Enel X Insights

April 2020 Mid-Atlantic Monthly Market Commentary

Mid-Atlantic

MOPR Update for Renewables

In December 2019, FERC issued an order for PJM to expand its MOPR (Minimum Offer Price Rule) in the Capacity market to any generation asset that receives a state subsidy. In PJM, many solar and wind resources receive some sort of state subsidy, either a different revenue stream or cost offset agreed upon by the state and/or federal government or by state-mandated REC requirements. Once these subsidies are priced into MOPR, many solar and wind generators believe that this minimum offer price or floor would be too high, therefore not allowing these generation types to clear PJM's Capacity auction. In a time when states are pushing for higher renewable standards and more clean generation to satisfy power demand, this MOPR ruling and the potential of lost capacity revenues is counter to state RPS legislation. Further, if these green generators would not receive capacity payments, some would have to earn the revenue elsewhere, likely by increasing PPA prices to consumers.

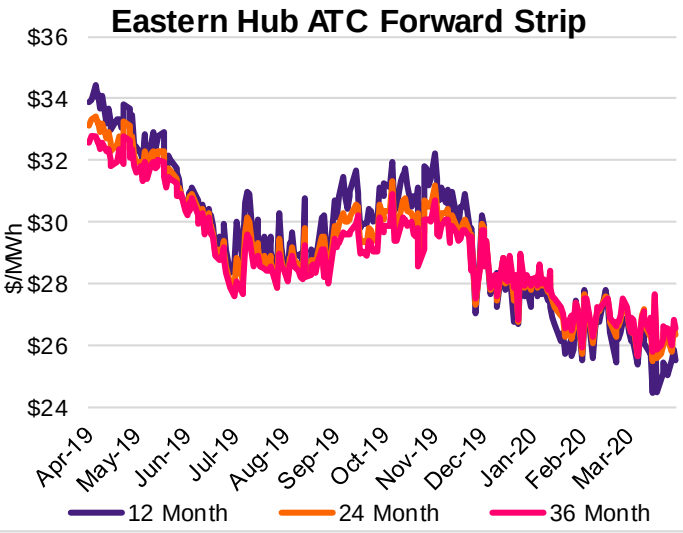
PJM responded to FERC with a compliance filing in mid-March,[1] allowing one sigh of relief for solar and wind developers. PJM reviewed resource-specific exemptions, used when "any resource subject to the MOPR, can demonstrate that its actual costs are lower than the applicable default MOPR floor" and if generators can satisfy this exemption, they are allowed to offer in at the lower price. One major win for the green industry is that PJM agreed to review an extension of the assets' useful life from 20 years to (up to) 35 years. By doing this, the financials for a solar or wind project would become much more favorable and lower the resource-specific MOPR associated with this new ruling.

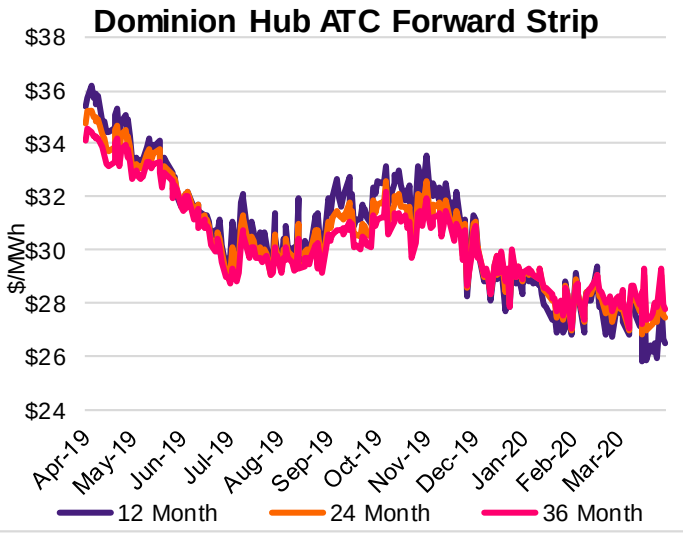
[1] "United States of America Before the Federal Energy Regulatory Committee," March 18, 2020. Accessed at https://www.pjm.com/directory/etariff/FercDockets/4443/20200318-er18-1314-003.pdf

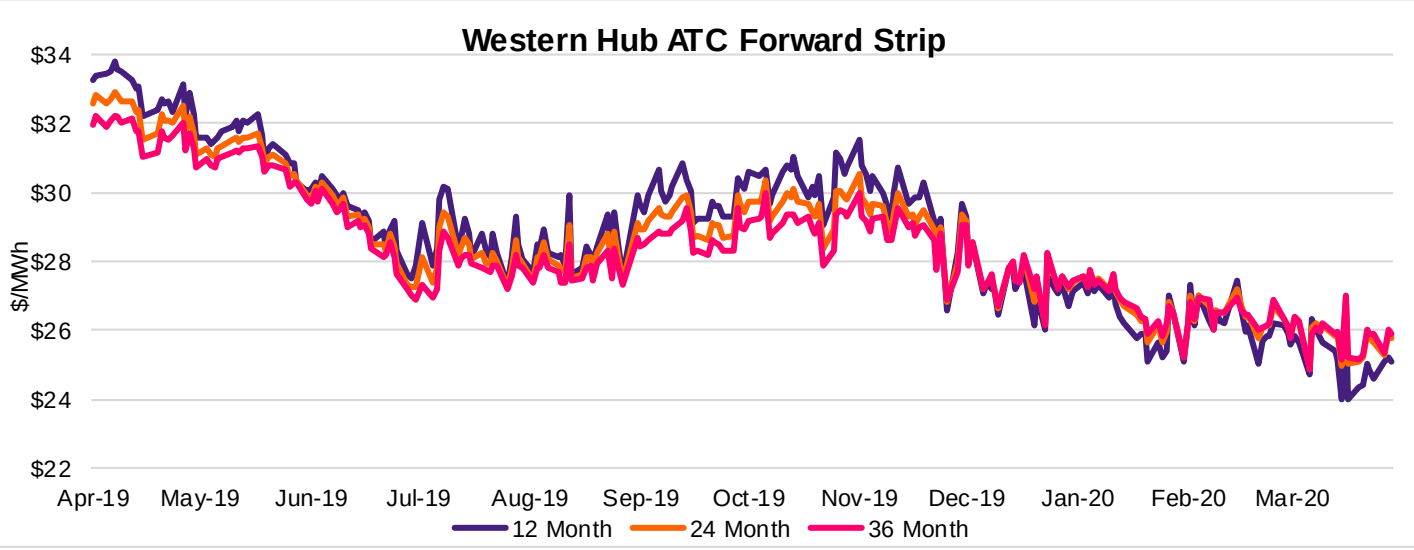
Regional Electricity Pricing Update

Average day-ahead settlement prices dropped 6% and 10% respectively month-over-month for Western Hub and Dominion Hub when comparing March 2020 to February 2020. March, like February, was unseasonably warm in the Mid-Atlantic driving low demands and extremely low power prices. The coronavirus impact has reduced industrial and commercial demands, further driving down prices from their already low levels. Temperatures in the PJM footprint are expected to be warmer than average in the upcoming month based on forecasts by the Climate Prediction Center.

PJM HUB	Mar-20	Feb-20	MoM % Chg	Mar-19	YoY % Chg
Dominion HUB	$ 17.82	$ 19.75	▼ (9.8%)	$ 30.45	▼ (41.5%)
Eastern HUB	$ 16.23	$ 18.35	▼ (11.6%)	$ 28.07	▼ (42.2%)
Western HUB	$ 18.63	$ 19.89	▼ (6.4%)	$ 29.82	▼ (37.5%)





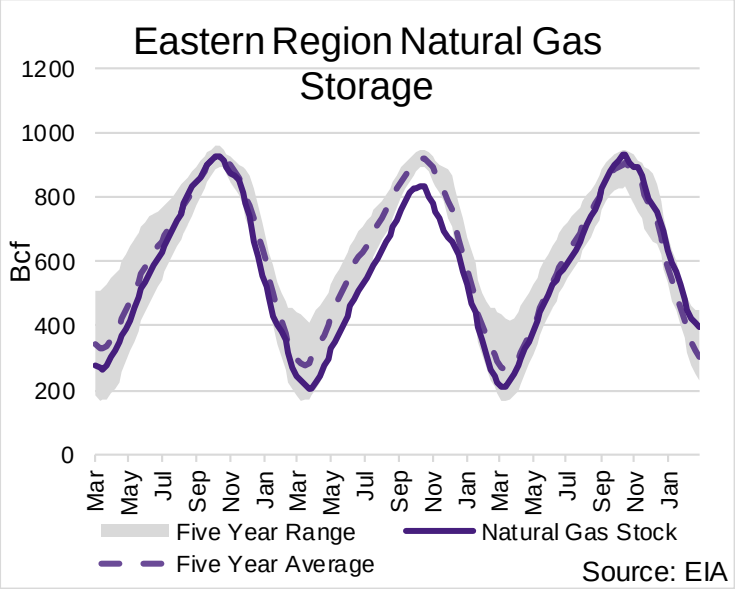


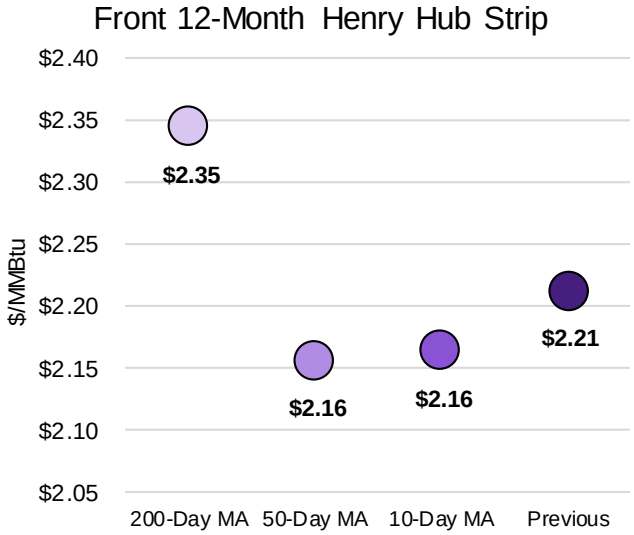
Natural Gas Basis Pricing Update

TETCO M3 and Transco Z6 xNY average settlements are down 18% and 20% respectively comparing March 2020 to February 2020 month-over-month. Basis costs were around –($0.30) over the course of March due to lower demands based on warm weather, excess storage build from a mild Winter, and the introduction of the coronavirus slowing the US economy. Average settlements are down around 50% March 2020 compared to March 2019 for the same factors.

Pipeline	Mar-20	Feb-20	MoM % Chg	Mar-19	YoY % Chg
TETCO-M3	$ 1.47	$ 1.78	▼ (17.5%)	$ 2.92	▼ (49.6%)
Transco Z6 xNY	$ 1.49	$ 1.87	▼ (20.1%)	$ 2.92	▼ (49.0%)
Henry Hub	$ 1.79	$ 1.92	▼ (6.6%)	$ 2.94	▼ (39.1%)

East Storage had a withdrawal of 86 Bcf over the course of March, 43 Bcf lower withdrawal for the same time period last year. Natural Gas storage injections were strong during 2019 and withdrawals have been below expectations through the Winter of 2020. Early forecasts for April call for warmer than average temperatures and the high storage levels post-winter will test the storage capacity during injection season in the East.





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