



# Enel X Insights

February 2020 New England Monthly Market Commentary

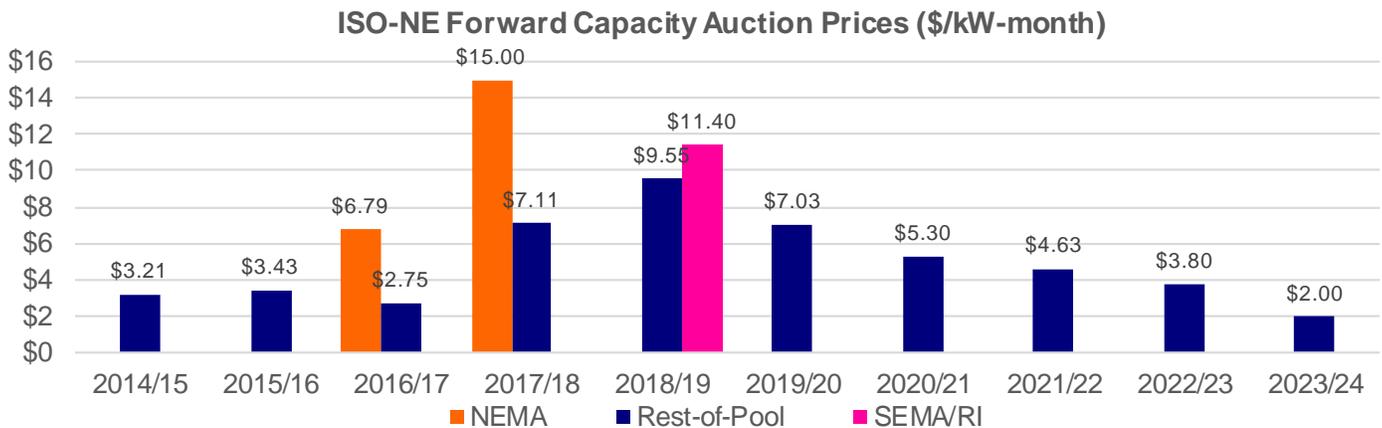


## New England

### 2023/24 Capacity Prices Clear at Record Lows

ISO New England capacity prices fell to record lows in the recent Forward Capacity Auction (FCA 14) for 2023/24 delivery. Prices cleared at \$2.00/kW-Month (or \$24,000/MW-year) for all zones, the lowest price since capacity markets began in 2010. This is a 47% percent drop from last year's clearing price of \$3.80/kW-month (~\$46,000/MW-year) for 2022/23. The collapse in capacity prices can principally be attributed to a 1,260 MW decrease in ISO-NE's Installed Capacity Requirement (ICR), the participation of Mystic Units 8 & 9 once again as price-taking resources under a cost-of-service agreement, and subsidized renewable participation in the auction.

Each year, the operator of the regional power grid holds a forward capacity auction to secure electricity supplies needed to meet predicted energy demand three years in the future. The auction sets the price that generators receive for making a commitment to produce power when needed. In turn, these costs are recovered from electric consumers in New England based on their demand contribution to the ISO-NE system peak hour each summer.



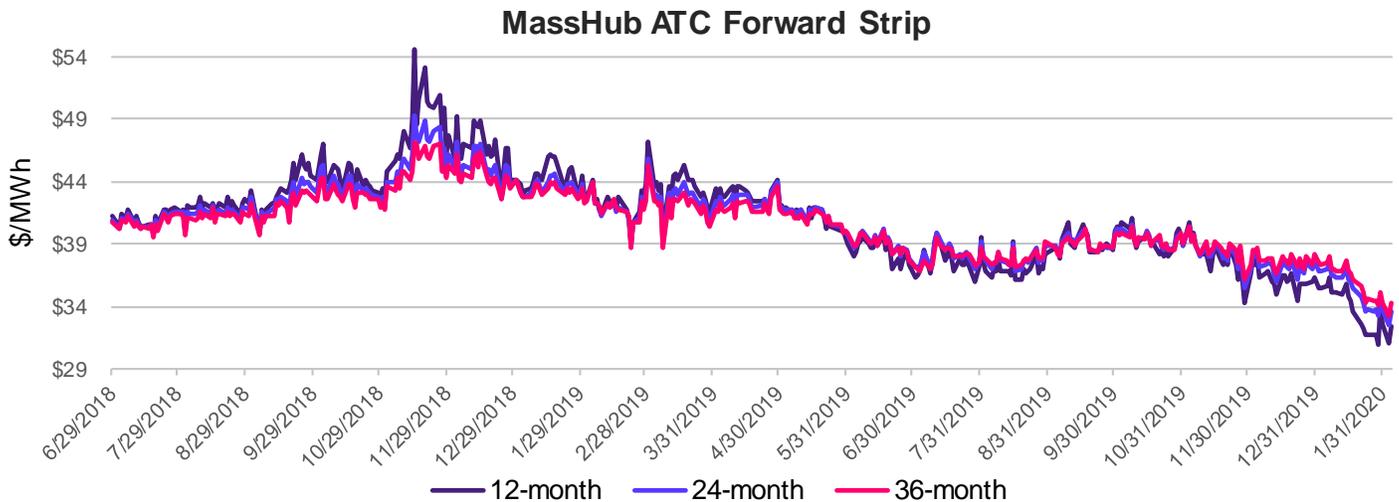
This year, the FCA14 auction secured 34,839 MW of power capacity at a preliminary total cost of about \$980 million, which is about \$620 million less than last year's auction. Total capacity The auction procured 658 MW of new resources, including 323 MW of demand resources (i.e. demand response, energy efficiency, and distributed energy) and 335 MW of new generation. The lion's share of new generation, 317 MW exactly, qualified under the renewable technology resource (RTR) designation, allowing them to bid into the auction below the minimum offer price-rule (MOPR). Next year's auction, FCA15, will be the last to include the RTR exemption. In addition, ISO-NE retained the 2,000 MW Mystic Generating Station for fuel security for the second and final year under a cost-of-service agreement, the costs of which will be recovered from ratepayers via their supply bills starting June 2022 and ending May 2024.

The latest results mark the sixth consecutive year that capacity auction prices have fallen in Northeastern Massachusetts (NEMA) and the fifth year straight for all other zones. The recently released prices for 2023/24 represent a 70 percent, or ~\$60,000/MW-year, decrease compared to the current 2019/20 year. The scheduled decline in capacity rates over the next four years will offer some very much needed price relief for New England customers and should result in overall lower supply contract costs. **For an average large commercial customer, when accounting for the reserve margin scaling factor included in the final price, Enel X expects capacity charges to fall to less than 1 cent per kWh in 2023/24 – down from nearly 3 cents per kWh in 2019/20.**



## Regional Electricity Pricing Update

**Massachusetts Hub forward prices reach lows not seen in more than a decade:** The Massachusetts Hub ATC 12-month rolling strip fell through January. Down 8.9% so far in 2020, forward prices fell to a 12-year low on January 29 at \$30.94/MWh, driven by historically low natural gas prices. The 12-month strip fell 8% over the course of January and stands 26% lower than this time last year. As of February 7, prices were last seen trading at \$32.90/MWh, ranking in the 1st percentile of trades since 2008.



**Massachusetts January average spot prices lowest in more than a decade:** Massachusetts Hub day-ahead spot prices averaged \$26.45/MWh in January, an 18% decline month-over-month. This was the lowest January monthly average in at least 11 years and the lowest winter monthly average (December – February) since December 2015. The largest contributing factor was the historically low prices in natural gas due to seasonally warm temperatures and ample natural gas production. Above-average temperatures forecasted into late-February will likely stave off heating demand and continue to put downward pressure on spot prices.

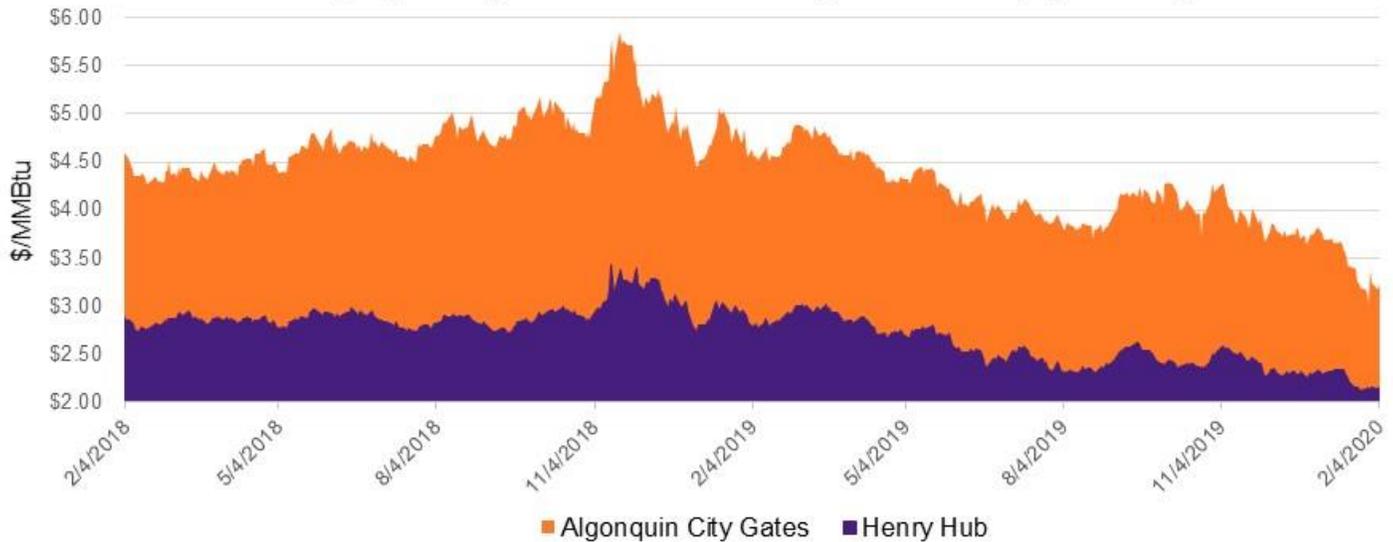
| Average Monthly Day Ahead LMP - MaHub |                |                |                |                |                |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                       | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           |
| <b>Jan</b>                            | \$40.59        | \$86.53        | \$168.81       | \$71.14        | \$38.60        | \$40.30        | \$108.75       | \$56.76        | \$26.45        |
| <b>Feb</b>                            | \$30.92        | \$122.31       | \$156.02       | \$122.77       | \$29.90        | \$30.02        | \$39.58        | \$35.62        |                |
| <b>Mar</b>                            | \$26.16        | \$53.09        | \$111.16       | \$64.25        | \$20.63        | \$35.75        | \$35.38        | \$38.07        |                |
| <b>Apr</b>                            | \$25.88        | \$42.89        | \$44.98        | \$28.43        | \$28.36        | \$29.23        | \$45.00        | \$26.97        |                |
| <b>May</b>                            | \$25.88        | \$40.31        | \$36.95        | \$24.92        | \$21.24        | \$27.31        | \$24.04        | \$24.21        |                |
| <b>Jun</b>                            | \$34.75        | \$37.09        | \$37.92        | \$21.16        | \$22.61        | \$25.48        | \$26.82        | \$22.09        |                |
| <b>Jul</b>                            | \$41.88        | \$52.07        | \$37.50        | \$26.44        | \$31.12        | \$27.60        | \$32.89        | \$29.78        |                |
| <b>Aug</b>                            | \$38.53        | \$34.72        | \$30.35        | \$30.06        | \$35.54        | \$24.90        | \$39.16        | \$25.69        |                |
| <b>Sep</b>                            | \$31.53        | \$40.43        | \$34.10        | \$30.82        | \$28.62        | \$23.57        | \$33.89        | \$21.14        |                |
| <b>Oct</b>                            | \$35.27        | \$33.94        | \$32.19        | \$37.01        | \$21.98        | \$29.74        | \$38.46        | \$20.75        |                |
| <b>Nov</b>                            | \$54.96        | \$45.21        | \$47.71        | \$29.42        | \$24.98        | \$33.98        | \$57.43        | \$32.29        |                |
| <b>Dec</b>                            | \$46.30        | \$92.96        | \$43.00        | \$22.42        | \$53.28        | \$71.31        | \$47.31        | \$40.98        |                |
| <b>Avg.</b>                           | <b>\$36.05</b> | <b>\$56.79</b> | <b>\$65.06</b> | <b>\$42.40</b> | <b>\$29.74</b> | <b>\$33.27</b> | <b>\$44.06</b> | <b>\$31.20</b> | <b>\$26.45</b> |



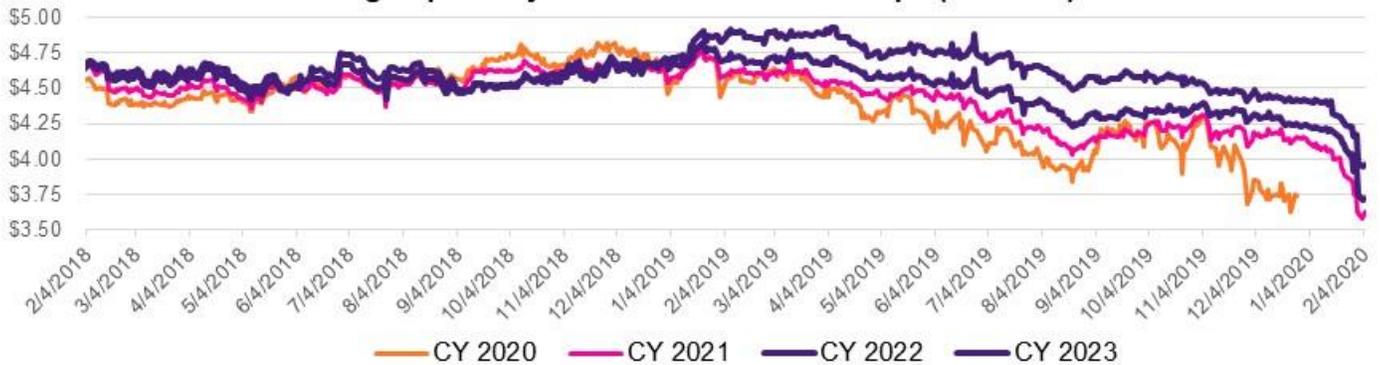
## Regional Natural Gas Pricing Update

**AGT forwards fall to 8 year low to end January:** The Algonquin City Gate (AGT) 12-month rolling strip reached an 8 year low at \$3.02/MMBtu on January 29. Continued increases in gas production and storage levels in the East amid a historically mild start to winter have all contributed to near record low gas prices both regionally and nationally. As of February 7, AGT 12-month rolling strips settled at \$3.26/MMBtu, in the 1<sup>st</sup> percentile since 2012 and 30% lower than this time last year.

**Algonquin City-Gates 12-Month Rolling Forward Strip (\$/MMBtu)**



**Algonquin City-Gates Calendar Year Strips (\$/MMBtu)**





**January Average Algonquin City-Gates Spot Prices Lowest in 12 Years:** Midpoint daily gas spot prices at Algonquin City-Gates (AGT) averaged \$2.83/MMBtu in January, representing about a ~38% percent decrease month-over-month and a ~59% decrease compared to the 5-year average for the month of January. AGT gas basis averaged just ~2 cents above Henry Hub spot prices through the month, showing narrowing volatility as basis ranged from \$0.21/MMBtu to \$0.36/MMBtu, which was attributed to consistent seasonally high temperatures. As of February 5, the Climate Prediction Center is forecasting continued above-average temperatures for the Northeast for much of the remainder of February, which would likely exert further downward pressure on basis. However, should forecasts flip and cold or even seasonal temperatures materialize in New England, basis prices would likely increase substantially.

| Average Monthly Spot Prices - Algonquin City-Gates |        |         |         |         |        |        |         |        |        |
|--|--------|---------|---------|---------|--------|--------|---------|--------|--------|
|  | 2012   | 2013    | 2014    | 2015    | 2016   | 2017   | 2018    | 2019   | 2020   |
| Jan  | \$5.36 | \$10.64 | \$24.69 | \$9.34  | \$4.54 | \$5.09 | \$15.62 | \$6.95 | \$2.83 |
| Feb  | \$3.64 | \$17.87 | \$21.05 | \$17.50 | \$3.46 | \$3.73 | \$4.40  | \$4.20 |        |
| Mar  | \$2.81 | \$6.78  | \$15.19 | \$7.99  | \$1.87 | \$4.52 | \$3.97  | \$4.04 |        |
| Apr  | \$2.39 | \$5.07  | \$4.80  | \$3.16  | \$2.93 | \$3.11 | \$4.98  | \$2.56 |        |
| May  | \$2.63 | \$4.45  | \$3.85  | \$1.87  | \$2.12 | \$3.06 | \$2.35  | \$2.32 |        |
| Jun  | \$3.41 | \$4.38  | \$4.05  | \$1.69  | \$2.28 | \$2.45 | \$2.62  | \$2.12 |        |
| Jul  | \$3.81 | \$4.65  | \$3.10  | \$1.99  | \$2.75 | \$2.50 | \$2.83  | \$2.28 |        |
| Aug  | \$3.41 | \$3.49  | \$2.71  | \$2.34  | \$3.11 | \$2.36 | \$3.17  | \$2.02 |        |
| Sep  | \$3.32 | \$3.79  | \$3.16  | \$2.80  | \$2.59 | \$1.90 | \$2.94  | \$1.95 |        |
| Oct  | \$3.71 | \$3.84  | \$2.83  | \$3.69  | \$2.26 | \$2.78 | \$3.23  | \$1.66 |        |
| Nov  | \$6.91 | \$6.44  | \$6.18  | \$3.29  | \$2.54 | \$3.29 | \$6.08  | \$3.31 |        |
| Dec  | \$5.90 | \$13.09 | \$6.01  | \$2.19  | \$6.74 | \$9.35 | \$5.77  | \$4.61 |        |
| Avg  | \$3.94 | \$7.04  | \$8.14  | \$4.82  | \$3.10 | \$3.68 | \$5.66  | \$3.16 |        |

For questions or further discussion about these topics, please contact your Enel X Energy Advisor or talk to an [Energy Sourcing Expert](#).