market power mitigation rules in PJM are not sufficient to address the identified increases in structural market power and the resultant potential exercises of market power. The Transaction would have an adverse impact on competition in PJM, unless conditions are included.

In order to ensure that market power is not exercised as a result of the Transaction, the Market Monitor recommends the following behavioral conditions as part of approval:

1. A commitment, for all resources owned or controlled by AES, to develop cost-based offers using a fuel cost policy that passes the Market Monitor's defined review criteria, and to limit price-based offers to a markup no greater than \$1 per MWh, would prevent the exercise of aggregate market power in the energy market.
2. A commitment, for all resources owned or controlled by AES, to not use crossing price-based and cost-based energy market offer curves (markup switching), would ensure that a price-based offer curve with a high markup would not be chosen by PJM's least cost offer determination when a resource has local market power as determined by the TPS test.⁵¹
3. A commitment, for all resources owned or controlled by AES, to submit only operating parameters based on physical limits, as defined in the PJM tariff, in the energy market, would ensure that AES cannot use market power to operate inflexibly during weather alerts, emergencies, and periods when its units fail the TPS test.
4. A commitment, for all resources owned or controlled by AES, to propose retirement only if the unit is expected to be uneconomic, defined to be when projected avoidable costs exceed projected net revenues, after accounting for identified risks,

⁵¹ This restriction is necessary for effective market power mitigation until PJM implements its Commission approved solution in Docket ER24-2905. There is currently no deadline for implementation because PJM is waiting for a long delayed software fix for other issues. There is no reason for PJM to wait to implement this solution.

would ensure that retirements of economic resources are not used to exercise market power in the energy and capacity markets.

5. A commitment, for all supply owned or controlled by AES, to use a market seller offer cap equal to its net Avoidable Cost Rate (ACR), including Capacity Performance Quantifiable Risk ("CPQR") in gross ACR prior to subtracting net revenues would ensure competitive capacity market offers. The net ACR is the marginal cost of capacity and is the competitive offer for a capacity resource.
6. A commitment, for all supply owned or controlled by AES, to offer the full ICAP MW equivalent of all their cleared UCAP capacity MW in the day-ahead and real-time energy markets every day would ensure that AES meets its offer commitments and therefore that the energy market is competitive.
7. A commitment to not remove resources from the PJM Capacity Market to serve data center load would help ensure that the capacity market and energy market are competitive.

II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 20th day of July, 2026.



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**ATTACHMENT A –
MARKET POWER ANALYSIS – PUBLIC**

PUBLIC

Market Power Analysis: AES Horizon Transaction

The Independent Market Monitor for PJM

July 20, 2026

PUBLIC

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Introduction

This report was prepared by PJM's Independent Market Monitor (IMM). The report evaluates the impact of the Horizon merger, in which BlackRock's Global Infrastructure Partners, EQT, Qatar Investment Authority, and CalPERS, would purchase AES, on the structure of the PJM energy and capacity markets.¹ The IMM evaluates the Horizon merger as a combination of BlackRock and EQT's existing assets in the PJM market with those of AES. The report evaluates the increase in structural market power and the resultant potential to exercise market power, considering both local and aggregate market power in the PJM markets.

In conducting this analysis, the IMM addresses the Commission's feedback in the May 1, 2026, Order regarding ArcLight's purchase of KMC Thermo's Brandywine plant.² The IMM will continue to develop its approach to the analysis of mergers and acquisitions under Section 203 of the FPA. The IMM used publicly available market data on frequently binding constraints, using the Commission's duration criterion, to evaluate the definition of relevant markets and local market power.³ The definition of a relevant market does not use the TPS test, but the TPS test uses the definition of a relevant market. The IMM also used confidential PJM market data, including market shares and the results from the PJM test for structural market power, the three pivotal supplier test (TPS).

The Horizon merger would combine the generation portfolio of AES with the generation portfolios of BlackRock and EQT. AES's assets in PJM consist of 1,583.4 MW of generation, including coal fired, solar, wind, and battery resources in the AEP, APS, and DOM Zones of PJM. BlackRock's assets in PJM, excluding assets owned through Blanket Authorization, consist of 2,218.0 MW of generation, including natural gas fired, solar, and wind resources in the APS, DOM, EKPC, PENELEC, and PPL Zones of PJM. EQT's assets in PJM consist of 366.5 MW of generation, including municipal solid waste fired and solar resources in the BGE, PECO, and PSEG Zones of PJM. Table 1 shows the generation assets included in the Horizon merger, the control zone where they are located, the summer rating, the fuel type and the technology type for AES, BlackRock, and EQT. The companies' combined generation capacity after the Horizon merger would increase to 4,167.9 MW. The units indicated in Table 1 where AES, BlackRock, or EQT are a minority owner of a resource offered in the market by a different majority owner are not included

¹ The ownership shares after the AES Horizon merger are (1) 36.625 percent by BlackRock (GIP), (2) 33.375 percent by EQT, (3) 10 percent by QIA and (4) 20 percent by CalPERS. CalPERS's 20 percent ownership is held through an investment vehicle managed by a BlackRock (GIP) affiliate on behalf of CalPERS, resulting in CalPERS holding a passive 20 percent interest and BlackRock (GIP) holding a controlling 56.625 percent interest in AES.

² See 195 FERC ¶ 61,082 (2026).

³ See *id* at Chang and LaCerte concurrence at P 4.

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in the market power metrics in this report. The units under PPA to other entities are assigned to their owner in the analysis, recognizing the temporary nature of PPAs. All units are assigned to BlackRock, EQT, and AES premerger and to AES postmerger.

Table 1 Horizon Merger Assets

Parent	Unit Name	Control Zone	Summer Rating (MW)	Fuel Technology	
AES	Clifty Creek*	AEP	57.5	Coal	Steam
	Kyger Creek*	AEP	47.2	Coal	Steam
	Cavalier Solar A	DOM	155.0	Solar	Solar
	Cavalier Solar A2	DOM	83.6	Solar	Solar
	Great Cove Solar	APS	70.0	Solar	Solar
	Great Cove Solar II	APS	150.0	Solar	Solar
	Halifax County Solar	DOM	80.0	Solar	Solar
	Highlander Solar Energy Station 1	DOM	165.0	Solar	Solar
	Keydet Solar Center	DOM	120.0	Solar	Solar
	Laurel Mountain	APS	97.6	Wind	Wind
	Pleinmont Solar 1	DOM	75.0	Solar	Solar
	Pleinmont Solar 2	DOM	225.0	Solar	Solar
	Richmond Spider Solar	DOM	20.0	Solar	Solar
	Skipjac Solar Center	DOM	175.0	Solar	Solar
	Sol Madison	DOM	62.5	Solar	Solar
AES Total Generation			1,583.4		
BlackRock	Armenia Mountain Wind Farm	PENELEC	100.5	Wind	Wind
	Black Rock Wind Force	APS	115.0	Wind	Wind
	Blue Moon Energy*	EKPC	70.0	Solar	Solar
	Colonial Eagle Solar	DOM	20.0	Solar	Solar
	Conetoe II Solar	DOM	80.0	Solar	Solar
	Dan's Mountain Wind Force	APS	55.0	Wind	Wind
	Forward Windpower	PENELEC	27.0	Wind	Wind
	Lackawanna Energy Center*	PPL	1,395.0	Natural Gas	CC
	Lookout WindPower	PENELEC	37.8	Wind	Wind
	NedPower Mount Storm	APS	264.0	Wind	Wind
	Pinnacle Wind	APS	53.7	Wind	Wind
BlackRock Total Generation			2,218.0		
EQT	Reworld Camden County	PSEG	33.0	MSW	Steam
	Reworld Delaware Valley	PECO	80.0	MSW	Steam
	Reworld Essex Company	PSEG	60.0	MSW	Steam
	Reworld Fairfax	PECO	98.0	MSW	Steam
	Reworld Plymouth Renewable Energy	PECO	28.0	MSW	Steam
	Bel Air Solar (Fairview Farms)	BGE	30.0	Solar	Solar
	Reworld Union	PSEG	37.5	MSW	Steam
EQT Total Generation			366.5		
Horizon Merger Total Affiliated Generation			4,167.9		

*Units where AES, BlackRock or EQT are a minority owner are not included in the market power metrics in this report

The Delivered Price Test (“DPT”) analysis provided by applicants shows no screen failures in the PJM market or in the AP South and PJM West submarkets, for which applicants submitted analysis. The IMM does not find HHI threshold failures for the aggregate PJM energy and capacity markets. The IMM does find a small increase in aggregate market power in the energy market. The IMM does find increased market power in the PJM Capacity Market. The IMM does find increased local market power for identified constraints that are binding for more than five percent of hours during the relevant period.

There are frequently binding transmission constraints in the PJM market that limit the flow of low marginal cost energy from the shale gas production regions of Pennsylvania and West Virginia into Maryland and Virginia and neighboring areas of other states. These frequently binding constraints, which the IMM identifies in this report, create a significant submarket within PJM, which the IMM has identified as the Chesapeake submarket. The transaction results in combining assets inside the Chesapeake submarket, resulting in an increase in structural market power in the most constrained submarket in PJM.

The IMM recommends specific behavioral remedies that would address the insufficiency of specific and defined market power mitigation elements of PJM’s tariff and provide explicit mitigation to ensure market power is not exercised. Each of the behavioral conditions proposed by the IMM meets this Commission defined standard.

Sufficiency of PJM Market Power Mitigation

In Section 203 applications and market based rate applications, the Commission relies on the sufficiency of the market monitoring and market power mitigation provisions in the RTO’s tariff to mitigate local market power within the RTO.⁴ If the market monitoring and market power mitigation provisions in the RTO’s tariff are insufficient, detailed analysis of submarkets created by constraints within the RTO is necessary and any market power created or enhanced by the merger or acquisition requires explicit mitigation to ensure market power is not exercised.⁵ Each of the behavioral conditions proposed by the IMM meets this Commission defined standard.

The IMM has established that the market power mitigation rules in the PJM tariff are insufficient to mitigate local market power in PJM. PJM agreed and filed to modify the market power mitigation rules in the energy market. On October 25, 2024, the Commission approved changes to PJM’s market power mitigation process in the energy

⁴ See *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 241 (2007), *order on reh’g*, Order No. 697-A, 123 FERC ¶ 61,055 (2008).

⁵ Order No. 697-A at P 111.

market that would remedy the flaws identified by the IMM.⁶ PJM has failed to set an implementation date and has no specific deadline for doing so.⁷ The result is that it is clearly established that PJM's market power mitigation rules are insufficient to mitigate local market power in the energy market.

The IMM's recommended behavioral remedies for local market power in the energy market in this report address the demonstrated insufficiency of the local market power mitigation rules. This is not a general market issue but a specific insufficiency in the rules. The proposed behavioral rules are an explicit mitigation of this issue. (See proposed behavioral rules 1, 2, 3 and 6.)

The IMM has established that the market power mitigation rules in the PJM tariff are insufficient to mitigate aggregate market power in the energy market. PJM has no market power mitigation in place for aggregate market power in the energy market. This is a fact that demonstrates the insufficiency of the market power mitigation rules in PJM. This is not a general market issue but a specific insufficiency in the rules. The proposed behavioral rules are an explicit mitigation of these issues. (See proposed behavioral rules 1, 2, 3 and 6.)

The IMM has established that PJM does not enforce the must offer obligation of capacity resources to offer the full ICAP MW equivalent of all cleared UCAP capacity MW in the day-ahead and real-time energy markets every day.⁸ This is a fact that demonstrates the insufficiency of the market power mitigation rules in PJM. This is not a general market issue but a specific insufficiency in the rules. The proposed behavioral rules are an explicit mitigation of this issue. (See proposed behavioral rules 4 and 5.)

The IMM's position is that the current market power mitigation rules in the capacity market are insufficient for a specific issue. PJM failed to weaken the market power mitigation rules in the capacity market by permitting standalone CPQR offers without net revenue offsets and permitting segmented offer curves, and FERC accepted the changes.⁹ These rules are insufficient to prevent the exercise of market power because they permit capacity market offers in excess of competitive levels when energy market net revenues exceed the sum of all avoidable costs including the CPQR component. This is not a general market issue but a specific insufficiency in the rules. The proposed behavioral rules are an explicit mitigation of this issue. (See proposed behavioral rules 4 and 5.)

⁶ See 189 FERC ¶ 61,060 (2024) ("October 2024 Order").

⁷ See *id.*

⁸⁸ See Monitoring Analytics, L.L.C., *2026 Quarterly State of the Market Report for PJM: January through March*, Section 3: Energy Market at p. 166-167.

⁹ See *PJM Interconnection, L.L.C.*, 190 FERC ¶ 61,117 (2025); *reh'g denied*, 191 FERC ¶ 61,221 (2025).

The removal of capacity from the market through bilateral sales to data center load is not governed by the PJM market rules, including the rules for retirement of resources. PJM rules require no market power review and no reliability review. Removal of capacity from the market can have a significant impact on market prices and reliability that benefits other generating resources in a company's portfolio and increases market prices above the competitive level.¹⁰ Such removal of capacity is a current issue in PJM with potentially extreme consequences for the markets and for customers in the PJM markets. The absence of any rules governing the dedication of existing resources to data center load means that the PJM rules are insufficient to prevent the exercise of market power. This is not a general market issue but a specific insufficiency in the rules. The proposed behavioral rules are an explicit mitigation of this issue. (See proposed behavioral rule 7.)

Summary

The transactions would increase market power in the PJM markets. The impact reflects the relatively small size of the assets involved in the transaction. The Horizon merger would increase local structural market power for frequently binding constraints. The transactions would also result in a small increase in structural market power in the aggregate energy and capacity markets.

The IMM analyzed the effect of the Horizon merger on market power in the PJM local energy markets and aggregate energy market using data from April 2024 through March 2026. The IMM analyzed the effects of the Horizon merger on market power in the PJM Capacity Market for the 2026/2027, 2027/2028, and 2028/2029 Base Residual Auctions. The transactions would increase AES's market power in all these markets by an amount that reflects the relatively small size of the assets involved in the transaction compared to the market as a whole.

The IMM recommends that any order approving the transactions require specific behavioral commitments by AES. None of the behavioral commitments would create a burden on applicants because all are designed to help ensure competitive behavior. Each of the conditions addresses an identified insufficiency in the PJM market power mitigation rules. Absent the inclusion of the identified behavioral commitments, the IMM opposes the transaction. If the identified conditions were accepted, the IMM does not oppose the transaction.

Aggregate Energy Market

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¹⁰ The Commission's order on transmission arrangements for co-located load does not address the effect of capacity removal on competition or prices or reliability. See *PJM Interconnection, L.L.C., et al.*, 193 FERC ¶ 61,217 (2026).

- There are no rules in the PJM tariff to address aggregate market power in the energy market.

Local Energy Markets

- The IMM analyzed the impact of the merger on frequently binding constraints for April 2024 through March 2026 to measure the effect of the merger on local market power in the energy market. AES would fail the TPS test for more hours as a result of the proposed merger for the identified frequently binding constraints, based on the Commission's definition which is constraints that are binding for more than five percent of hours.
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- There are identified issues with PJM's market power mitigation rules for local market power in the energy market that allow suppliers to exercise market power for which the Commission has approved a solution but for which PJM has failed to identify an implementation date. The IMM's behavioral recommendations address the insufficiency of the existing rules to address market power mitigation.

Capacity Market

- The IMM analyzed the 2026/2027, 2027/2028, and 2028/2029 BRA results for all modeled LDAs to measure the effect of the merger on the PJM Capacity Market.
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- {END CUI//PRIV//HC}
- The IMM's behavioral recommendations address the insufficiency of the existing rules to address market power mitigation in the capacity market.

Behavioral Recommendations

In Section 203 applications and market based rate applications, the Commission relies on the sufficiency of the market monitoring and market power mitigation provisions in the RTO's tariff to mitigate local market power within the RTO.¹¹ If the market monitoring and market power mitigation provisions in the RTO's tariff are insufficient, detailed analysis of submarkets created by constraints within the RTO is necessary and any market power created or enhanced by the merger or acquisition requires explicit mitigation to ensure market power is not exercised.¹² Each of the behavioral conditions proposed by the

¹¹ See *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶ 31,252 at P 241 (2007), *order on reh'g*, Order No. 697-A, 123 FERC ¶ 61,055 (2008).

¹² Order No. 697-A at P 111.

IMM meets this Commission defined standard. None of the commitments creates a burden on the company because all are designed to ensure competitive behavior.

Summary of Behavioral Recommendations

1. Develop cost-based energy market offers using a fuel cost policy that passes the IMM's defined review criteria and limit price-based offers to a markup no greater than \$1 per MWh.
2. Will not use crossing price-based and cost-based energy market offer curves (markup switching).
3. Submit only operating parameters based on physical limits, as defined in the PJM tariff, in the energy market.
4. Propose to retire unit only if the unit is expected to be uneconomic, defined to be when projected avoidable costs exceed projected net revenues, after accounting for identified risks.
5. Submit capacity market offers that do not exceed the net avoidable cost rate, including the CPQR component of avoidable costs.
6. Offer the full ICAP MW equivalent of all cleared UCAP capacity MW in the day-ahead and real-time energy markets every day.
7. Will not remove resources from the PJM capacity market to serve data center load.

Cost-based Energy Market Offers

As a result of the transactions, AES would have market power more frequently in local energy markets and in the aggregate energy market. The PJM energy market has no market power mitigation rules for aggregate market power. To ensure competitive energy market offers, the IMM recommends that AES always develop cost-based offers using a fuel cost policy that passes the IMM's review using the IMM's defined criteria, and limit price-based offers to a markup no greater than \$1 per MWh.¹³

No Crossing Curves (No Mark Up Switching)

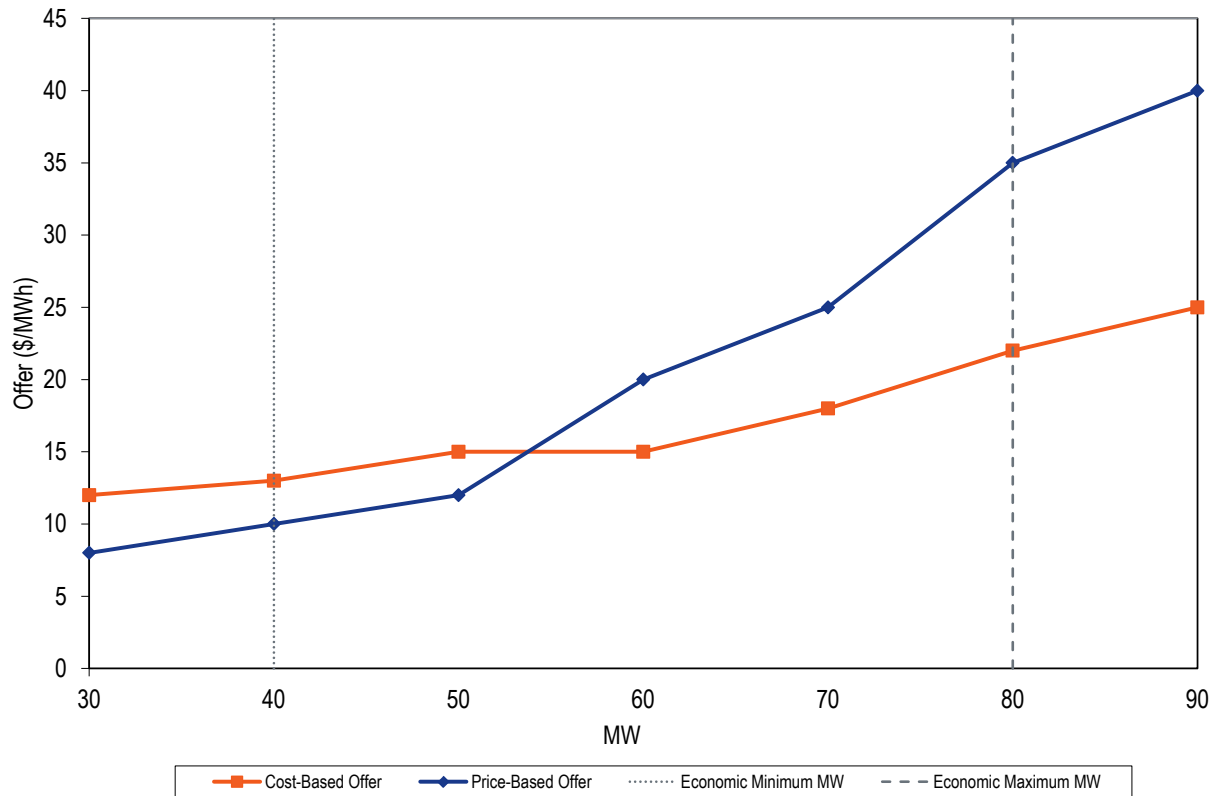
Given the ability to submit offer curves with different markups at different output levels in the price-based offer, suppliers with market power can evade mitigation by using a low markup at low output levels and a high markup at higher output levels. Even when resources fail the TPS test, PJM frequently selects the price-based offer with the high markup based on its negative markup at low output levels. This occurs because PJM chooses between the price-based offer and the cost-based offer considering only the offers at the economic minimum output level in the real-time market and only the offers up to

¹³ The IMM provides a template for Fuel Cost Policies on its website, <<https://www.monitoringanalytics.com/tools/tools.shtml>>. As of June 30, 2025, 92 percent of all generating units in the PJM Energy Market had a Fuel Cost Policy that passed the IMM review. See Monitoring Analytics, L.L.C., *2025 Quarterly State of the Market Report for PJM: January through June*, Section 3: Energy Market at 266.

the projected dispatch point in the day-ahead market.¹⁴ Figure 1 shows an example of offers from a unit that has a negative markup at the economic minimum MW level and a positive markup at the economic maximum MW level. The result would be that a unit that failed the TPS test would be committed on its price-based offer, even though the price-based offer is higher than the cost-based offer at higher output levels and includes positive markups, inconsistent with the explicit goal of local market power mitigation. Frequently, resources with crossing curves committed on the price-based offer are dispatched into the high markup range of the offer curve, allowing the exercise of market power.

PJM filed a correction with the Commission to address this issue and the Commission approved the correction in the October 2024 Order. The revised rules require that sellers that fail the TPS test will be offer capped at their cost-based offers and that operating parameters will be mitigated. The schedule selection process between the price-based offer and the cost-based offer is removed, so the problem with incorrectly selecting an offer with markup when a resource has local market power would be eliminated if PJM implemented the Commission approved proposal.

¹⁴ On October 25, 2024, in Docket ER24-2905, the Commission approved a new method for selecting among price and cost schedule that would resolve this issue, but PJM has not set an implementation date. The behavioral commitment is needed until implementation.

Figure 1 Offers with varying markups at different MW output levels

Physical Operating Parameters

All resources in PJM are required to submit at least one cost-based offer. Cost-based offers, for a defined set of technologies, must include defined unit specific parameters, termed parameter limited schedules that are based on the physical or contractual capabilities of the units and are subject to review by PJM and the IMM.

All resources that choose to make price-based offers are required to make available at least one price-based parameter limited offer with the same parameters as the cost-based offer (referred to as price-based PLS). For resources that are not capacity resources, the price-based parameter limited schedule is used by PJM for committing generation resources when a maximum emergency generation alert is declared. For capacity resources, the price-based parameter limited schedule is used by PJM for committing generation resources when hot weather alerts and cold weather alerts are declared.¹⁵

The current implementation is not consistent with the goal of having parameter limited schedules, which is to prevent the use of inflexible operating parameters to exercise market power. Instead of ensuring that parameter limits apply, PJM chooses the lower of

¹⁵ See OA Schedule 1 § 6.6.

the price-based schedule and the price-based parameter limited schedule during hot and cold weather alerts.¹⁶ Instead of ensuring that parameter limits apply, PJM chooses the lower of the price-based schedule and the cost-based parameter limited schedule when a resource fails the TPS test. This occurs because PJM chooses between the price-based offer and the cost-based offer considering only the offers at the economic minimum output level in the real-time market and only the offers up to the projected dispatch point in the day-ahead market, and does not consider all of the physical operating parameters. The result is that PJM frequently selects price-based offer schedules with inflexible parameters for resources that have market power, undermining the purpose of parameter mitigation which is to require flexible parameters for resources with market power in order to limit the exercise of market power based on the parameters.

The October 2024 Order approved a solution to the problem. The revised rules require that sellers that fail the TPS test and sellers in emergencies will always be placed on a schedule with parameter limits. The schedule selection process between the price-based offer and the cost-based offer and between the price-based offer and the price-based parameter limited offer would be removed, so the problem with incorrectly selecting an offer with inflexible parameters when a resource has local market power or during emergency conditions would be eliminated if PJM implemented the Commission approved proposal.

Capacity Market Seller Offer Cap

For capacity market offers, AES should be required to use a market seller offer cap equal to its net Avoidable Cost Rate (ACR), including CPQR in gross ACR prior to subtracting net revenues.

The net ACR is the marginal cost of capacity and is the competitive offer for a capacity resource.

Generation Retirement

The PJM Capacity Market has been extremely tight in recent auctions and was short of meeting PJM's reliability requirements in the 2026/2027, 2027/2028, and 2028/2029 auctions. As a result, any generation retirements have an amplified impact on the market. Given the increase in AES's market power in the capacity market due to the transaction, the IMM recommends that AES retire units only if analysis shows that the resource is expected to be uneconomic, defined to mean that projected avoidable costs exceed projected net revenues from the energy, ancillary services and capacity markets, after accounting for identified risks. The retirement of economic units can be a mechanism for

¹⁶ On October 25, 2024, in Docket ER24-2905, the Commission approved a new method for selecting among price and cost schedule that would resolve this issue, but PJM has not set an implementation date. The behavioral commitment is needed until implementation.

the exercise of market power by making the balance of the portfolio more profitable and more than offsetting the lost net revenue from the retired asset.

Energy Market Must Offer Requirement

Generation capacity resources are required to offer their full ICAP MW into the day-ahead and real-time energy markets, unless the unit is on an outage for the difference.¹⁷ The full installed capacity (ICAP) is the ICAP of the resources that cleared in the capacity market. This is known as the ICAP must offer requirement. PJM's current enforcement of the ICAP must offer requirement is inadequate.¹⁸ The problem is a complex combination of generator behavior, and inadequate, inconsistent and unsynchronized reporting tools. Compliance is subject to mistakes and susceptible to manipulation. AES should be required to offer the full ICAP MW equivalent of all their cleared UCAP capacity MW in the day-ahead and real-time energy markets every day, unless the unit is on an outage for the difference.

Data Center Load

BlackRock is a large owner of data centers. BlackRock is a cofounder of the Artificial Intelligence Infrastructure Partnership ("AIP") with Microsoft and MGX.¹⁹ NVIDIA, xAI, GE Vernova, NextEra Energy, Kuwait Investment Authority and Temasek later joined AIP.²⁰ BlackRock acquired CyrusOne Inc., a data center developer and operator, in a joint acquisition with KKR in 2022.²¹ On October 15, 2025, AIP, MGX and BlackRock announced that they will acquire 100 percent of the equity in Aligned Data Centers ("Aligned"). Aligned is one of the largest data center developers in the world and owns data centers in Virginia, Maryland and Ohio.²² EQT owns EdgeConneX, Inc., a data center developer that

¹⁷ OA Schedule 1 § 1.10.1A(d).

¹⁸ See Monitoring Analytics, L.L.C., 2026 *State of the Market Report for PJM*, Volume 2: Section 3: *Energy Market*, p. 166-167.

¹⁹ BlackRock, Inc. BlackRock, Global Infrastructure Partners, Microsoft, and MGX Launch New AI Partnership to Invest in Data Centers and Supporting Power Infrastructure (September 17, 2024) <<https://ir.blackrock.com/news-and-events/press-releases/press-releases-details/2024/BlackRock-Global-Infrastructure-Partners-Microsoft-and-MGX-Launch-New-AI-Partnership-to-Invest-in-Data-Centers-and-Supporting-Power-Infrastructure/default.aspx>>.

²⁰ BlackRock, Inc. GE Vernova and NextEra Energy to collaborate with AI Infrastructure Partnership (March 19, 2025) <<https://www.blackrock.com/corporate/newsroom/press-releases/article/corporate-one/press-releases/ai-infrastructure-partnership>>.

²¹ Global Infrastructure Partners. KKR and GIP Complete Acquisition of CyrusOne (March 25, 2022) <<https://www.global-infra.com/news/kkr-and-gip-complete-acquisition-of-cyrusone/>>.

²² See Aligned Data Centers, Location <<https://aligneddc.com/locations/>>.

they acquired in 2020 and recently announced an “AI infrastructure strategy” focusing on building the physical infrastructure for AI.²³

Given the limited available capacity in PJM, data center owners have an incentive to use their size and financial resources to purchase existing capacity and remove it from the market, so that it is no longer available to meet the reliability needs of other customers. Arrangements that remove existing capacity from the market in order to serve data center loads threaten the reliability and economics of the PJM market. Removing capacity from the PJM markets via bilateral capacity contracts has the same effect on PJM markets as physical withholding or a retirement. The removal of existing capacity provides more benefits to the seller than simple retirement because the removals provide above market revenue through the bilateral contracts, increase capacity market prices to the benefit of the rest of the seller’s portfolio, and increase energy market prices also to the benefit of the seller’s portfolio. AES should be prohibited from removing capacity and energy from the PJM markets to serve data centers.

Methods of Analysis

In analyzing whether a proposed merger or acquisition is consistent with the public interest, the Commission considers the “effect of the transaction on competition, rates, and regulation of the applicant by the Commission and state commissions with jurisdiction over any party to the transaction.”²⁴ In this report, the IMM focuses on the first factor, the effect on competition, measured by the impact on the structure of relevant markets based on actual market data. The effect on competition also includes the effect on rates because the level of market competition affects market prices. The IMM evaluates the impact of the merger or acquisition on competition using pivotal supplier analysis and concentration thresholds.

Any analysis of market structure depends on an accurate definition of the relevant markets and market participants. Market power analysis depends on properly identifying and evaluating potential substitutes for a given product and their costs. In the DPT analysis, substitutes are limited to suppliers that can increase output to meet load within a defined market. All supply MW that can access a market, either a balancing authority or a submarket based on transmission zones, at a price less than 105 percent of the market price are considered to be perfect substitutes. Publicly available data from a variety of sources plus commercially available data in some cases allows applicants to construct static supply curves based on estimates of marginal cost. This is in contrast to the actual functioning of wholesale power markets, like PJM, where demand is defined by

²³ *EQT AB, EQT Introduces AI Infrastructure Strategy to Help Build the Foundation of the AI Economy* (April 21, 2026) <<https://eqtgroup.com/news/eqt-introduces-ai-infrastructure-strategy-to-help-build-the-foundation-of-the-ai-economy-2026-04-21>> .

²⁴ 18 CFR § 33.2(g).

constraints including the RTO power balance constraint, transmission constraints, and ancillary service requirement constraints. All MW are perfect substitutes with respect to the power balance constraint, but not for transmission constraints. MW are weighted by their electrical proximity to constraints using a distribution factor (dfax) that measures the share of the power output from the generators' electrical location to the constraint. Prices are determined both by suppliers that can raise output and suppliers that can reduce output to relieve constraints that limit power flow into a defined submarket. Within organized markets data are available, and should be used, to assess market power based on how generating units are evaluated and dispatched to meet demand using their own market offers and transmission constraints, based on network relationships between resources and load, relative costs, operational availability and operational parameters. Such an approach provides measures of market power based on actual operational data related to the participants and the markets in which they operate.

The data needed to define local markets include constraint data and data reflecting the impact of generating units on those constraints. Data on binding transmission constraints is publicly available on PJM's website.²⁵ The energy market distribution factor ("dfax") data is not made public by PJM. It is necessary to determine each generating units' effect on each transmission constraint.

Regardless of how accurately existing local markets are defined, wholesale power markets are extremely dynamic. Within organized markets, relevant submarket definitions can change significantly over time as a result of changes in fuel costs, generation mix, load and transmission system expansion. Submarket definitions are dynamic. No submarket definition can be accurate for the long term and market power protections should recognize that fact rather than being linked closely to a single definition of relevant markets. This requires effective rules to mitigate market power in the PJM tariff or, where the PJM tariff is lacking, behavioral commitments by market sellers.

In the IMM analysis, the definition of the relevant submarkets for the time period of the analysis is based on the actual substitutability among available, relevant resources which in turn is based on the physical facts of the system and how the PJM markets defined the substitutability among available resources in the relevant markets over the analysis period. The IMM has analyzed the relevant submarkets defined by constraints in the real-time look ahead tool used by PJM to identify structural market power, known as Intermediate Term Security Constrained Economic Dispatch (IT SCED). The frequently binding constraints identified in this analysis are, following the Commission's preference, those that were binding for 876 or more hours from April 2024 through March 2026, or five percent of hours. The relevant capacity markets in this analysis are those that resulted

²⁵ See PJM Data Miner 2, Real-Time Marginal Value, <https://dataminer2.pjm.com/feed/rt_marginal_value/definition>.

from the actual operation of the markets for the 2026/2027, 2027/2028, 2028/2029 Delivery Years, the last three Base Residual Auctions run by PJM.

The IMM analysis of the relevant submarkets reflects the information available based on the actual operation of the PJM wholesale power markets in the last two years. For different resources and different time periods, market conditions change, and the relevant identified local markets change.

The nature of PJM markets means that market dynamics will change, in unpredictable ways. Consideration of the impacts of mergers and acquisitions must also consider changing market structures. Consolidating ownership of assets in smaller numbers of owners will always increase structural market power. If further concentration of ownership is allowed, strong behavioral remedies are the only way to help mitigate the impacts of increased concentration on competitive outcomes. The Commission's merger policy does not address longer term trends in concentration or the effect of sequential transactions. The Commission's merger policy does not define a maximum level of concentration or a maximum market share that is consistent with competitive outcomes or the standard for defining such a maximum level of concentration or market share in reviewing mergers.

Merger Standards

For the evaluation of the impact of a merger or acquisition on competition, FERC adopted the 1992 Horizontal Merger Guidelines ("1992 Guidelines") as the analytical framework as described in the Competitive Analysis Screen relied on by the Commission.²⁶ The 1992 Guidelines predate the creation of the PJM wholesale power market in 1999.²⁷ The Commission reevaluated and reconfirmed its Merger Guidelines in 2012.²⁸

The Commission reserves the option to consider alternative approaches to analyzing the impact of proposed mergers and acquisitions, including pivotal supplier analyses similar

²⁶ See *Order Adopting Guidelines for the Submission of Documents in Electronic Form*, Order No. 642, 93 FERC ¶ 61,177 *mimeo* at 4–5 (November 15, 2000) ("Order No. 642"); U.S. Dept. of Justice & Federal Trade Commission, "Horizontal Merger Guidelines" (1992, revised April 8, 1997). DOJ and FTC modified their guidelines in 2010, increasing their HHI and market share thresholds and expanding the criteria used to define the relevant market. U.S. Dept. of Justice & Federal Trade Commission, "Horizontal Merger Guidelines" (August 19, 2010).

²⁷ See *Pennsylvania-New Jersey-Maryland Interconnection*, 81 FERC ¶61,257 (1997).

²⁸ FERC considered whether to revise its policies to follow the DOJ and FTC 2010 modifications, but decided, after notice and inquiry, to retain the 1992 Guidelines. See *Analysis of Horizontal Market Power*, 138 FERC ¶61,109 (2012).

to the analysis included in this report, when evaluating proposed mergers and acquisitions in PJM.²⁹

The 1992 Guidelines adopted the analytical framework of the Department of Justice and the Federal Trade Commission concerning horizontal mergers subject to section 7 of the Clayton Act, Section 1 of the Sherman Act, and Section 5 of the Federal Trade Commission Act. As noted in the 1992 Guidelines, “[t]he unifying theme of the Guidelines is that mergers should not be permitted to create or enhance market power or facilitate its exercise.”³⁰

The Commissions’ Competitive Analysis Screen, based on the 1992 Guidelines, uses market concentration, measured by the HHI, as a basic metric of the structural competitiveness of a market. The 1992 Guidelines define three basic levels of market concentration while recognizing that “[o]ther things being equal, cases falling just above and just below a threshold present comparable competitive issues.”³¹ A market with an HHI of less than 1000 is considered to be unconcentrated. Mergers and acquisitions resulting in an HHI level less than 1000 are not considered to have adverse competitive effects. A market with an HHI between 1000 and 1800 is considered to be moderately concentrated. A merger or acquisition resulting in a moderately concentrated market is not considered to have an adverse effect on competition if it increases the market’s HHI by less than 100 points. A merger or acquisition resulting in a moderately concentrated market is considered to “potentially raise significant competitive concerns” if it increases the market’s HHI by 100 points or more.³² A market with an HHI of 1800 or above is considered to be highly concentrated. A merger or acquisition resulting in a highly concentrated market is not considered to have an adverse effect on competition if it increases the market’s HHI by less than 50 points. A merger or acquisition producing an increase in the market HHI of 50 points or more in a highly concentrated market “potentially raises significant competitive concerns.”³³

The HHI on its own is of limited value in determining the impact of a merger on the structural competitiveness of a wholesale power market. In a market with an inelastic

²⁹ See *Id.* at P 38 (“We reiterate, however, that the Commission may consider arguments that a proposed transaction raises competitive concerns that have not been captured by the Competitive Analysis Screen. Likewise, while applicants must continue to provide a Competitive Analysis Screen, we will also consider any alternative methods or factors, if adequately supported.”); *Exelon Corporation, NRG Energy Group, Inc.*, 138 FERC ¶ 61,167 (2012).

³⁰ 1992 Guidelines at 2.

³¹ 1992 Guidelines at 15.

³² *Id.* at 16.

³³ *Id.*

demand curve, the existence of one, two, or three, jointly pivotal suppliers, regardless of the amount of excess capacity available, does not provide a market structure that will result in a competitive outcome. An HHI in excess of 2500 does not demonstrate market power if the relevant owners are not jointly pivotal and are unlikely to be able to affect the market price. An HHI less than 2500 does not demonstrate the absence of market power if the relevant owners are jointly pivotal and are likely to be able to affect the market price.³⁴

Higher concentration ratios indicate that comparatively small numbers of sellers dominate a market while lower concentration ratios mean larger numbers of sellers split market sales more equally. Lower aggregate market concentration ratios establish neither that a market is competitive nor that participants are unable to exercise market power. Higher concentration ratios do, however, indicate an increased potential for participants to exercise market power and an increased incentive to exercise market power. Despite their significant limitations, concentration ratios provide some useful information on market structure.

Notwithstanding the HHI level, a supplier may have the ability to raise market prices. If reliably meeting demand requires a single supplier, that supplier is pivotal and has monopoly power. If a small number of suppliers are jointly required to meet demand, those suppliers are jointly pivotal and have oligopoly power. The number of pivotal suppliers in the market is a more precise measure of structural market power than the HHI. The Commission has relied on pivotal supplier analysis as an indicative screen for market power since at least 2007 with Order No. 697, reaffirmed in 2015 with Order No. 816.³⁵ The Commission uses a market share screen together with a pivotal supplier screen, stating that “[u]se of the two screens, therefore, provides a more complete picture of a Seller’s ability to exercise market power.”³⁶

The residual supply index (RSI) is a measure of the extent to which one or more generation owners are pivotal suppliers in a market. A single generation owner is pivotal if the output of the owner’s generation facilities is needed to meet demand. Multiple generation owners are jointly pivotal when the output of the owners’ generation facilities, taken together, is needed to meet demand. When a generation owner is pivotal, it has the ability to affect market price. For a given level of market demand, the RSI compares the market supply, net of the supply controlled by one or more generation owners, to the market demand.

³⁴ For detailed examples, see Joseph E. Bowring, PJM Market Monitor. “MMU Analysis of Combined Regulation Market,” PJM Market Implementation Committee Meeting (December 20, 2006) <<http://www.monitoringanalytics.com/reports/Presentations/2006/20061220-combined-regulation-market-mic.pdf>>.

³⁵ See 119 FERC ¶ 61,295 (2007) and 153 FERC ¶ 61,065 (2015).

³⁶ Federal Energy Regulatory Commission, “Horizontal Market Power,” <<https://www.ferc.gov/horizontal-market-power>>, last updated February 18, 2022.

The RSI value is calculated as a ratio, where total supply minus the supply of the tested suppliers is divided by the market demand. If the RSI is greater than 1.00, the supply of the specific generation owner(s) is not needed to meet market demand and that generation owner(s) has a reduced ability to influence market price. If the RSI is less than 1.00, the supply owned by the specific generation owner(s) is needed to meet market demand and the generation owner(s) is a pivotal supplier with an ability to influence price. When the RSI is reported for a market, the reported RSI is for the largest supplier or identified number of the largest suppliers.

The three pivotal supplier test (TPS) recognizes that market power exists even in the presence of market share and HHI concentration levels that fall below 1992 Guidelines for a competitive market structure.³⁷

Three Pivotal Supplier Test

In the IMM analysis, the basic metrics used for each market include market share, the Herfindahl-Hirschman Index (HHI), the three pivotal supplier test (TPS) and a one pivotal supplier test, both pivotal supplier tests based on a standard residual supplier index. Market share measures the proportion of market output contributed by a supplier. Market share is calculated by dividing the output of a supplier by total market output. Concentration indices are a summary measure of market share. The concentration index used here is the Herfindahl-Hirschman Index (HHI), calculated by summing the squares of the market shares of all firms in a market.

The IMM uses the three pivotal supplier test as the key measure of market structure and structural market power. The three pivotal supplier test is used in PJM markets to define the existence of local market power and as a trigger for market power mitigation. A test for local market power based on the number of pivotal suppliers has a solid basis in economics and is clear and unambiguous to apply in practice. There is no perfect test, but the three pivotal supplier test for local market power strikes a reasonable balance between the requirement to limit extreme structural market power and the goal of limiting intervention in markets when competitive forces are adequate.

The three pivotal supplier test is designed to test the relevant market. For example, in the case of the market for out of merit generation needed to relieve a constraint in real time, the three pivotal supplier test examines the market specifically available to provide that relief. Under these conditions, the three pivotal supplier test measures the degree to which the supply from three generation suppliers is required in order to meet the demand to relieve a constraint, as defined by PJM's market solution software. The market demand is

³⁷ See *AEP Power Marketing, Inc., et al.*, 107 FERC ¶ 61,018 at P 111 (2004) ("AEP Order").

the amount of incremental, effective MW required to relieve the constraint.³⁸ The market demand is calculated as the difference between the defined MW limit on flow across the constraint and the flow in an economic dispatch solution if the limit did not exist (unconstrained flow). The market supply consists of the incremental, effective MW of supply available to relieve the constraint. This includes resources that can ramp up or start up to provide relief for the constraint as well as resources that can ramp down to provide relief for the constraint. The sign of the distribution factor (dfax) of a resource with respect to the defined constraint indicates whether a resource would relieve the constraint by increasing or decreasing output. A resource with a positive dfax with respect to a constraint provides relief by reducing its output, and a resource with a negative dfax with respect to the same constraint provides relief by increasing its output. A resource's incremental effective MW are the product of its incremental available MW and its dfax with respect to the constraint defining the market. For purposes of the test, incremental effective MW are attributed to specific suppliers on the basis of their control of the assets in question. Generation capacity controlled directly or indirectly through affiliates or through contracts with third parties are attributed to a single supplier.

A benefit of the TPS test is that it defines the market based on the electricity network, rather than geography. Power on the grid does not flow based on geographic boundaries. Transmission zone borders are historical artifacts that define transmission owner responsibilities and have no special significance for defining actual power flow based submarkets. Unlike structural tests that define markets by geographic proximity, the TPS test makes explicit and direct use of the incremental, effective MW of supply available to relieve the constraints that create markets, using distribution factors greater than, or equal to, the dfax used by PJM in market operations. Only the supply that is part of the market as defined by the reality of the electric network, as measured by unit characteristics and distribution factors, is included in the three pivotal supplier test. That supply is included only to the extent that it is incremental, effective MW of supply available at a price less than, or equal to, 1.5 times the clearing price that would result from the intersection of demand (constraint relief required) and the incremental supply available to resolve the constraint.

The three pivotal supplier test is used by PJM for market power mitigation in the real-time energy market, the day-ahead energy market, the regulation market, and the capacity

³⁸ A unit's contribution toward effective, incrementally available supply is based on the distribution factor (dfax) of the unit relative to the constraint and the unit's incrementally available capacity over current load levels, if the capacity in question is available within the period that the relief will be needed. Effective, incrementally available MW from an unloaded 100 MW 15-minute start combustion turbine (CT) with a dfax of -0.05 to a constraint would be 5 MW relative to the constraint in question. Effective, incrementally available MW from a 200 MW steam unit, with 100 MW loaded, a 50 MW ramp rate and a dfax of -0.5 to the constraint would be 25 MW.

market. The three pivotal supplier test considers the interaction between individual participant attributes and features of the relevant market structure, and the three pivotal supplier test takes into account the incremental ability of resources to affect prices in a constrained area from both the loading and relief sides of the constraint. The three pivotal supplier test is an explicit test for the ability to exercise unilateral market power as well as market power via coordinated action which accounts for market shares and the supply-demand balance in the market.

The results of the three pivotal supplier test can differ from the results of the HHI and market share tests. The three pivotal supplier test can show the existence of structural market power when the HHI is less than 2500 or less than 1800. The three pivotal supplier test can also show the absence of market power when the HHI is greater than 2500. The three pivotal supplier test is more accurate than the HHI and market share tests because it focuses on the relationship between demand and the most significant aspect of the ownership structure of supply available to meet it. An HHI in excess of 2500 does not indicate market power if the relevant owners are not jointly pivotal and are unlikely to be able to affect the market price. An HHI less than 2500 does not indicate the absence of market power if the relevant owners are jointly pivotal and are likely to be able to affect the market price.³⁹

The three pivotal supplier test was designed in light of actual elasticity conditions in constrained areas in wholesale power markets in PJM. The price elasticity of demand is a critical variable in determining whether a particular market structure is likely to result in a competitive outcome. A market with a specific set of market structure features is likely to have a competitive outcome under one range of demand elasticity conditions and a noncompetitive outcome under another set of elasticity conditions. It is essential that market power tests account for actual elasticity conditions and that evaluation of market power tests neither ignore elasticity nor make counterfactual elasticity assumptions. As the Commission stated, “In markets with very little demand elasticity, a pivotal supplier could extract significant monopoly rents during peak periods because customers have few, if any, alternatives.”⁴⁰ The Commission also stated:

In both of these models, the lower the demand elasticity, the higher the mark-up over marginal costs. It must be recognized that demand elasticity is extremely small in electricity markets; in other words, because electricity is considered an essential service, the demand for it is not very

³⁹ For detailed examples, see Joseph E. Bowring, PJM Market Monitor, “MMU Analysis of Combined Regulation Market,” PJM Market Implementation Committee Meeting (December 20, 2006) <<http://www.monitoringanalytics.com/reports/Presentations/2006/20061220-combined-regulation-market-mic.pdf>> .

⁴⁰ AEP Order at P 72.

responsive to price increases. These models illustrate the need for a conservative approach in order to ensure competitive outcomes for customers because many customers lack one of the key protections against market power: demand response.⁴¹

Defining the Relevant Market

The goal of defining the relevant market is to include those producers that actually compete to determine the market price. Conversely, the goal of defining the relevant market is to exclude those units that are not meaningful competitors and therefore do not have an impact on the clearing price. The existence of market power within that defined market depends on the ability of the producer to raise price while continuing to sell its output. A producer cannot successfully increase the market price above the competitive level if competitors would replace its output when it did so.

The Commission definition of the relevant market includes all suppliers with marginal costs less than or equal to 1.05 times the clearing price. The Commission definition means that, if the marginal unit sets the clearing price based on an offer of \$200 per MWh, all units with cost-based offers less than, or equal to, \$210 per MWh are defined to have a competitive effect on the offer of the marginal unit. These units are all defined to be meaningful competitors in the sense that it is assumed that their behavior constrains the behavior of the marginal and inframarginal units. The TPS definition of the relevant market includes all suppliers with cost-based offers less than or equal to 1.50 times the clearing price. The three pivotal supplier definition means that, if the marginal unit sets the clearing price based on an offer of \$200 per MWh, all units with costs less than, or equal to, \$300 per MWh are defined to have a competitive effect on the offer of the marginal unit. These units are all defined to be meaningful competitors in the sense that it is assumed that their behavior constrains the behavior of the marginal and inframarginal units. The three pivotal supplier test incorporates a definition of meaningful competitors that is at the extreme high end of inclusive. It is questionable whether a unit with a competitive offer price of \$300 meaningfully constrains the offer of a \$200 unit. This broad market definition is combined with the recognition that multiple owners can be jointly pivotal. The three pivotal supplier test includes three pivotal suppliers while the Commission's pivotal supplier screen includes only one pivotal supplier.

The three pivotal supplier test uses the correct definition of the relevant market. However, use of the correct definition of the relevant market does not require the use of the three pivotal supplier test. The IMM also provides results for a one pivotal supplier test based on the Commission's 105 percent of price test, using the same market definition.

⁴¹ *Id.* at P 103.

The Chesapeake Submarket

In its Order Reaffirming the 1992 Guidelines, the Commission stated:

The Commission will remain flexible in its approach and will reevaluate whether a previously recognized submarket continues to exist if the evidence shows that the persistent transmission constraints that led to the recognition of that submarket are no longer present. We clarify that we will not require applicants to submit a DPT for an identified submarket if the applicants do not have overlapping generation within the submarket and lack firm transmission rights to import capacity into that market.⁴²

AES's Delivered Price Test considers the PJM RTO market as well as the submarkets recognized in previous 203 and Market Based Rates proceedings. Patterns of congestion and constraints have been and will continue to be dynamic in PJM. It is important to analyze existing submarkets but also to address the fact that market power is persistent and may become actionable in submarkets that do not yet exist. The IMM analyzed all submarkets based on historic market data, not only the subset of markets analyzed in the Applicants' Delivered Price Test analysis. The IMM analysis shows that AES has local market power in PJM and that local market power would increase with the Horizon merger.

A portion of the PJM footprint around the Chesapeake Bay has been transmission constrained historically, but has not been formally defined as a submarket. This area includes the DOM, BGE, and PEPCO transmission zones, but also extends into transmission zones in Pennsylvania and Delaware. The exact list of transmission constraints defining the Chesapeake submarket has changed over time and will continue to change, but it includes many of the same transmission elements over time, which limit the flow of energy from the shale gas production regions of Pennsylvania and West Virginia into the Baltimore and Washington, DC metropolitan areas, including Data Center Alley in Northern Virginia. These constraints are frequently binding in the PJM energy market, as defined by the Commission, and bind at times of system peak loads.⁴³

The merger combines resources in the Chesapeake submarket. Applicants should be required to analyze market power for the Chesapeake submarket. The IMM provides market power results for the Chesapeake submarket constraints.

⁴² See *Analysis of Horizontal Market Power*, 138 FERC ¶ 61,109 at P 43 (2012).

⁴³ For example, during Winter Storm Fern, the winter peak of January and February 2026, and during the May 18 to 20, 2026, heatwave, PJM required capacity demand response to curtail in the DOM, BGE, and PEPCO Zones due to binding constraints. See PJM Emergency Procedures Postings at <<https://emergencyprocedures.pjm.com/ep/pages/dashboard.jsf>>.

Table 2 provides the congestion event hours for the frequently binding PJM constraints that meet the Commission's criterion of binding at least five percent of annual hours.

Table 2 Frequently binding constraints: April 2024 through March 2026

Facility	Frequently Binding Constraints (April 2024 - March 2026)		Chesapeake Submarket
	Real-Time Congestion Event Hours	Percent of Hours	
Bedington - Black Oak	990	5.7%	Yes
Chicago Ave - Praxair	1,186	6.8%	
Conastone - Northwest	1,241	7.1%	Yes
Dune Acres - Michigan City	1,617	9.2%	
East Towanda - Hillside	2,666	15.2%	
Graceton - Manor	1,245	7.1%	Yes
Haumesser Road - Steward	2,315	13.2%	
Kewanee	2,732	15.6%	
Lenox - North Meshoppen	7,551	43.1%	
Nottingham	2,946	16.8%	Yes
Prest - Tibb	1,925	11.0%	

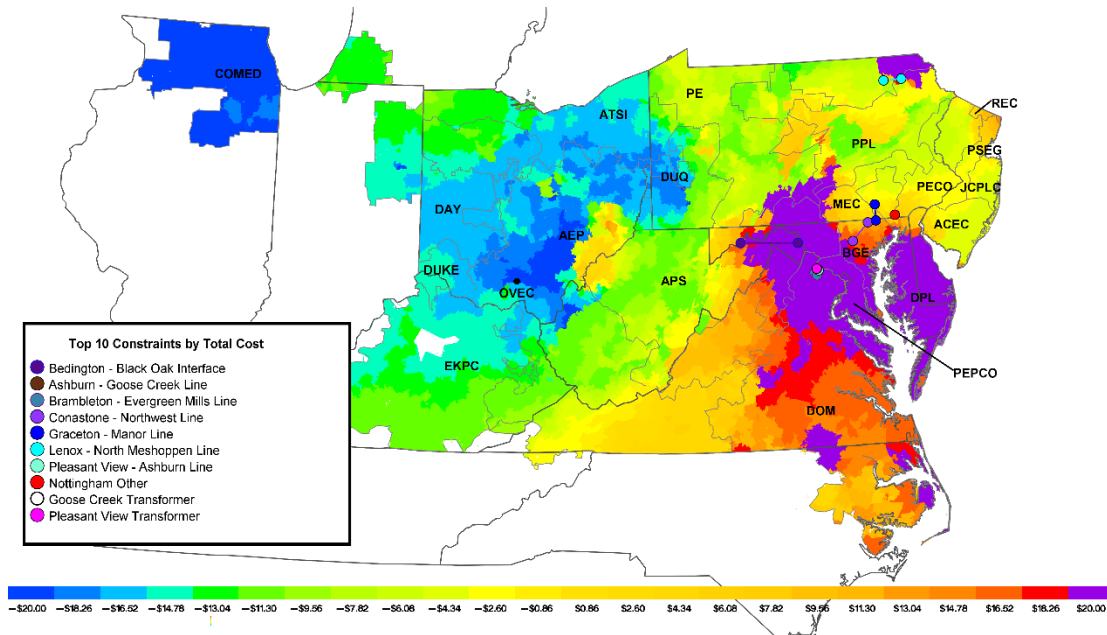
The Chesapeake submarket includes but is not limited to the BGE, DOM, and PEPCO transmission zones. Rather than using transmission zone definitions, a more accurate definition of the electrical submarket can be obtained using the pricing nodes affecting flows on the frequently binding constraints. The list of frequently binding constraints includes those that define the Chesapeake submarket and also include other frequently binding constraints. A negative dfax indicates the high price side of the constraint in the load pocket, and all pnodes with a negative dfax to the identified constraints greater than three percent are defined to be inside the submarket.⁴⁴ A positive dfax indicates the low price side of the constraint where resources have the ability to exercise market power by creating uneconomic flows on the transmission constraint in order to cause or exacerbate price separation, and all pnodes with a positive dfax to the identified constraints greater than three percent are defined to be outside the submarket.

Figure 2 shows the price separation directly resulting from binding constraints, along with the location of the constraints. The map plots the congestion component of LMP ("CLMP") associated with binding constraints by pnode for the constraints that caused the most price separation and related congestion costs, in 2025. The CLMP measures the amount a pnode is priced above or below the PJM system marginal price ("SMP") due to

⁴⁴ The dfax threshold is used to exclude resources that do not have a significant impact on a constraint. Three percent is the threshold used by PJM to determine whether a generating unit is eligible for offer capping for local market power mitigation.

binding constraints.⁴⁵ The Bedington-Black Oak, Conastone-Northwest, Graceton-Manor, and Nottingham constraints that define the purple area are priced more than \$20 per MWh above the SMP. The surrounding red and dark orange areas are priced more than \$10 per MWh above the SMP due to the same binding constraints. Binding constraints at Pleasant View, Ashburn, Goose Creek, and Brambleton-Evergreen Mills further constrain flows into Data Center Alley within the Chesapeake submarket. Only one constraint in the top 10 constraints by congestion cost is not associated with the Chesapeake submarket, Lenox – North Meshoppen.

Figure 2 Map of price differences resulting from the top 10 binding constraints by total congestion cost: 2025



The Commission previously accepted the PJM West submarket, including some of the same constraints that define the Chesapeake submarket, but includes AP; AEP; ATSI; BGE; ComEd; DAY; DOM; DEOK; DLCO; EKPC; OVEC; PENELEC; and PEPCO.^{46 47} The constraints that defined the PJM West submarket included Nottingham, Conastone-Northwest, Graceton-Safe Harbor, Lenox-North Meshoppen, and Fremont-Fremont. The analysis considered the sign, but not the magnitude, of the dfax between the constraints and zonal load aggregates, rather than individual pnodes. As a result, the PJM West

⁴⁵ See the 2025 *State of the Market Report for PJM*, Volume 2, Section 11: Congestion and Marginal Losses (March 13, 2026) <https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2025.shtml>.

⁴⁶ 192 FERC ¶ 61,073 (July 23, 2025) at P.56.

⁴⁷ See PJM. PJM Transmission Zone Map, <<https://www.pjm.com/library/-/media/B7455E69D97B45FFB390EEFAD84AD50D.ashx>> .

submarket is much larger than the Chesapeake submarket and includes transmission zones where generation does not have a significant effect on the Chesapeake submarket constraints. As the map shows, prices vary considerably within the PJM West submarket. Because the DPT analysis does not consider dfax in determining the amount of relief that generation can provide to demand in the submarket, the PJM West submarket does not accurately capture the extent of local market power present in the Chesapeake submarket. In the actual operations of the PJM market, the Chesapeake submarket is a relevant submarket. To accurately define the submarket by generators with an electrical location that can actually provide constraint relief and, therefore, affect prices in the submarket, the pnodes defining the Chesapeake submarket are based on a dfax greater than three percent in magnitude.

As the pnodes and constraints defining this submarket may shift over time, updating the submarket definition based on frequently binding constraints and shifting distribution factors is essential to accurate analysis. All of the binding constraint data is available on PJM's website.⁴⁸ All of the CLMP data is available on PJM's website.⁴⁹

The broader point about congestion in an LMP market is that it is dynamic and unpredictable. Submarkets in one period may not be submarkets in subsequent periods. Local market power may not exist in one period and may exist in the next. Local market power may exist in one period and not exist in the next. It is essential that merger reviews recognize that, in a dynamic nodal and locational energy market, and in a dynamic and locational capacity market, increased concentration of ownership creates the potential for market power beyond the specific facts of a specific period. It is essential for that reason to have clear, workable and enforceable rules for market power mitigation that can address the dynamic reality of PJM markets and that are not narrowly linked to a static definition of relevant markets.

Energy Market Results

Aggregate Market Power

The IMM analyzed the impact of the proposed transactions on aggregate energy market concentration using actual generation data for the two year period, April 2024 through March 2026.⁵⁰ The IMM analysis uses data from PJM's real-time energy market.

⁴⁸ See PJM Data Miner 2, Real-Time Marginal Value, <https://dataminer2.pjm.com/feed/rt_marginal_value/definition>.

⁴⁹ See PJM Data Miner 2, Settlements Verified Five Minute LMPs, <https://dataminer2.pjm.com/feed/rt_fivemin_mnt_lmpps/definition>.

⁵⁰ See 192 FERC ¶ 61,074 at 131.

The concentration metrics are the market share for energy and the HHI for energy in the aggregate PJM energy market. The IMM also uses a pivotal supplier screen for the aggregate day-ahead energy market.

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Table 3 AES's average hourly market share of PJM generation: April 2024 through March 2026

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Table 4 Energy market HHI: April 2024 through March 2026

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To assess the number of aggregate pivotal suppliers in the day-ahead energy market, the IMM determines, for each supplier, the MW available for economic commitment that were already running or were available to start between the close of the day-ahead energy market and the peak load hour of the operating day. The available supply for the one pivotal supplier analysis is defined as MW offered at a price less than 105 percent of the applicable locational marginal price. The available supply for the three pivotal supplier analysis is defined as MW offered at a price less than 150 percent of the applicable locational marginal price. Generating units, import transactions, economic demand response, and virtual supply ("INCs"), are included for each supplier. Demand is the total MW required by PJM to meet physical load, cleared load bids, export transactions, and virtual demand ("DECs"). A supplier is pivotal if PJM would require some portion of the supplier's available economic capacity in the peak hour of the operating day in order to meet demand. Suppliers are jointly pivotal if PJM would require some portion of the joint suppliers' available economic capacity in the peak hour of the operating day in order to meet demand.

When AES is a pivotal supplier in the energy market, it has the ability to raise prices in the energy market which benefits the inframarginal energy resources that it owns. There are no market power mitigation rules to address aggregate market power in the PJM energy market. The Horizon merger would increase AES's aggregate market power, increasing its incentive and ability to raise prices.

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Table 5 PJM Day-ahead aggregate energy market three pivotal supplier frequency: April 2024 through March 2026

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Local Market Power

The IMM analyzed the real-time energy market results for frequently binding constraints for more than five percent of hours in the two year period, April 2024 through March 2026.⁵¹ The IMM also analyzed the impact of the merger on constraints binding for 200 hours (greater than 1.0 percent of hours) or more in the two year period, April 2024 through March 2026. AES has market power for several constraints for hours in which they are binding. The analysis identifies constraints for which AES had market power, or would have market power with the merger, as shown by failures of the TPS test.

The TPS test considers incremental, effective MW available to provide relief to binding constraints in the energy market. The BlackRock, EQT and AES resources have incremental, effective MW available to provide constraint relief to constraints that are binding for five percent or more hours in PJM's energy market. AES has local market power as measured by TPS test failures both before and after the merger.

Table 6 identifies the constraints on the PJM system that were frequently binding based on the Commission's criteria of more than 876, or five percent, of hours during the period, April 2024 through March 2026. It provides the number of hours for which AES failed the TPS Test for frequently binding constraints and the number of hours for which AES would have failed the TPS Test with the merger.⁵²

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⁵¹ See 192 FERC ¶ 61,074 at 131.

⁵² The IMM includes the results for the number of constrained hours that equal or exceed 876 hours (5 percent of hours in two years) in response to the Commission's statement of its definition of frequently binding constraints in Docket No. EC26-39.

Table 6 Constraints where AES had market power as determined by the real-time energy market TPS test: April 2024 through March 2026

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Table 7 identifies the constraints on the PJM system that were binding for more than 876 or five percent of hours during April 2024 through March 2026. It provides the average TPS score for AES before the merger and the average TPS score AES would have with the merger. A TPS score of less than 1.0 indicates that a supplier has market power. An average TPS score greater than 1.0 does not mean that a supplier did not have market power for all hours in which the identified constraint was binding, as a supplier may score 1.0 or above in some hours and less than 1.0 in others.

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Table 7 Premerger and Postmerger TPS scores for constraints where AES had market power as determined by the real-time energy market TPS test: April 2024 through March 2026

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The OPS test uses the same basic logic as the TPS analysis, except that the OPS test is based on whether a single supplier is pivotal and the OPS uses a price threshold of 105 percent instead of 150 percent to define competitive suppliers.

The BlackRock, EQT and AES resources have incremental, effective MW available to provide constraint relief to constraints that are binding for five percent or more hours in PJM's energy market. AES has local market power as measured by OPS test failures both before and after the merger.

Table 8 identifies the constraints on the PJM system that were frequently binding based on the Commission's criteria of more than 876, or five percent, of hours during the period, April 2024 through March 2026. It provides the number of hours for which AES failed the OPS Test for frequently binding constraints and the number of hours for which AES would have failed the OPS Test with the merger.⁵³

⁵³ The IMM includes the results for the number of constrained hours that equal or exceed 876 hours (5 percent of hours in two years) in response to the Commission's statement of its definition of frequently binding constraints in Docket No. EC26-39.

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Table 8 Constraints where AES had market power as determined by the real-time energy market OPS test: April 2024 through March 2026

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Table 9 identifies the constraints on the PJM system that were binding for more than 876 or five percent of hours during April 2024 through March 2026. It provides the average OPS score for AES and the average OPS score AES would have with the merger. An OPS score of less than 1.0 indicates that a supplier has market power. An average OPS score greater than 1.0 does not mean that a supplier did not have market power for all hours in which the identified constraint was binding, as a supplier may score 1.0 or above in some hours and less than 1.0 in others.

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Table 9 Premerger and Postmerger OPS scores for constraints where AES had market power as determined by the real-time energy market OPS test: April 2024 through March 2026

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Table 10 identifies the constraints on the PJM system that were binding for more than 876 or five percent of hours during April 2024 through March 2026. Table 10 provides the average HHI for constraints where AES failed at least one TPS test during April 2024 through March 2026 and the average HHI the constraints would have with the merger and is limited to hours in which the applicants, BlackRock, EQT, or AES, could provide relief supply to the constraint.

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Table 10 Premerger and Postmerger HHI for constraints where AES had market power as determined by the real-time energy market TPS test: April 2024 through March 2026

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Capacity Market Results

Market Design

The Reliability Pricing Model (RPM) Capacity Market design was implemented in PJM on June 1, 2007. The RPM Capacity Market is a forward-looking, annual, locational market, with a must offer requirement for Existing Generation Capacity Resources and mandatory participation by load, with performance incentives, that includes clear market power mitigation rules and that permits the direct participation of demand-side resources. Recent changes to the market power mitigation rules include ending the categorical exemption from the must offer requirement for intermittent and storage resources.⁵⁴ Capacity storage resources include hydroelectric, flywheel and battery storage. Intermittent resources include wind, solar, landfill gas, run of river hydroelectric, and other renewable resources. Demand resources remain exempt from the must offer requirement. In addition, the Commission recently approved the inclusion of standalone CPQR offers with no net revenue offset and segmented offers based on CPQR, both of which were opposed by the IMM as undermining market power mitigation.⁵⁵

Under RPM, capacity obligations are annual. Base Residual Auctions (BRA) are held for delivery years that are three years in the future, although recent events have resulted in shorter lead times for BRAs. Effective with the 2012/2013 Delivery Year, First, Second and Third Incremental Auctions (IA) are held for each delivery year if there is time available.⁵⁶

RPM prices are locational by LDA and may vary depending on transmission constraints between LDAs and local supply and demand conditions within LDAs.⁵⁷ Existing generation that qualifies as a capacity resource must be offered into RPM auctions, except for resources owned by entities that elect the fixed resource requirement (FRR) option. Participation on the demand side by LSEs is mandatory, except for those entities that elect the FRR option. Load must buy all cleared capacity. There is an administratively determined demand curve that defines shortage pricing levels and that, with the supply curve derived from capacity offers, determines market prices in each BRA. Under RPM there are explicit market power mitigation rules that define the must offer requirement, that define structural market power using the three pivotal supplier test, that define offer caps, that define the minimum offer price, and that have flexible criteria for competitive

⁵⁴ See 190 FERC ¶ 61,117.

⁵⁵ See *id.*

⁵⁶ See 126 FERC ¶ 61,275 at P 86 (2009).

⁵⁷ Transmission constraints are local capacity import capability limitations (low capacity emergency transfer limit (CETL) margin over capacity emergency transfer objective (CETO)) caused by transmission facility limitations, voltage limitations or stability limitations.

offers by new entrants. Market power mitigation is effective only when these definitions are up to date and accurate. Demand resources may be offered directly into RPM auctions and receive the clearing price without mitigation. Demand resources may exercise market power under the existing rules.

The capacity market is, by design, always tight in the sense that total supply is generally only slightly larger than demand.⁵⁸ The capacity market, following the implementation of PJM's approach to the ELCC definition of capacity, is much tighter. Local LDA markets

⁵⁸ Recent reports by the Market Monitor explain many of the current issues in the capacity market design. See "Analysis of the 2025/2026 RPM Base Residual Auction—Part A," (September 20, 2024) ("IMM BRA Report Part A"), <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_A_20240920.pdf>; "Analysis of the 2025/2026 RPM Base Residual Auction—Part B," (October 15, 2024) ("IMM BRA Report Part B") <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_B_20241015.pdf>; "Analysis of the 2025/2026 RPM Base Residual Auction—Part C," (November 6, 2025) ("IMM BRA Report Part C") <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_C_20241106.pdf>; "Analysis of the 2025/2026 RPM Base Residual Auction—Part D," (December 6, 2024) ("IMM BRA Report Part D") <https://www.monitoringanalytics.com/reports/Reports/2024/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_D_20241206.pdf>; "Analysis of the 2025/2026 RPM Base Residual Auction—Part E," (January 31, 2025) ("IMM BRA Report Part E") <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_E_20250131.pdf>; "Analysis of the 2025/2026 RPM Base Residual Auction—Part F," (February 4, 2025) ("IMM BRA Report Part F") <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_F_20250204.pdf>; "Analysis of the 2025/2026 RPM Base Residual Auction—Part G Revised," (June 3, 2025) ("IMM BRA Report Part G") <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_G_20250603_Revised.pdf>; Analysis of the 2025/2026 RPM Base Residual Auction—Part H," (July 31, 2025) ("IMM BRA Report Part H") <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_H_20250731.pdf> ("2025/2026 BRA Reports"); Analysis of the 2026/2027 RPM Base Residual Auction - Part A," (October 1, 2025) <https://www.monitoringanalytics.com/reports/Reports/2025/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_A_20251001.pdf>; Analysis of the 2027/2028 RPM Base Residual Auction - Part A," (January 5, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20272028_RPM_Base_Residual_Auction_Part_A_20260105.pdf>; Analysis of the 2026/2027 RPM Base Residual Auction - Part B," (March 3, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20262027_RPM_Base_Residual_Auction_Part_B_20260303.pdf>; Analysis of the 2027/2028 RPM Base Residual Auction - Part B," (July 9, 2026) <https://www.monitoringanalytics.com/reports/Reports/2026/IMM_Analysis_of_the_20272028_RPM_Base_Residual_Auction_Part_B_20260709.pdf>.

may have different supply demand balances than the aggregate market. Demand is inelastic because the market rules require loads to purchase the system capacity requirement. The result is that any supplier that owns more capacity than the typically small difference between total supply and the defined demand is individually pivotal and therefore has structural market power. Any supplier that, jointly with two other suppliers, owns more capacity than the difference between supply and demand either in aggregate or for a local market is jointly pivotal and therefore has structural market power.

The market design for capacity leads, almost unavoidably, to structural market power in the capacity market. Given the basic features of the PJM Capacity Market, including significant market structure issues, inelastic demand, tight supply-demand conditions, the relatively small number of nonaffiliated LSEs and supplier knowledge of aggregate market demand, the potential for the exercise of market power is high. Market power is and will remain endemic to the existing structure of the PJM Capacity Market.

Nonetheless, a competitive outcome can be ensured by appropriate market power mitigation rules. Attenuation of those rules would mean that market participants would not be able to rely on the competitiveness of the market outcomes. The market power rules are not perfect and, as a result, competitive outcomes require continued improvement of the rules and ongoing monitoring of market participant behavior and market performance.

The capacity market currently has explicit market power mitigation rules designed to permit competitive, locational capacity prices based on limiting the exercise of market power. The capacity market construct has been consistent with the appropriate market design objectives of permitting competitive prices to reflect local scarcity conditions based on explicitly limiting market power. The capacity market design provides that competitive prices can reflect locational scarcity while not relying on the exercise of market power to achieve that design objective by limiting the exercise of market power via the application of the three pivotal supplier test and the resultant offer capping. The efficacy of the market power mitigation rules under recent rule changes remains to be seen and cannot be assumed. The modifications to the nature of the demand curve by PJM also create significant issues and have resulted in market prices above the competitive level.⁵⁹

On February 20, 2025, FERC issued an order accepting proposed rules in Docket No. ER25-785-000 which became effective February 21, 2025, beginning with the 2026/2027 Delivery Year. The rule changes include elimination of the categorical RPM must offer exemption for Intermittent Resources, Capacity Storage Resources, and Hybrid Resources; modifying the Market Seller Offer Cap definition to include unit specific standalone Capacity Performance Quantifiable Risk (CPQR); and modifying the Market Seller Offer Cap definition to include segmented unit specific offer caps. The filing highlights the fact that

⁵⁹ See 2025/2026 BRA Reports.

market power mitigation rules are uncertain. The inclusion of offers based on standalone CPQR and segmented offers both undermine market power mitigation.⁶⁰

Market Analysis

The analysis of the impact of the Horizon merger on the capacity market examines the locational markets defined by the underlying economics of the market including supply and demand curves and transmission constraints. Each transmission zone is a Locational Deliverability Area (LDA) which can be a separate submarket if PJM models the zone as an LDA and market conditions result in binding transmission constraints and associated price separation in an auction. There are, in addition, several defined subzonal LDAs, including PSEG North, DPL South, and ATSI Cleveland.

For the defined submarkets, market concentration and HHI levels were calculated on a premerger and a postmerger basis for each market.

To the extent that total RTO demand for capacity can be met without any constraints binding, the optimal solution is defined by the intersection of the aggregate supply and demand curves. However, if the next increment of demand for capacity in an LDA cannot be met by the next economic increment of total supply and must be met by higher cost supply within the LDA, then the transmission constraint is binding and there is a separate market created. That separate market is defined by the incremental demand that must be met by capacity within the LDA and the higher cost incremental supply within the LDA available to meet that demand.

The ability to exercise market power in the LDA is determined by the ownership structure of the incremental supply and the relationship between incremental supply and incremental demand. The incentive to exercise market power in the LDA is a function of the ownership structure of all capacity in the LDA. Regardless of offer price and regardless of whether the capacity was incremental, all capacity in a constrained LDA receives the higher constrained clearing price. The ability to exercise market power can be measured most accurately by the TPS test while the HHI provides a measure of the incentive to exercise market power.

When the capacity market clears as a single market, total RTO supply and demand determine the clearing price and all resources receive the single market clearing price. When an LDA within the RTO clears as a separate market, the incremental locational supply available to meet the locational demand determines the clearing price for the LDA. All capacity resources in the LDA receive the single locational market clearing price, regardless of whether the capacity resources are incremental.

⁶⁰ See Comments of the Independent Market Monitor for PJM, Docket No. ER25-785-000 (January 10, 2025); Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER25-785-000 (February 18, 2025); Request for Rehearing of the Independent Market Monitor for PJM, Docket No. ER25-785-000 (March 19, 2025).

When there are multiple LDAs that clear as separate markets and the LDAs are not overlapping, the logic is exactly the same for each LDA separately and its relationship to the rest of RTO.⁶¹ When the LDAs are nested, the analysis becomes more complex.

For this analysis, the actual sell offer prices and offered MW quantities in the 2026/2027, 2027/2028, and 2028/2029 RPM BRAs were used.⁶²

Aggregate Market: HHI

Table 11 shows pre and postmerger HHIs for the 2026/2027, 2027/2028, and 2028/2029 RPM Base Residual Auctions, including all modeled LDAs for each BRA. The HHIs in Table 11 measure concentration of ownership for all cleared capacity in the identified LDAs.

{BEGIN CUI//PRIV//HC}

REDACTED.

{END CUI//PRIV//HC}

Table 11 Premerger and postmerger HHI, PJM RTO

{BEGIN CUI//PRIV//HC}

REDACTED

{END CUI//PRIV//HC}

Locational Capacity Markets: Pivotal Supplier Tests

The pivotal supplier analysis uses the pre and postmerger One Pivotal Supplier (OPS) and Three Pivotal Supplier (TPS) test scores to measure the change in market power for the RTO and LDAs. The OPS analysis uses the same basic residual supplier logic as the TPS analysis, except that the OPS defines whether a single supplier is pivotal and the OPS uses a price threshold of 105 percent instead of 150 percent to define competitive suppliers. Table 12 shows the premerger and postmerger OPS scores for AES, BlackRock, and EQT. Table 13 shows the premerger and postmerger TPS scores for AES, BlackRock, and EQT.

{BEGIN CUI//PRIV//HC}

REDACTED.

{END CUI//PRIV//HC}

The market for a constrained LDA is defined by the incremental supply available to meet the incremental demand when locational incremental demand must be met by capacity

⁶¹ See 2025/2026 BRA Reports.

⁶² If the ownership of assets changed between the conduct of the BRA and the present, the current parent company ownership was used in both the premerger and postmerger cases.

resources within the LDA. The RTO market is defined to include all supply that is not incremental supply in a constrained LDA. The RTO market includes all MW that resulted in the clearing price for the rest of RTO.

The three pivotal supplier (TPS) test measures the degree to which the incremental supply from three suppliers of capacity is required in order to meet the incremental demand in an LDA. In applying the TPS test in the capacity market, the relevant demand consists of the incremental MW of capacity required to relieve a constraint or clear a market. The relevant supply consists of the incremental MW of supply from generation resources available to relieve the constraint or clear the market. The supply does not include demand response resources.

{BEGIN CUI//PRIV//HC}

REDACTED.

{END CUI//PRIV//HC}

Table 12 Premerger and postmerger OPS results for AES, BlackRock, and EQT

{BEGIN CUI//PRIV//HC}

REDACTED

{END CUI//PRIV//HC}

Table 13 Premerger and postmerger TPS results for AES, BlackRock, and EQT

{BEGIN CUI//PRIV//HC}

REDACTED

{END CUI//PRIV//HC}

ATTACHMENT B – MARKET POWER ANALYSIS
CUI//PRIV HC MATERIALS - REDACTED

ATTACHMENT C
IMM PROTECTIVE AGREEMENT

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Horizon Merger Sub, Inc.	)	
	)	
	)	
The AES Corporation on behalf of its	)	
Public Utility Subsidiaries	)	
	)	
	)	

EC26-99-000

PROTECTIVE AGREEMENT

This Protective Agreement is entered into this ____ day of ____, ____, by and between the Independent Market Monitor for PJM (Monitoring Analytics, LLC) (“Market Monitor”) and ____ (“Applicants”), and shall govern the use of all Privileged Material, as defined herein, submitted by the Market Monitor to the Federal Energy Regulatory Commission (the “Commission”) in this proceeding. The Market Monitor and Applicants are referred to herein individually as a “Party” and jointly as “Parties.”

1. The pleading filed by The Market Monitor in the above-captioned proceeding included documents that contained Privileged Material. The Market Monitor is a “participant” in such proceeding, as such term is defined in 18 C.F.R. § 385.102(b), or has filed a timely motion to intervene or a notice of intervention in such proceeding. The Parties enter into this Protective Agreement to govern the use of Privileged Material or CEII produced by The Market Monitor in the above-referenced proceeding. Notwithstanding any order terminating such proceeding, this Protective Agreement shall remain in effect unless and until specifically modified or terminated jointly by the Parties or by the Commission or a court of competent jurisdiction.
2. The Commission’s regulations¹ and its policy governing the labelling of controlled unclassified information (“CUI”),² establish and distinguish the respective designations of Privileged Material and CEII. As to these designations, this Protective Agreement provides that a Party:
 - A. *may* designate as Privileged Material any material which customarily is treated by that Party as market sensitive, commercially sensitive or proprietary or material subject to a legal privilege, which is not otherwise available to the public, and which, if disclosed,

¹ Compare 18 C.F.R. § 388.112, with 18 C.F.R. § 388.113. This Protective Agreement does not alter the respective requirements imposed by these sections on Privileged Material or CEII.

² Notice of Document Labelling Guidance for Documents Submitted to or Filed with the Commission or Commission Staff, 82 Fed. Reg. 18,632 (Apr. 20, 2017) (issued by Commission Apr. 14, 2017).

would subject that Party or its customers to risk of competitive disadvantage or other business injury or would harm competitive markets; and

B. *must* designate as CEII, any material that meets the definition of that term as provided by 18 C.F.R. §§ 388.113(a), (c).

3. For the purposes of this Protective Agreement, the listed terms are defined as follows:

A. Party(ies): As defined above.

B. Privileged Material:³

- i. Material (including depositions) provided by a Party in response to discovery requests or filed with the Commission, and that is designated as Privileged Material by such Party;⁴
- ii. Material that is designated Highly Confidential Privileged Material because it is commercially sensitive among the Participants or of such a private, personal nature that the producing Participant is able to justify a heightened level of confidential protection with respect to those materials or because it is market sensitive and its disclosure may harm competitive markets. The rules for Privileged Material apply to Highly Confidential Privileged Material except that Competitive Duty Personnel are prohibited from access to Highly Confidential Privileged Material as provided in Paragraph 7.
- iii. Material that is privileged under federal, state, or foreign law, such as work-product privilege, attorney-client privilege, or governmental privilege, and that is designated as Privileged Material by such Party;⁵
- iv. Any information contained in or obtained from such designated material;

³ The Commission's regulations state that "[f]or the purposes of the Commission's filing requirements, non-CEII subject to an outstanding claim of exemption from disclosure under FOIA will be referred to as privileged material." 18 C.F.R. § 388.112(a). The regulations further state that "[f]or material filed in proceedings set for trial-type hearing or settlement judge proceedings, a participant's access to material for which privileged treatment is claimed is governed by the presiding official's protective order." 18 C.F.R. § 388.112(b)(2)(v).

⁴ See *infra* P 11 for the procedures governing the labeling of this designation.

⁵ The Commission's regulations state that "[a] presiding officer may, by order restrict public disclosure of discoverable matter in order to [p]reserve a privilege of a participant...." 18 C.F.R. § 385.410(c)(3). To adjudicate such privileges, the regulations further state that "[i]n the absence of controlling Commission precedent, privileges will be determined in accordance with decisions of the Federal courts with due consideration to the Commission's need to obtain information necessary to discharge its regulatory responsibilities." 18 C.F.R. § 385.410(d)(1)(i).

- v. Any other material which is made subject to this Protective Agreement by the Commission, any court, or other body having appropriate authority, or by agreement of the Parties;
 - vi. Notes of Privileged Material (memoranda, handwritten notes, or any other form of information (including electronic form) which copies or discloses Privileged Material);⁶ or
 - vii. Copies of Privileged Material.
 - viii. Privileged Material does not include:
 - a. Any information or document that has been filed with and accepted into the public files of the Commission, or contained in the public files of any other federal or state agency, or any federal or state court, unless the information or document has been determined to be privileged by such agency or court;
 - b. Information that is public knowledge, or which becomes public knowledge, other than through disclosure in violation of this Protective Agreement; or
- C. Critical Energy/Electric Infrastructure Information (CEII): As defined at 18 C.F.R. §§ 388.113(a), (c).
- D. Non-Disclosure Certificate: The term “Non-Disclosure Certificate” means the certificates attached to this Protective Agreement, by which individuals granted access to Privileged Material, Highly Confidential Privileged Material and/or CEII must certify their understanding that such access to such material is provided pursuant to the terms and restrictions of this Protective Agreement, and that such Parties have read the Protective Agreement and agree to be bound by it.
- E. Reviewing Representative: A person who has signed a Non-Disclosure Certificate and who is:
- i. Commission Trial Staff designated as such in this proceeding;
 - ii. An attorney who has made an appearance in this proceeding for a Party;
 - iii. Attorneys, paralegals, and other employees associated for purposes of this case with an attorney who has made an appearance in this proceeding on behalf of a Party;
 - iv. An expert or an employee of an expert retained by a Party for the purpose of advising, preparing for, submitting evidence or testifying in this proceeding;

⁶ Notes of Privileged Material are subject to the same restrictions for Privileged Material except as specifically provided in this Protective Agreement.

- v. A person designated as a Reviewing Representative by order of the Commission; or
 - vi. Employees or other representatives of a Party appearing in this proceeding with significant responsibility for this docket.
- F. A trade association or industry group may not sign a Non-Disclosure Certificate on behalf of its members to grant its members access to Privileged Material, Highly Confidential Privileged Material, and/or CEII. Instead, the Reviewing Representative of the trade association or industry group shall only execute a Non-Disclosure Certificate on behalf of the relevant trade association or industry group. An individual member of a trade association or industry group will only have access to Privileged Material, Highly Confidential Privileged Material, and/or CEII if the relevant representative of such member individually signs the applicable Non-Disclosure Certificate to be permitted access to such material.
- G. The term "Reviewing Representative" for purposes of reviewing Highly Confidential Privileged Material defined in Paragraph 3(B)(ix) shall mean a person who has signed a Non-Disclosure Certificate and who is:
 - i. listed in Paragraph 3(E) but is not Competitive Duty Personnel as defined in Paragraph 3(H); or
 - ii. designated as a Reviewing Representative for purposes of reviewing Highly Confidential Privileged Material by written agreement of the producing Participant.
- H. The term "Competitive Duty Personnel" shall mean any individual(s) whose scope of employment or engagement includes any of the activities described in Paragraph 7. If at any time a Reviewing Representative's scope of employment changes to include any such activities, that Reviewing Representative shall immediately execute a Competitive Duty Personnel Non-Disclosure Certificate and will return or destroy any materials designated as CUI//PRIV-HC previously provided to them.
- 4. Privileged Material and/or CEII shall be made available under the terms of this Protective Agreement only to Parties and only to their Reviewing Representatives as provided in Paragraphs 6-10 of this Protective Agreement. The contents of Privileged Material, CEII or any other form of information that copies or discloses such materials shall not be disclosed to anyone other than in accordance with this Protective Agreement and shall be used only in connection with this specific proceeding.
- 5. All Privileged Material and/or CEII must be maintained in a secure place. Access to those materials must be limited to Reviewing Representatives specifically authorized pursuant to Paragraphs 7-9 of this Protective Agreement.
- 6. Privileged Material and/or CEII must be handled by each Party and by each Reviewing Representative in accordance with the Non-Disclosure Certificate executed pursuant to Paragraph 9 of this Protective Agreement. Privileged Material and/or CEII shall not be

used except as necessary for the conduct of this proceeding, nor shall they (or the substance of their contents) be disclosed in any manner to any person except a Reviewing Representative who is engaged in this proceeding and who needs to know the information in order to carry out that person's responsibilities in this proceeding. Reviewing Representatives may make copies of Privileged Material and/or CEII, but such copies automatically become Privileged Material and/or CEII. Reviewing Representatives may make notes of Privileged Material, which shall be treated as Notes of Privileged Material if they reflect the contents of Privileged Material.

7. If a Reviewing Representative's scope of employment includes any of the activities listed under this Paragraph 7, such Reviewing Representative is prohibited from receiving Highly Confidential Privileged Information and may not use information contained in any Privileged Material and/or CEII obtained in this proceeding for a commercial purpose (e.g. to give a Party or competitor of any Party a commercial advantage):
 - A. Energy marketing;
 - B. Direct supervision of any employee or employees whose duties include energy marketing; or
 - C. The provision of consulting services to any person related to energy marketing, including by attorneys.
8. If a Party wishes to designate a person not described in Paragraph 3(E) above as a Reviewing Representative, the Party must seek agreement from the Party providing the Privileged Material and/or CEII. If an agreement is reached, the designee shall be a Reviewing Representative pursuant to Paragraph 3(E) of this Protective Agreement with respect to those materials. If no agreement is reached, the matter must be submitted to the Commission for resolution.
9. A Reviewing Representative shall not be permitted to inspect, participate in discussions regarding, or otherwise be permitted access to Privileged Material, Highly Privileged Confidential Information and/or CEII pursuant to this Protective Agreement until that Reviewing Representative first has executed and served a Non-Disclosure Certificate.⁷ Competitive Duty Personnel shall not be permitted to inspect, participant in discussion regarding, or otherwise be permitted access to Privilege Material and/or CEII pursuant to this Protective Agreement until that Competitive Duty Personnel has first has executed and served a Competitive Duty Personnel Non-Disclosure Certificate. Competitive Duty Personnel shall not be permitted to inspect, participant in discussion regarding, or otherwise be permitted access to Highly Confidential Privilege Material.
10. Any Reviewing Representative or Competitive Duty Personnel may disclose Privileged Material and/or CEII to any other Reviewing Representative or Competitive Duty

⁷ During this three-day period, a Party may file an objection with the Commission contesting that an individual qualifies as a Reviewing Representative, and the individual shall not receive access to the Privileged Material and/or CEII until resolution of the dispute.

Personnel as long as the Reviewing Representatives have executed a Non-Disclosure Certificate and the Competitive Duty Personnel have executed a Competitive Duty Personnel Non-Disclosure Certificate. In the event any Reviewing Representative to whom Privileged Material and/or CEII are disclosed ceases to participate in this proceeding, or becomes employed or retained for a position that renders him or her ineligible to be a Reviewing Representative under Paragraph 3(D) of this Protective Agreement, access to such materials by that person shall be terminated. Even if no longer engaged in this proceeding, every person who has executed a Non-Disclosure Certificate or a Competitive Duty Personnel Non-Disclosure Certificate shall continue to be bound by the provisions of this Protective Agreement and the Non-Disclosure Certificate or Competitive Duty Personnel Non-Disclosure Certificate for as long as the Protective Agreement is in effect.⁸

11. All Privileged Material and/or CEII in this proceeding filed with the Commission or submitted to any Commission personnel, must comply with the Commission's *Notice of Document Labelling Guidance for Documents Submitted to or Filed with the Commission or Commission Staff*.⁹ Consistent with those requirements:
 - A. Documents that contain Privileged Material must include a top center header on each page of the document with the following text: CUI//PRIV. Any corresponding electronic files must also include CUI-PRIV in the file name.
 - B. Documents that contain Highly Confidential Privileged Material must include a top center header on each page of the document with the following text: CUI//PRIV-HC. Any corresponding electronic files must also include CUI-PRIV-HC in the file name.
 - C. Documents that contain CEII must include a top center header on each page of the document with the following text: CUI//CEII. Any corresponding electronic files must also include CUI-CEII in the file name.
 - D. Documents that contain both Privileged Material and CEII or Highly Confidential Privileged Material and CEII must include a top center header on each page of the document with the following text, as applicable: CUI//CEII//PRIV or CUI//CEII//PRIV-HC. Any corresponding electronic files must also include CUI-CEII-PRIV-HC in the file name.
 - E. The specific content on each page of the document that constitutes Privileged Material and/or CEII must also be clearly identified. For example, lines or individual words or numbers that include both Privileged Material and CEII shall be prefaced and end with "BEGIN CUI//CEII//PRIV" and "END CUI//CEII//PRIV".
12. If any Party desires to include, utilize, or refer to Privileged Material or information derived from Privileged Material in testimony or other exhibits during the hearing in this

⁸ See *infra* P 19.

⁹ 82 Fed. Reg. 18,632 (Apr. 20, 2017) (issued by Commission Apr. 14, 2017).

proceeding in a manner that might require disclosure of such materials to persons other than Reviewing Representatives, that Party first must notify counsel for the disclosing Party, and identify all such Privileged Material. Thereafter, use of such Privileged Material will be governed by procedures determined by the Commission.

13. Nothing in this Protective Agreement shall be construed as precluding any Party from objecting to the production or use of Privileged Material and/or CEII on any appropriate ground.
14. Nothing in this Protective Agreement shall preclude any Party from requesting the Commission or any other body having appropriate authority to find this Protective Agreement should not apply to all or any materials previously designated Privileged Material pursuant to this Protective Agreement. The Commission or any other body having appropriate authority may alter or amend this Protective Agreement as circumstances warrant at any time during the course of this proceeding.
15. Each Party governed by this Protective Agreement has the right to seek changes in it as appropriate from the Commission or any other body having appropriate authority.
16. Subject to Paragraph 18, the Commission shall resolve any disputes arising under this Protective Agreement pertaining to Privileged Material according to the following procedures. Prior to presenting any such dispute to the Commission, the Parties to the dispute shall employ good faith best efforts to resolve it.
 - A. Any Party that contests the designation of material as Privileged Material shall notify the Party that provided the Privileged Material by specifying in writing the material for which the designation is contested.
 - B. In any challenge to the designation of material as Privileged Material, the burden of proof shall be on the Party seeking protection. If the Commission finds that the material at issue is not entitled to the designation, the procedures of Paragraph 18 shall apply.
 - C. The procedures described above shall not apply to material designated by a Party as CEII. Material so designated shall remain subject to the provisions of this Protective Agreement, unless a Party requests and obtains a determination from the Commission's CEII Coordinator that such material need not retain that designation.
17. The designator will have five (5) days in which to respond to any pleading requesting disclosure of Privileged Material. Should the Commission determine that the information should be made public, the Commission will provide notice to the designator no less than five (5) days prior to the date on which the material will become public. This Protective Agreement shall automatically cease to apply to such material on the sixth (6th) calendar day after the notification is made unless the designator files a motion with the Commission, with supporting affidavits demonstrating why the material should continue to be privileged. Should such a motion be filed, the material will remain confidential until such time as the interlocutory appeal or certified question has been addressed by the Motions Commissioner or Commission, as provided in the Commission's regulations, 18 C.F.R. §§ 385.714, .715. No Party waives its rights to seek additional administrative or judicial remedies after a

decision regarding Privileged Material or the Commission's denial of any appeal thereof or determination in response to any certified question. The provisions of 18 C.F.R. §§ 388.112 and 388.113 shall apply to any requests under the Freedom of Information Act (5 U.S.C. § 552) for Privileged Material and/or CEII in the files of the Commission.

18. Privileged Material and/or CEII shall remain available to Parties until the later of 1) the date an order terminating this proceeding no longer is subject to judicial review, or 2) the date any other Commission proceeding relating to the Privileged Material and/or CEII is concluded and no longer subject to judicial review. After this time, the Party that produced the Privileged Material and/or CEII may request (in writing) that all other Parties return or destroy the Privileged Material and/or CEII. This request must be satisfied with within fifteen (15) days of the date the request is made. However, copies of filings, official transcripts and exhibits in this proceeding containing Privileged Material, or Notes of Privileged Material, may be retained if they are maintained in accordance with Paragraph 5 of this Protective Agreement. If requested, each Party also must submit to the Party making the request an affidavit stating that to the best of its knowledge it has satisfied the request to return or destroy the Privileged Material and/or CEII. To the extent Privileged Material and/or CEII are not returned or destroyed, they shall remain subject to this Protective Agreement.
19. Regardless of any order terminating this proceeding, this Protective Agreement shall remain in effect until specifically modified or terminated by the Commission. All CEII designations shall be subject to the "[d]uration of the CEII designation" provisions of 18 C.F.R. § 388.113(e).
20. Any violation of this Protective Agreement and of any Non-Disclosure Certificate executed hereunder shall constitute a violation of an order of the Commission.
21. Neither Party waives the right to pursue any other legal or equitable remedies that may be available in the event of actual or anticipated disclosure of Privileged Material, including but not limited to indemnification for unwarranted release of Privileged Material and injunctive relief.

IN WITNESS WHEREOF, the Parties each have caused this Protective Agreement to be signed by their respective duly authorized representatives as of the date first set forth above.

By: _____
Name: _____
Title: _____
Representing The Market Monitor

By: _____
Name: _____
Title: _____
Representing Applicant

By: _____
Name: _____
Title: _____
Representing Applicant

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Horizon Merger Sub, Inc.	)	
	)	
	)	
The AES Corporation on behalf of its	)	
Public Utility Subsidiaries	)	
	)	
	)	

EC26-99-000

NON-DISCLOSURE CERTIFICATE

I hereby certify my understanding that access to Privileged Material and/or Critical Energy/Electric Infrastructure Information ("CEII") is provided to me pursuant to the terms and restrictions of the Protective Agreement in this proceeding, that I have been given a copy of and have read the Protective Agreement, and that I agree to be bound by it. I understand that the contents of Privileged Material (including Highly Confidential Privileged Material) and/or CEII, any notes or other memoranda, or any other form of information that copies or discloses such materials, shall not be disclosed to anyone other than in accordance with the Protective Agreement. I acknowledge that a violation of this certificate constitutes a violation of an order of the Federal Energy Regulatory Commission.

By:	
Title:	
Representing:	
Date:	

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Horizon Merger Sub, Inc.

The AES Corporation on behalf of its
Public Utility Subsidiaries

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EC26-99-000

**COMPETITIVE DUTY PERSONNEL
NON-DISCLOSURE CERTIFICATE**

I hereby certify my understanding that access to Privileged Material and/or Critical Energy/Electric Infrastructure Information ("CEII") in the above-captioned proceeding is provided to me pursuant to the terms and restrictions the Protective Order in this proceeding, that I have been given a copy of and have read the Protective Order, and that I agree to be bound by it. I understand that the contents of Privileged Material and/or CEII, any notes or other memoranda, or any other form of information that copies or discloses such materials, shall not be disclosed to anyone other than in accordance with the Protective Order and shall be used only in connection with this proceeding. I acknowledge that I do not meet the qualifications to review Highly Confidential Privileged Materials because my duties and responsibilities may include "Competitive Duties" as described in Paragraph 7 of the Protective Order. As such, I understand that I am prohibited from accessing Highly Confidential Privileged Materials, any notes or other memoranda, or any other form of information that copies or discloses Highly Confidential Privileged Materials. I acknowledge that a violation of this certificate constitutes a violation of an order of the Federal Energy Regulatory Commission.

By: _____
Title: _____
Representing: _____
Date: _____