

2026 Power Predictions

For over 20 years, Ascend Analytics has been the leading provider of market intelligence and analytics solutions for the power industry. With our second annual Power Predictions, our strategists, economists, and analysts again direct their attention to the trends shaping the upcoming year. This year's predictions look at the near-term implications of load growth, infrastructure, data centers, and market designs.



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Natural Gas Delivery Constraints Will Stem the Unbridled Flow of Data Center Development

Turbine supply shortages may ease by the end of the decade, but the (lack of) availability of pipeline gas will quickly become an issue that dogs data center developers and may also put upward pressure on prices.

While some regions of the country have the resources available to create a "mine-to-mouth" private supply chain for natural gas, others are reliant on increasingly congested pipeline networks.

Expect to see this shape the next wave of data center development that will need to start making final siting decisions this year. We can already see evidence of this in the pace of development in New Mexico, Pennsylvania, Texas, and Louisiana – all states with notable natural gas reserves.

Data Center Pipe Dreams



3

The Hot Potato of Rising Rates

Rising Electricity Costs Will Prove to be a Formidable Affordability Foe in the 2026 Mid-Terms

After 20+ years of general stability, electricity rates are now seeing higher-than-inflation increases in many places across the U.S. While the specific drivers vary by region, they can generally be attributed to the costs associated with upgrading and updating an aging transmission system alongside high capacity market costs outside of regulated areas.

Against a backdrop of a litany of political wedges including inflation, tariff-induced price rises, fears of AI-induced layoffs, and widening political unrest, electricity prices will be the proverbial straw that breaks the camel's back, igniting into a political flashpoint where both left and right find reasons to blame the other side.

Politicians from both parties will make great efforts to show they are doing *something*, resulting in a variety of poorly designed interventions alongside a few helpful ones. Whether implementing price caps that stifle investment & leave markets short on supply, rate freezes that are unsustainable, weakening environmental regulations, backing off of clean energy goals, or forcing uneconomic generation to remain online, the losers will be the customers who will deal with the consequences down the line.



5

99.999%?

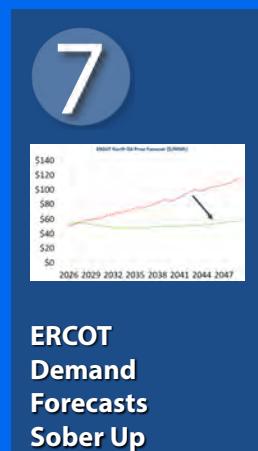
You Can't Always Get What You Want...

...but Data Centers Will Settle for What They Need

Data centers are likely going to have to give up on the dream of 5-Nines reliability (99.999% up time) and reassess the level of grid services they need given the challenges of gigawatt scale of loads at single points on the grid.

Even if markets manage to resolve their interconnection queues, transmission development bottlenecks, generator supply chains, and capacity market reformation, 5-Nines reliability will be functionally difficult and financially infeasible to achieve at this scale. Even the "1-Day in 10-years" planning standard that has emerged as the utility planning paradigm is only "three-and-a-half nines".

As a result, data centers will have to make trade-offs around computing, learning, location, and latency priorities matched to overall load curves, demand profiles, weather, and their own back up generation capacity.



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ERCOT Demand Forecasts Sober Up

2026 Load Growth Will Fall Short of Previous Expectations

ERCOT's December 2025 Capacity, Demand, and Reserves (CDR) report marked the second consecutive downward revision to its 2026 summer peak forecast. ERCOT is modeling a 50% reduction in new large load additions in 2026 and a peak load 6% lower than their early 2025 long-term forecast. This trend underscores how prior projections were overly aggressive and were dismissive of real-world constraints.

Permitting and interconnection reviews can stretch 12-24 months, while supply chain bottlenecks for transformers and switchgear can add another two to four years. Labor shortages add to the construction challenge. Even BTM projects are experiencing slowdowns, with the highly publicized Stargate facility running 12+ months behind schedule due to partnership and construction issues.

The data center demand is real, but 2026 demand growth appears unlikely to be nearly as steep as supply side market participants would like. Diminished realized load growth also means ERCOT forward markets will likely continue to miss high.



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Skip the Line

ISOs Increasingly Adopt Pay-to-Play Programs to Accelerate Connection

Hyperscalers combine nearly unlimited financial resources with a once-in-a-lifetime market opportunity, making them formidable, aggressive, and eager deal makers.

As they scramble for new sites, they will dangle any number of carrots in front of utilities and regulators. Expect to see large checks or customized and creative curtailment agreements to accelerate interconnection processes.

Utilities will readily take on new load if the hyperscalers are willing to foot significant portions of the bill. The deal will be positioned as an affordability play helping to defray costs and keep energy prices low for customers, but it will also serve data center investors well.

If you're interested in exploring a specific prediction or the forces behind them, connect with Ascend to speak to our experts.

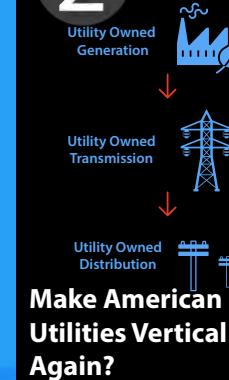
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2



Large Loads Head to Vertically Integrated Markets

Customer Affordability and Load Growth are at odds in competitive deregulated areas with capacity markets. Because load growth determines capacity revenues across the entire supply stack, the market signals that are required to loudly call for the need for new generation become prohibitively expensive, irking price sensitive consumer and politicians alike.

In contrast, vertically integrated regulated utilities only incur the marginal cost of new entry and can isolate and assign upgrade costs to those who induced the development, making these markets less onerous for large loads and rate payers alike.

PJM is scrambling to find solutions, with an immediate backstop procurement auction currently being proposed alongside a plan for a holistic market reform. Meanwhile PJM state legislatures and governors also discuss the possibility of re-regulating their transmission utilities to allow them to own generation again. A MISO-like transformation of PJM would enable the spot market efficiency of an RTO and the new entry efficiency of a vertically integrated utility.

4



Behind the Meter Comes Front and Center

BTM Resources Will Become a Multi-Purpose Solution for a Myriad of Power Market Woes

Behind the Meter resources, from community solar to industrial and residential solar + storage and virtual power plants, have been around for years, but have struggled to gain mainstream traction against more "traditional" ways of addressing net load shortages.

A confluence of headwinds against traditional remedies will increase the value of large load and commercial BTM resources, winning previously skeptical converts and revitalizing business models that previously didn't pencil.

A megawatt avoided will quickly become more valuable than a megawatt generated, with ELCC, reserve margins, and T&D losses amplifying the value of load reduction relative to supply additions. With rising capacity prices and demand charge structures that care more about peak gross load than stressed grid conditions, the value proposition for BTM generation has never been higher.

All of this is made even more valuable given delays in interconnection queues that make BTM resources among the fastest resources to deploy. Look for these combined advantages to significantly accelerate large-scale BTM resource deployment and utilization.

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Don't Just Bring It. Buy It.

Hyperscalers Bring their Own Capacity and then Go Further - They Own Power Outright

Developers can struggle to secure external capital to fund construction and, at later stages, find buyers for their energy. Hyperscalers have plenty of money and appetite for energy, so these should be matches made in heaven. With speed-to-power increasingly requiring data centers to bring their own capacity, the incentive will only grow for tech companies to collaborate with generation owners and developers.

Previous industry commentary has voiced doubts over the merits of full-on acquisitions, highlighting the massive opportunity cost of investing high-growth capital into long-lifetime infrastructure. Reading the tea leaves, the signal from Google buying Intersect in December of 2025 appears to be that hyperscalers see advantages to going beyond contractual agreements and into outright ownership to unblock mission critical data center development. The introduction of even stronger relationships between energy supply and energy demand should streamline both aspects of development and accelerate resource deployment.

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Small Utilities Band Together or Get Left Behind

Smaller utilities will often not be sufficiently capitalized to make large new investments in infrastructure and generation quickly enough to compete for large load customers. For a private company, investors would likely swoop in and infuse capital by investing or purchasing it outright.

Many of these load serving entities are publicly owned as municipal utilities or co-ops, making these types of deals impossible.

Expect many of these entities to gain economies of scale by banding together, joining Joint Action Agencies or other aggregating entities to compete for new load and new generation on a bigger, more efficient, stage.

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The New NIMBY

Grassroots Data Center Opposition Gains Traction

The NIMBY playbook has been employed since back yards – actual and figurative – came into being, with various levels of success in battling against transmission lines, power generation (thermal and renewables), large industrial projects, and any number of commercial and residential developments.

In the next chapter, communities will build local opposition to data centers, becoming much more organized and fervent as the shine of promised jobs and tax dollars wears off and the resource intensity and power costs are better understood.

In response, developers and hyperscalers greatly expand community outreach and public relations resources to educate the public. In addition, innovation around reducing resource use, such as water and other cooling needs and physical footprints, will garner increased investment.