



Enel X Insights

March 2020 Mid-Atlantic Monthly Market Commentary

Mid-Atlantic

Virginia Headed Toward 100% Clean Energy

The Virginia state legislature recently passed the [Virginia Clean Economy Act](#), a push towards 100% clean energy by 2050. This plan expands energy storage targets and state compliance with Regional Greenhouse Gas Initiative (RGGI). The VCEA states that all electric generation in Virginia must be sourced from 100% renewable energy resources by 2050, and forces licensed competitive suppliers along with state electric utilities to comply.

In addition to non-carbon producing generation, [the VCEA requires energy storage](#), setting a 2.4 GW deployment target by 2035, along with 5.2 GW of off-shore wind by 2034, according to Utility Dive.¹ Over the past few years, Virginia—Dominion specifically—has built new natural gas fired generators. The VCEA opposes this new build, and also attempts to block new carbon-producing generation. Utilities in Virginia argue that natural gas generators must be built as a bridge from carbon-producing generation to renewable generation over the next 20 to 30 years.

Background on the RGGI

The Regional Greenhouse Gas Initiative (RGGI) is a market-based program to reduce carbon dioxide emissions. The current states participating in RGGI are Maine, New Hampshire, Vermont, New York, Massachusetts, Connecticut, Rhode Island, Maryland, and Delaware, and New Jersey and Virginia are in the process of joining. [Elements of RGGI activities include](#)²:

- Each participating state's program limits emissions of CO2 from electric power plants, issues CO2 allowances and establishes participation in regional CO2 allowance auctions
- RGGI applies to fossil fuel fired electric power generators with capacity > 25MW, required to hold allowances equal to their CO2 emissions over a three year period
- Each allowance represents a limited authorization to emit one short ton of CO2 from a regulated resource
- RGGI has a decreasing cap every year 2014-2019

Dominion Energy Fuel Rate Adjustment

Dominion Energy recently filed to reduce the fuel rate, a major component of the utility supply charge. This reduction would be from \$23.25/MWh to \$17.36/MWh, representing a drop of 25.3%. The proposal is subject to SCC approval, but could go into effect May 1, 2020.

¹ "Virginia approves 100% clean energy legislation, pushing state toward 2.4 GW storage, RGGI," Utility Dive, March 6, 2020

² "[Elements of RGGI](#)," The Regional Greenhouse Gas Initiative. Accessed March 10, 2020.

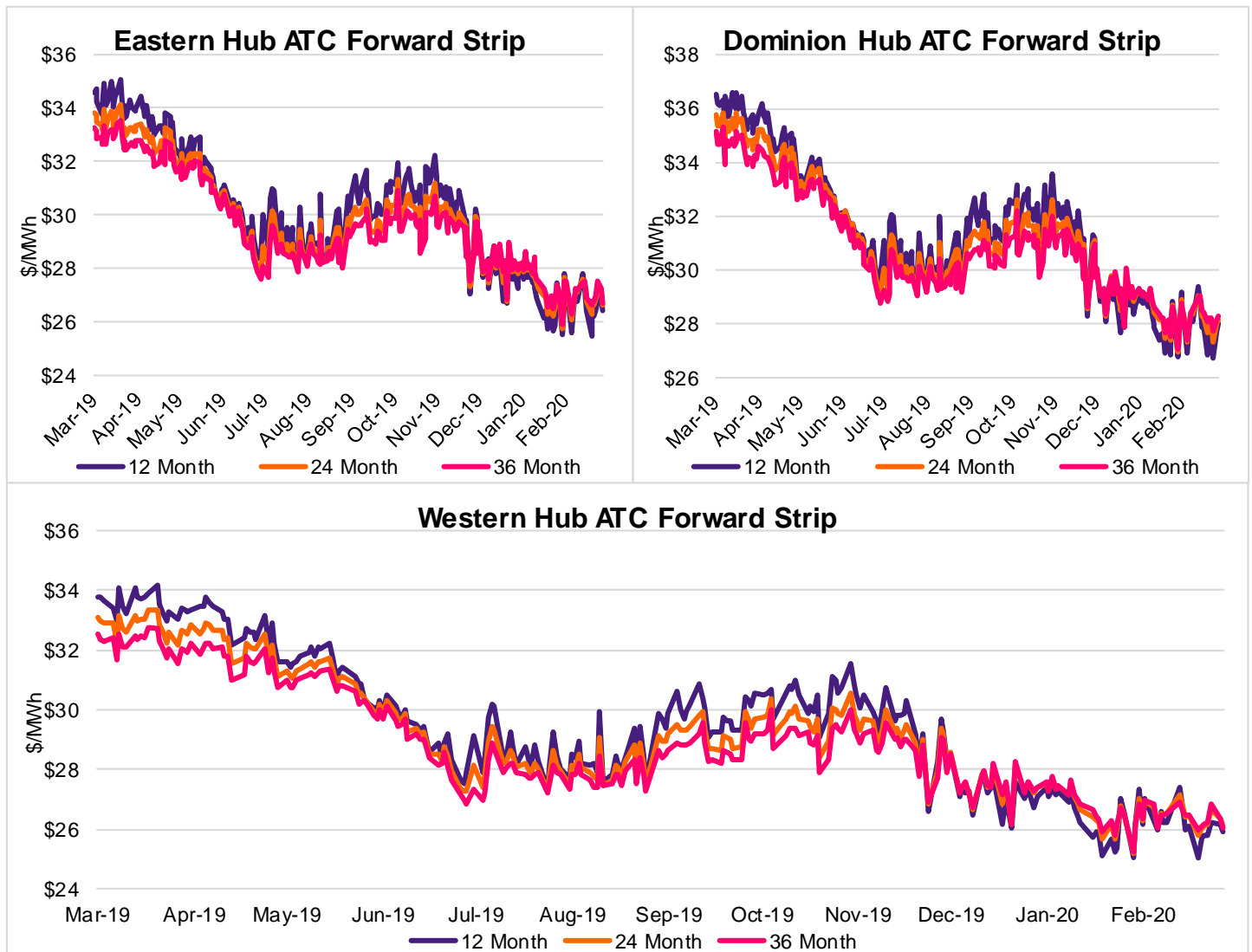


Regional Electricity Pricing Update

Average day-ahead settlement prices dropped 10% and 11% respectively month-over-month for Western Hub and Dominion Hub

PJM HUB	Feb-20	Jan-20	MoM % Chg	Feb-19	YoY % Chg
Dominion HUB	\$ 19.75	\$ 22.12	▼ (10.7%)	\$ 27.45	▼ (28.0%)
Eastern HUB	\$ 18.35	\$ 21.85	▼ (16.0%)	\$ 25.85	▼ (29.0%)
Western HUB	\$ 19.89	\$ 22.03	▼ (9.7%)	\$ 27.28	▼ (27.1%)

(comparing February 2020 to January 2020). February was unseasonably warm in the Mid-Atlantic driving extremely low average power prices. Temperatures in the PJM footprint are expected to be warmer than average in the upcoming month based on the Climate Prediction Center.



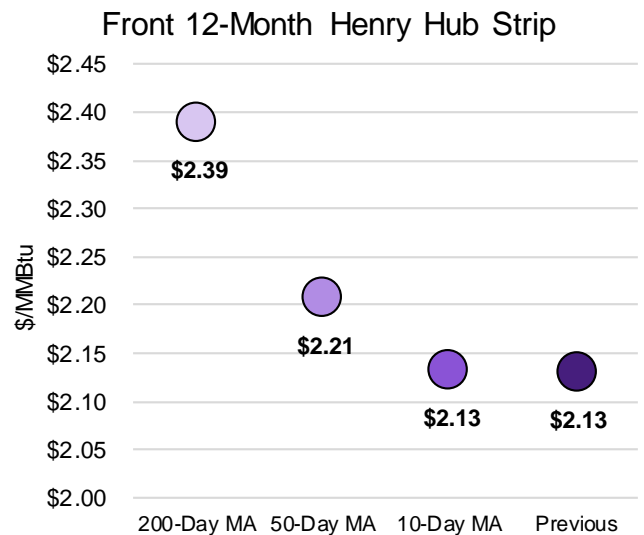
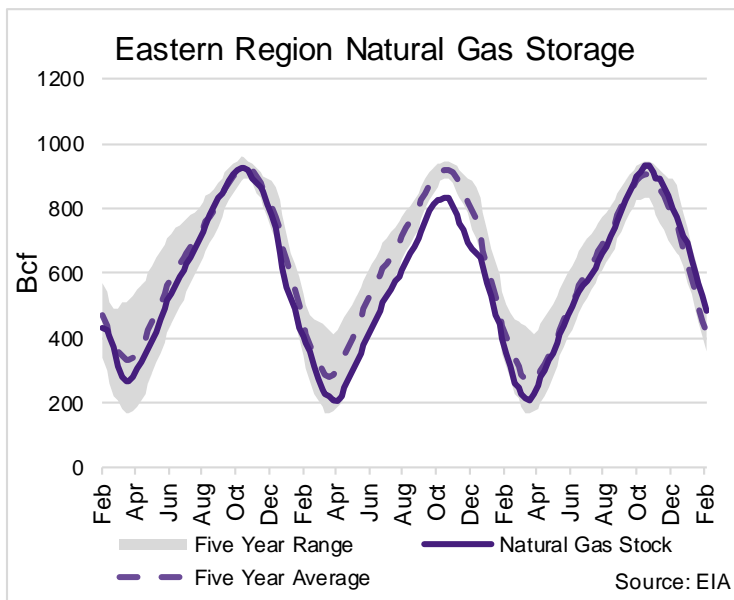


Natural Gas Basis Pricing Update

TETCO M3 and Transco Z6 xNY average settlements are down 9% and 10% respectively comparing February 2020 to January 2020 month-over-month. Basis costs were minimal over the course of February due to lower demand as very warm weather persisted throughout the region. Average settlements are down around 35% February 2020 compared to February 2019 for the same factors.

Pipeline	Feb-20	Jan-20	MoM % Chg	Feb-19	YoY % Chg
TETCO-M3	\$ 1.78	\$ 1.95	▼ (8.5%)	\$ 2.78	▼ (36.0%)
Transco Z6 xNY	\$ 1.87	\$ 2.08	▼ (10.3%)	\$ 2.75	▼ (32.1%)
Henry Hub	\$ 1.92	\$ 2.03	▼ (5.3%)	\$ 2.70	▼ (28.9%)

East Storage had a withdrawal of 154 Bcf over the course of February, similar to the withdrawal for the same time period last year. Natural Gas storage injections were strong during 2019 and withdrawals have been below expectations so far in 2020. Early forecasts for March call for warmer than average temperatures, which may lead to decreased withdrawals for East storage.



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