

Constellation Energy: Governing the Next Wave of Large Loads

Internal ID: S&F-STR-166

Topic: Customer Strategy, Mergers & Acquisitions, Risk Management

Industry: Electric Utilities

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Company: Constellation Energy Corporation (NASDAQ: CEG)

Decision setting and information cutoff: Hypothetical autumn 2026; public information through 2 October 2026, 4:00 p.m. ET

Decision scope: Prospective approval policy for future, uncommitted generation-adjacent large-load proposals

Case version: Draft v1, 4 October 2026

The assignment

Assume you advise Constellation's board in a hypothetical autumn 2026 policy discussion. Recommend how the company should evaluate future, not-yet-committed large-load proposals near its generation assets. Set approval gates for system reliability, cost allocation, customer flexibility and credit, contract risk, accountable decision-makers, exceptions, and ongoing monitoring.

This is a classroom exercise, not a reported board meeting, pending vote, or management plan. Your policy applies prospectively to uncommitted opportunities. It cannot be assumed to override signed contracts. Constellation has disclosed a signed agreement for Freestone Phase 1 and an exclusive agreement for an additional Phase 2. Their detailed terms, triggers, dates, termination or renegotiation rights, and any remaining discretion are not public in the sources used here. Do not recommend that Constellation cancel or renegotiate either arrangement, or assume a pending Phase 2 decision.

Prepare a two-page board recommendation that states your policy, identifies who can approve each stage, names the evidence required before commitment and operation, and defines a documented exception and monitoring process. Address the strongest objection to your policy and what evidence would change it. Do not calculate a project NPV or assume undisclosed contract terms.

A commercial opportunity with a system question

Constellation reported that it signed a 380-MW CyrusOne agreement for a data center adjacent to Freestone Energy Center in the first quarter of 2026. It also disclosed an exclusive agreement to provide power, grid connectivity, and site infrastructure for an additional 380 MW at Freestone Phase 2. The filing gives no load ramp, hourly usage profile, dispatch or curtailment provisions, upgrade-cost allocation, customer collateral, or project economics. The word "exclusive" does not reveal the agreement's option mechanics or what future discretion remains. [P1]

Constellation says the Phase 1 arrangement will allow electricity to continue flowing to the regional grid and preserve reliability for customers and communities. That is the company's description; the public materials reviewed for this case do not include an independent Freestone system-impact study or operating results. Earlier 400-MW CyrusOne agreements at Calpine's Thad Hill Energy Center provide precedent, but the cited disclosure does not compare contract terms or measured system outcomes. [P1]

The company was integrating Calpine, acquired in January 2026. Constellation said integration of functions and financing made it impracticable to determine Calpine's earnings since acquisition. At the same time, it disclosed another 920 MW of nuclear power purchase agreements with investment-grade customers, running 15-20 years and beginning between 2029 and 2032. Those aggregate terms show the scale and duration of commitments, not their prices, hourly shapes, replacement-power obligations, or project returns. [P1, P2]

The strategic question is therefore not whether a nearby data center is inherently good or bad. It is how Constellation should make and govern commitments when commercial proximity may create coordination opportunities, yet physical deliverability, costs to other customers, outage exposure, and customer flexibility depend on facts not disclosed in a headline MW figure.

A regulatory landscape still taking shape

On 18 June 2026, the Federal Energy Regulatory Commission issued tailored Federal Power Act §206 show-cause orders to all six RTOs and ISOs, asking them to defend or reform tariffs addressing large loads. Topics include co-location, transmission-cost transparency, flexible loads, and studies of electrically proximate generation and load. Separately, FERC's RM26-4 docket remained an open advance notice of proposed rulemaking. Neither is a final nationwide rule or a Freestone-specific determination. [P3, P4]

For Constellation, the open question is what its own approval process should demand while regional requirements evolve. A policy may set company evidence thresholds and escalation responsibilities without claiming to settle an RTO tariff issue or substitute for regulator and system-operator approval.

"Ready" can mean several different things

Constellation's proposed restart of the Crane Clean Energy Center illustrates why a single readiness label can obscure distinct gates. The company has a 20-year Microsoft PPA for output from the renewed plant, but says restart and delivery remain subject to regulatory approvals and state and local permits. The NRC approved a fuel-license amendment request by August 2026. Separately, FERC waived the requirement that capacity interconnection rights (CIRs) remain at Eddystone Units 3 and 4, permitting transfer to Crane. A PJM Phase I system-impact study identified contingent transmission upgrades for full deliverability, some projected as late as December 2030. [P1, P2, P5]

In September, the NRC issued a final environmental assessment and finding of no significant impact (FONSI) concerning proposed reauthorization actions. The notice said an exemption and three license amendments remained under consideration. The FONSI is an environmental finding; it is not approval of those still-pending actions or permission to restart. A PPA, approved fuel amendment, CIR waiver, identified upgrades, FONSI, remaining license actions, permits, and operating readiness answer different questions. [P6]

Exhibit 1. Crane status at the case cutoff

Dimension	Publicly disclosed status by 2 October 2026	What it does not establish
Offtake	20-year Microsoft PPA for renewed-plant output	Restart approval or physical delivery readiness
Fuel license	NRC approved a fuel-license amendment request by 6 August	Approval of the separate exemption and three license amendments
Capacity interconnection rights	FERC granted a waiver allowing Eddystone Units 3/4 CIRs to transfer to Crane	Completed transmission upgrades or actual deliverability
Network upgrades	PJM study identified contingent upgrades; some projected through December 2030	That the work is complete or that all conditions are satisfied
Environmental review	NRC issued September FONSI for proposed reauthorization actions	Approval of the proposed actions, safety authorization, or restart permission
Other licensing and readiness	Exemption and three license amendments remained under consideration; state/local permits and operating readiness are distinct	A single public milestone resolves all remaining gates

Sources: [P1], [P2], [P5], [P6]. The table reports status, not a prediction of approval or completion.

Design a policy, not a slogan

A policy can be strict about evidence while preserving room to distinguish projects. The following dimensions are questions for your design, not existing Constellation rules:

Gate	Questions the board policy should answer
System and reliability	Which independent system-operator or utility studies must precede commitment? How will reliability be assessed across normal, peak, outage, and contingency conditions? Who confirms that required transmission and interconnection work is identified and funded?
Cost allocation	How will the company document who pays for dedicated facilities, network upgrades, balancing, and costs imposed on other customers? What evidence and approvals are needed where tariff rules remain unsettled?

Gate	Questions the board policy should answer
Customer and operating flexibility	What load-ramp, curtailment, backup, telemetry, and operating-coordination terms should be required or tested? Under what conditions could flexibility substitute for new infrastructure, and who verifies performance?
Credit and contract risk	What counterparty diligence, collateral, default remedies, delivery shape, outage/replacement-power rules, basis exposure, and change-control protections are needed? Which risks remain with the generation portfolio?
Authority and exceptions	Which executives own commercial, system, legal, credit, and operating sign-offs? What goes to a board committee or full board? How should an exception state its rationale, evidence, risk owner, duration, and conditions?
Monitoring and stop/go	Which construction, study, cost, customer-readiness, and operating indicators are reviewed, by whom, and how often? What new evidence requires escalation or a pause before a future commitment or operating stage?

FERC's actions make process design timely, but they do not answer these company-specific questions. The studies offer additional lenses. A theoretical nuclear-contract model by Fabra and Llobet highlights how a generator owner's incentives around maintenance can interact with other thermal assets; it does not show that Constellation behaves strategically or prescribe a co-location contract. Roques, Newbery, and Nuttall's UK portfolio simulations find that a fixed-price PPA changes modeled NPV volatility differently by technology; their result is scenario-dependent and not a CEG forecast. Work on physical delivery contracts emphasizes production constraints, outages, and replacement purchases, while a separate working paper motivates buyer-default diligence. None supplies Constellation-specific contract terms or returns. [A1-A4]

Your recommendation

Choose an approval architecture for future uncommitted opportunities. You may propose a common minimum standard with project-specific requirements, stage gates, or another defensible design. Specify:

1. What evidence must exist before commercial commitment, construction, and operation-and who independently verifies it?

2. What reliability and cost-allocation conditions are non-negotiable? How should uncertainty or a disputed allocation be handled?
3. What customer flexibility and credit protections should be required, and which delivery risks remain with Constellation?
4. Who approves the proposal, who may authorize exceptions, and what must an exception record?
5. What indicators trigger reassessment, and what is the strongest argument against your design?

The public evidence does not establish Freestone's detailed contract allocation, customer profile, independent system impact, or operating performance. Do not fill those gaps with assumed terms, a project valuation, or the issuer's reliability statement as if independently verified.

Sources

- **[P1]** Constellation Energy Corporation, Form 10-Q, quarter ended 30 June 2026, filed 6 August 2026. [SEC filing](#). Note 2 pp.14-15; Note 3 pp.18-19; MD&A p.55.
- **[P2]** Constellation Energy Corporation, Q2 2026 earnings release, 6 August 2026, Exhibit 99.1, pp.2-3. [SEC exhibit](#).
- **[P3]** FERC, “FERC Launches Aggressive Targeted Action to Speed Large Load Integration,” 18 June 2026, “Tailored Orders” and “Five Categories of Reform.” [FERC](#).
- **[P4]** FERC, RM26-4-000, “Interconnection of Large Loads to the Interstate Transmission System,” “At a Glance” and “Overview,” page last updated 22 July 2026. [Docket](#).
- **[P5]** FERC, *Constellation Energy Generation, LLC*, 195 FERC ¶ 61,162, Docket ER26-2028-000, 1 June 2026; and CEG Form 10-Q, Note 3 pp.18-19. [Order](#).
- **[P6]** NRC, “Environmental Assessment and Finding of No Significant Impact for the Christopher M. Crane Clean Energy Center Reauthorization of Power Operations Project,” 25 September 2026, 91 FR 60988, especially pp.1 and 5. [Federal Register](#).
- **[A1]** Natalia Fabra and Gerard Llobet, “Designing Contracts for the Energy Transition,” *International Journal of Industrial Organization* 102 (2025), 103173, model §§4-5, pp.18-22. [Author manuscript](#).
- **[A2]** Fabien Roques, David M. Newbery, and William J. Nuttall, “Fuel Mix Diversification Incentives in Liberalized Electricity Markets,” *Energy Economics* 30(4) (2008), 1831-1849, §3.5, Table 6, author-manuscript p.17. [Author manuscript](#).
- **[A3]** Raimund M. Kovacevic, “Valuation and Pricing of Electricity Delivery Contracts: The Producer’s View,” *Annals of Operations Research* 275 (2019), 421-460, §§1 and 3.1-3.2. [Article](#).
- **[A4]** Natalia Fabra and Gerard Llobet, “The Costs of Buyer Counterparty Risk in Long-Term Contracts,” working paper, 12 March 2026, §§1 and 7, pp.33-38. [Manuscript](#). Not peer-reviewed by the cutoff.

Information boundary: Public written information available by 2 October 2026, 4:00 p.m. ET. No private Freestone contract, independent Freestone system study, hourly load profile, customer-credit file, project return, or later outcome is included.