



Enel X Insights

March 2020 California Monthly Market Commentary



California

Stories to Watch as We Enter Spring

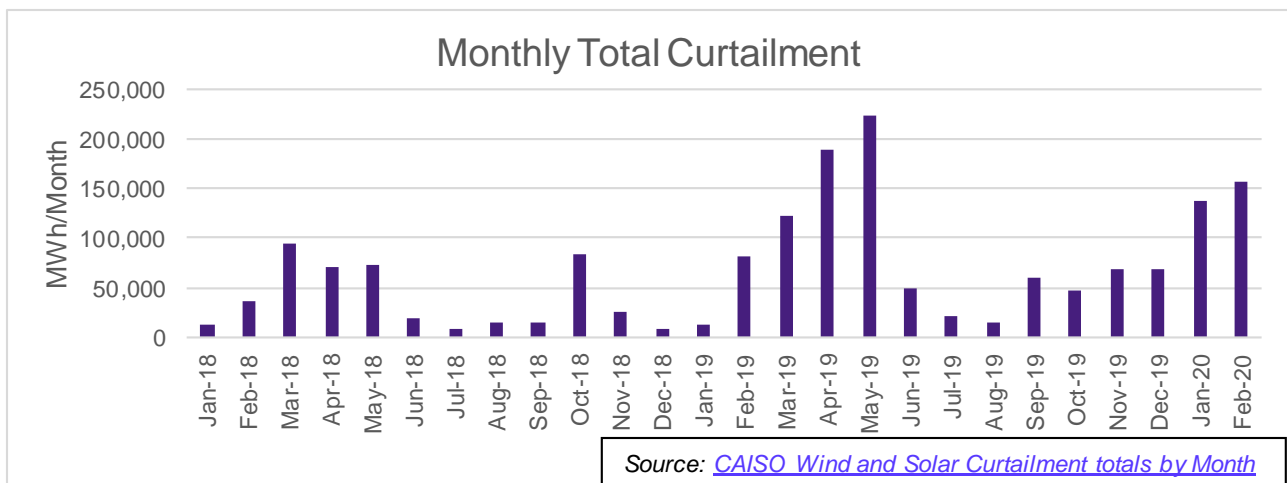
SPP Files Tariff with FERC for its Western Energy Imbalance Services Market

On February 21, the Southwest Power Pool (SPP) filed its proposed tariff for the Western Energy Imbalances Service (WEIS) market with the Federal Energy Regulatory Commission (FERC).

This is a major step for the central U.S. regional grid operator, whose goal is to launch WEIS in February 2021, in order to provide utilities in the U.S. Western Interconnection a real time market to import and export load. The grid operator has already made strides to increase its presence in the west, having started to provide reliability coordination services to 13 utilities in the southwestern US in December 2019. The WEIS proposed by SPP will be a competitor to CAISO's western Energy Imbalance Market (EIM), which enables utilities and balancing authorities outside of CAISO to participate in the western wholesale energy market and facilitate power imports and exports to California. Industry analysts believe that the expansion of CAISO's EIM would decrease price volatility in California and allow for increased exports of excess renewable power in place of forced curtailments. The emergence of SPP as a competitor to CAISO does not pose an immediate threat to the grid-operator, but could present long-term challenges for California's ambitious renewable portfolio standards should it struggle to adequately grow its imbalance service network.

CAISO Energy Curtailments Are on the Rise

Curtailments have become an unsettling regularity for California, particularly in the spring and fall when comfortable weather conditions result in little heating or cooling demand. As of February 29, CAISO has curtailed 295,061 MWh of generation year-to-date, 209% higher than the same time last year. The significant increase year-over-year will only be exacerbated come this spring, as snow melt paired with peak solar output results in oversupply during the afternoon that if not curtailed would be damaging to the grid. Damage to the grid is not the only problem -- there is concern that [increased renewable generation is driving down wholesale energy prices](#), and could deter development of renewable power projects in the future. As curtailments increase this spring, customers who have some exposure to real-time or day-ahead energy markets can expect greater spot market volatility and higher prices in early evenings.

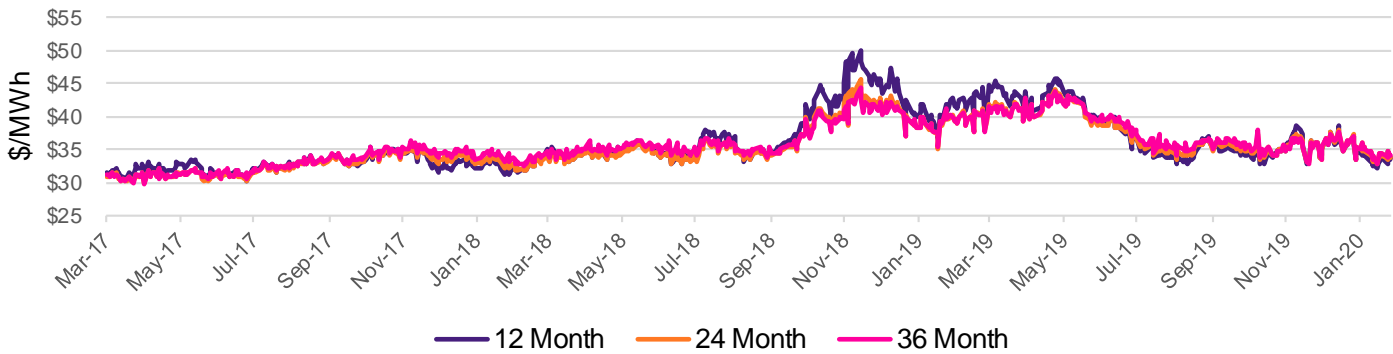




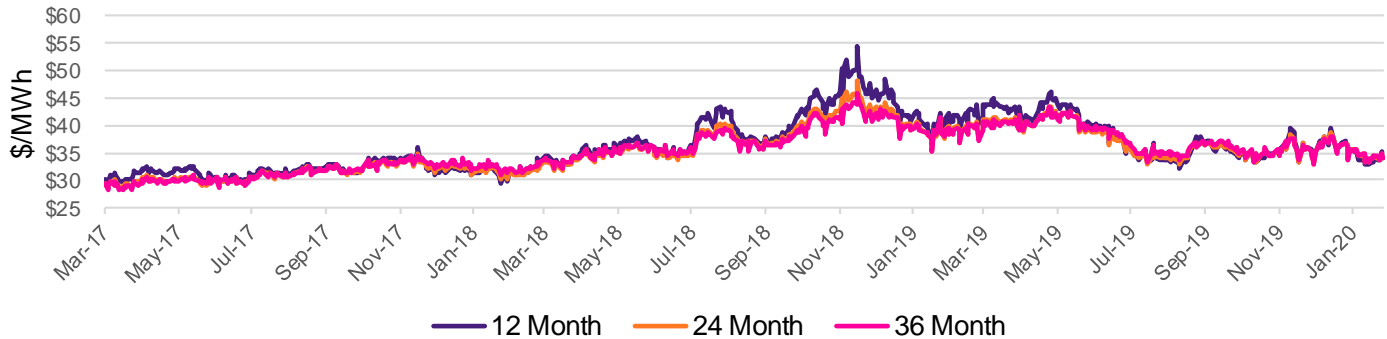
Regional Electricity Pricing Update

February LMP prices in both Northern California (NP15) and Southern California (SP15) decreased roughly 17% month-over-month. Average monthly spot prices for NP15 in February were 25% below the 5-year average and 65% below this time last year. On a forward basis, prices stayed flat through the month of February in both regions. As of March 10, NP15 and SP15 12-month rolling strips were trading in the 68th and 57th percentile, respectively, relative to the trading range over the past three years. The current trend of natural gas storage surplus nationally has not contributed to the Pacific region. The lack of available gas has resulted in power prices holding close to the 5-year average rather than falling to the historic lows other regions are experiencing.

NP-15 ATC Forward Strip



SP-15 ATC Forward Strip





Average Monthly Day Ahead LMP - NP15							
	2014	2015	2016	2017	2018	2019	2020
Jan	\$46.07	\$33.40	\$28.54	\$34.90	\$32.94	\$41.09	\$31.19
Feb	\$61.99	\$30.71	\$24.01	\$29.23	\$30.47	\$75.58	\$26.34
Mar	\$47.63	\$30.72	\$19.60	\$22.12	\$30.06	\$36.63	
Apr	\$47.48	\$32.27	\$21.23	\$22.13	\$24.91	\$22.25	
May	\$46.67	\$32.69	\$20.76	\$29.28	\$20.75	\$18.46	
Jun	\$45.42	\$34.64	\$28.09	\$33.12	\$28.14	\$22.94	
Jul	\$47.23	\$35.54	\$32.80	\$35.84	\$54.89	\$30.28	
Aug	\$46.49	\$34.32	\$34.85	\$45.20	\$49.84	\$31.82	
Sep	\$45.45	\$34.46	\$34.66	\$39.72	\$33.42	\$34.55	
Oct	\$44.73	\$32.49	\$34.03	\$41.19	\$43.74	\$36.32	
Nov	\$45.12	\$29.41	\$30.17	\$36.27	\$52.40	\$41.51	
Dec	\$37.52	\$28.65	\$36.60	\$34.22	\$54.17	\$39.82	
Avg.	\$46.81	\$32.44	\$28.78	\$33.60	\$37.98	\$35.94	\$28.76

Average Monthly Day Ahead LMP - SP15							
	2014	2015	2016	2017	2018	2019	2020
Jan	\$46.47	\$33.51	\$28.18	\$33.55	\$34.37	\$39.96	\$31.22
Feb	\$61.70	\$30.05	\$22.99	\$26.39	\$34.24	\$70.89	\$25.67
Mar	\$47.60	\$29.00	\$18.05	\$21.75	\$30.53	\$36.02	
Apr	\$44.71	\$27.93	\$18.44	\$24.80	\$24.88	\$23.52	
May	\$45.85	\$27.21	\$21.01	\$28.35	\$21.65	\$18.43	
Jun	\$45.25	\$33.94	\$29.95	\$32.80	\$28.17	\$23.07	
Jul	\$47.75	\$36.02	\$34.29	\$36.70	\$75.43	\$31.52	
Aug	\$45.89	\$35.69	\$34.93	\$45.35	\$69.73	\$32.84	
Sep	\$46.65	\$34.76	\$32.89	\$38.43	\$35.33	\$36.08	
Oct	\$45.17	\$32.62	\$33.06	\$41.09	\$38.88	\$34.36	
Nov	\$44.98	\$28.86	\$27.79	\$39.51	\$51.59	\$42.03	
Dec	\$37.87	\$28.09	\$33.95	\$39.12	\$52.93	\$40.24	
Avg.	\$46.66	\$31.47	\$27.96	\$33.99	\$41.48	\$35.75	\$28.44



Regional Natural Gas Pricing Update

Natural gas spot prices in both Northern and Southern California declined significantly month-over-month in February, falling 10.5% and 42.6%, respectively. Pacific storage levels continue to trend below the 5-year average. SoCal Gas has announced that Aliso Canyon, Goleta, and Playa del Rey storage facilities will undergo maintenance in the month of March, which will reduce capacity throughout the month by an estimated 1,410 MMcf. While temperature forecasts throughout the state are neutral to bearish for the remainder of March, any cold snap through the month could trigger a dramatic rise in spot prices.

CA HUB	Month over Month			Year over Year	
	Feb-20	Jan-20	MoM % Chg	Feb-19	YoY % Chg
PGE Gate	2.647	2.958	-10.5%	7.500	-64.7%
Socal City Gate	2.489	4.336	-42.6%	10.146	-75.5%
Hub Average	2.568	3.647	-29.6%	8.823	-70.9%

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