

CALIFORNIA ENERGY MARKET OUTLOOK

Important webinar highlights at a glance

October 2026



Summary

During our webinar we discussed the various market drivers influencing energy dynamics and costs in California, including regulatory developments, structural market changes, load growth, gas storage, and clean energy requirements.



Regulatory Update

Data center demand: Data center load growth is a hot topic in every market. The question is whether it materializes and, if so, where and when. The next California Energy Commission load forecast is the one to watch in January 2027.

Key takeaways: We are experiencing less immediate upward price pressure than some headlines suggest however this load is largely inflexible and will add peak demand to wherever it lands. Businesses that can shift usage away from peak demand hours will be less exposed.

4,280 MW is the revised estimate for data center demand by 2040

Western regionalization of power markets: CAISO’s Enhanced Day Ahead Market (EDAM) has been live since May, with PacifiCorp and Portland General Electric now participating, and more Western balancing areas and utilities committed to joining EDAM in the 2027 to 2028 timeframe. A second Western power market footprint — the Southwest Power Pool’s Markets + day ahead market — is still taking shape and is expected to launch in October 2027.

Key takeaways: these markets are expected to stabilize RA procurement over the long run but the financial impact as the market structures take shape adds an element of uncertainty and therefore risk, especially considering the varying implementation timelines and extent of participation.

Resource Adequacy: A July 2 CPUC decision tightens how resources count toward RA, raising the value of capacity available at peak. Carbon costs also raise net peak prices, since thermal generation is often dispatched as the marginal unit.

Key takeaways: power may be trading low at key delivery points, but this creates upward pressure on the RA component of supply costs. This presents another reason for businesses to strategically manage when and how much power they consume.



2026 Energy Markets: Where Are we Now?

Healthy regional natural gas inventories, continued solar and battery buildout, and a mild winter/spring drove spot power and gas prices lower YoY through the first half of 2026. Since July, summer heat has pushed demand and index prices back above last year.



Market Drivers

BEARISH FACTORS

- Healthy regional storage (9% above 5-year average) and strong natural gas production
- Solar and battery growth: record outputs flatten evening ramps and peak hour power prices, while displacing gas generation
- Reservoirs are full for stronger hydro presence



BULLISH FACTORS

- Load growth where predicted increases outpace new supply
- Canadian natural gas import limits and increased exports to Mexico
- Market redesign (EDAM and Markets+) rollout adds congestion and basis uncertainty for power



WEATHER

Forecasts are showing a move to a super El Niño, which has the potential to result in wet California weather. This could have a bearish impact as stronger hydro outputs ease price pressures. Conversely more rain and clouds mean less solar, which could have a bullish effect depending on how strong hydro and hydro imports are.



Price Trends

Natural gas basis

- Basis prices stay firm despite storage being full
- There’s a widening price gap between near-term and longer-term periods

Resource Adequacy (RA)

- Near term: below prior year; no policy changes taking effect
- Long-term: load growth and changes in capacity counting increase risk

Electricity

- Prices are in contango, with softer near-term and higher long-term prices
- There’s a widening price gap between Cal 2027 and Cals 2028-31

Renewable Portfolio Standard (RPS)

- Near term: ample certificates and solar/battery additions
- Additional clean energy procurement mandates to cause excess renewable capacity that shows up in customer costs

Fixed all-in contracts:

Bundling all your electricity supply costs into one fixed price is currently showing value, with price points at multi-year lows. Since last October, fixed contracts have declined by about \$14/MWh.



Direct Access

In order to select an electricity service provider (ESP) in California and access competitive supply options, you must apply and be accepted into the California Public Utilities Commission’s (CPUC’s) Direct Access (DA) program. The amount of electricity load that can participate in DA is capped so every June there is a submission process and lottery administered by the investor-owned utilities (SDG&E, SCE, and PGE) to determine who gets space under the cap. Companies that apply may either be awarded space or placed on a wait list to be called up if load becomes available throughout the following year.

If you’ve been wait-listed for this year’s lottery, let’s discuss strategy, contracts, and timing so you’re ready if load becomes available at any time between now and the 2027 lottery.

The next opportunity to apply for Direct Access is **June 2027**. We can help you prepare and submit the paperwork and understand the process better. There is no obligation to select a supplier if you are accepted for DA.