



Enel X Insights

April 2020 New England Monthly Market Commentary



New England

The Perfect Storm: Ample Gas, Mild Temps & COVID-19

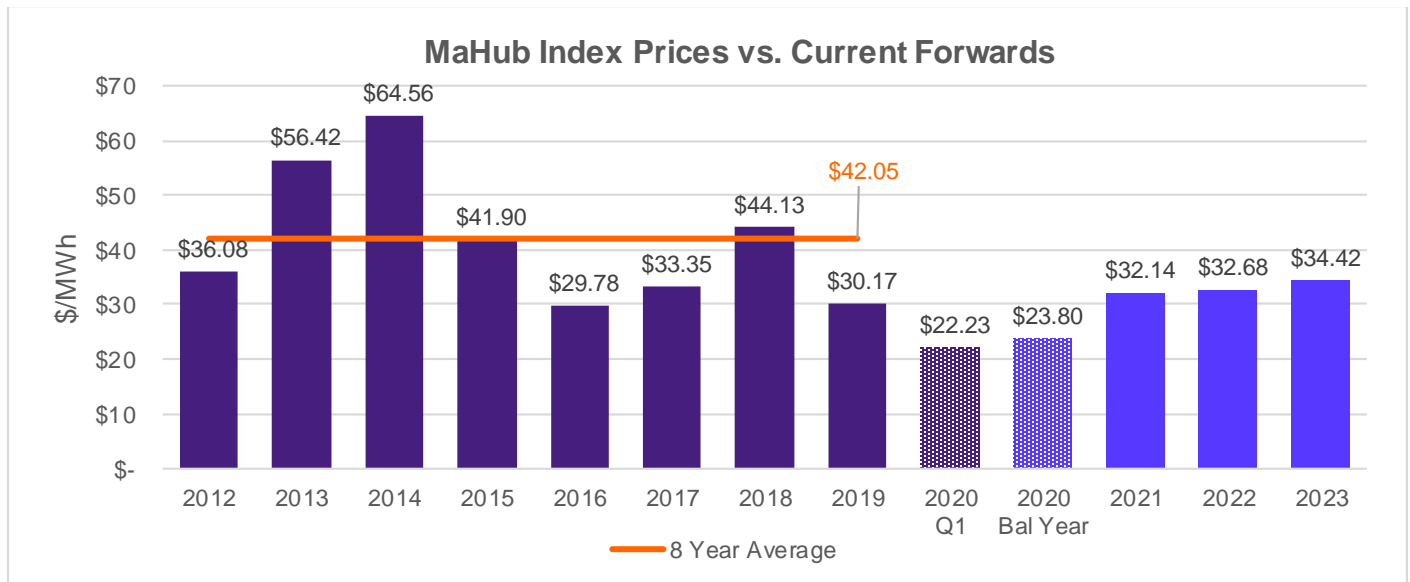
A 5% decrease in New England energy demand stemming from COVID-19 related shutdowns has sent already-depressed regional power prices tumbling to the lowest level in ISO-NE's history. Average day-ahead monthly prices at Massachusetts Hub fell to a record low of \$17.18/MWh in March, which is nearly \$3.50/MWh, or 17%, lower than the previous record low set in March 2016.

Before the demand destruction associated with COVID-19, gas markets were already collapsing as a result of near-record U.S. gas production and what could turn out to be the warmest winter on record in the contiguous U.S. Barring a dramatic shift in weather, electricity prices are poised to reach a new annualized low in 2020.

Based on current forwards, CY2020 Massachusetts Hub prices are projected to settle near \$23/MWh – which would be the lowest annualized price on record, and 25% lower than the previous 2016 low (as shown in the chart below). For a region that continues to be gas-constrained, with insufficient pipeline capacity to meet both heating as well as natural gas generation requirements on cold winter days – this is highly unusual to say the least. As spot prices have collapsed, forward prices have also followed suit. Forwards for CY2021-2022 are trading at record lows, near \$32.50/MWh – down more than \$5/MWh since the start of the year.

In all likelihood, prices have yet to bottom as we emerge from the peak gas heating demand months of winter and the economic toll of the COVID-19 crisis persists – however, there are mounting long-term supply risks as many U.S. producers pledge spending cuts and/or face bankruptcy amid 20-year lows in oil & gas prices.

For budget-conscious and risk-averse customers, current forward prices for 2021-2023 present a unique opportunity to hedge the next three years at a nearly \$10/MWh discount to the eight-year average index price and just a ~\$2 premium compared to previous record lows in 2016 & 2019.

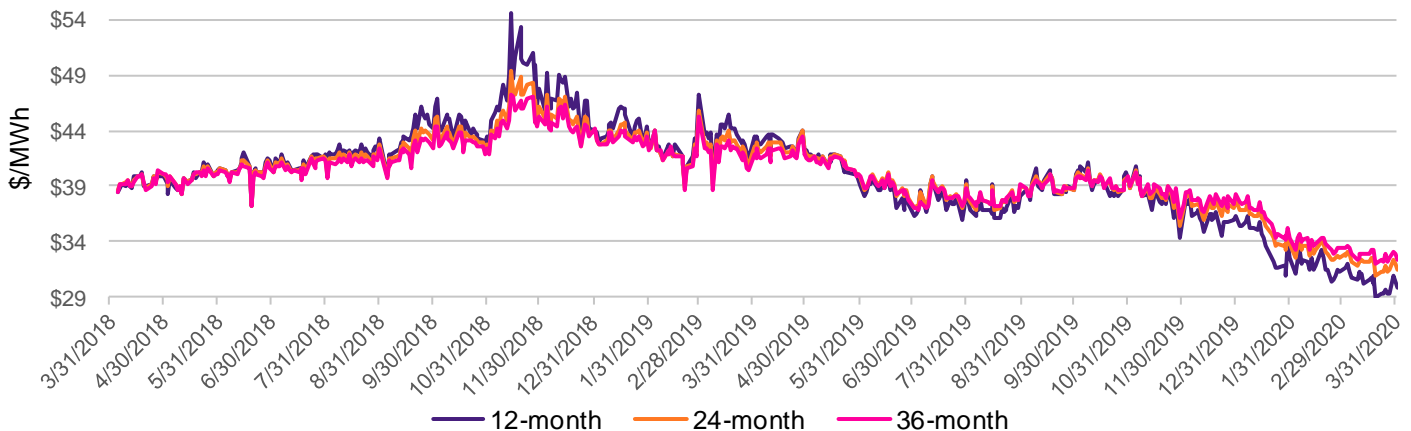




Regional Electricity Pricing Update

Massachusetts Hub forward prices continue to fall to historic lows in March: The Massachusetts Hub ATC 12-month rolling strip continued to decline in March. Down 13% so far in 2020, forward prices fell to a 12-year low on March 20 at \$28.88/MWh, driven by historically low natural gas prices. After breaking through the \$30/MWh resistance, prices held steady before rebounding to finish the month at \$30.32/MWh. As of April 2, the Mass Hub ATC 12-month rolling strip price was last trading at \$29.87/MWh, ranking in the 1st percentile of trades since 2008.

MassHub ATC Forward Strip



Average Monthly Day Ahead LMP - MaHub									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jan	\$40.59	\$86.53	\$168.81	\$71.14	\$38.60	\$40.30	\$108.75	\$56.76	\$26.45
Feb	\$30.92	\$122.31	\$156.02	\$122.77	\$29.90	\$30.02	\$39.58	\$35.62	\$23.06
Mar	\$26.16	\$53.09	\$111.16	\$64.25	\$20.63	\$35.75	\$35.38	\$38.07	\$17.18
Apr	\$25.88	\$42.89	\$44.98	\$28.43	\$28.36	\$29.23	\$45.00	\$26.97	
May	\$25.88	\$40.31	\$36.95	\$24.92	\$21.24	\$27.31	\$24.04	\$24.21	
Jun	\$34.75	\$37.09	\$37.92	\$21.16	\$22.61	\$25.48	\$26.82	\$22.09	
Jul	\$41.88	\$52.07	\$37.50	\$26.44	\$31.12	\$27.60	\$32.89	\$29.78	
Aug	\$38.53	\$34.72	\$30.35	\$30.06	\$35.54	\$24.90	\$39.16	\$25.69	
Sep	\$31.53	\$40.43	\$34.10	\$30.82	\$28.62	\$23.57	\$33.89	\$21.14	
Oct	\$35.27	\$33.94	\$32.19	\$37.01	\$21.98	\$29.74	\$38.46	\$20.75	
Nov	\$54.96	\$45.21	\$47.71	\$29.42	\$24.98	\$33.98	\$57.43	\$32.29	
Dec	\$46.30	\$92.96	\$43.00	\$22.42	\$53.28	\$71.31	\$47.31	\$40.98	
Avg.	\$36.05	\$56.79	\$65.06	\$42.40	\$29.74	\$33.27	\$44.06	\$31.20	\$22.23

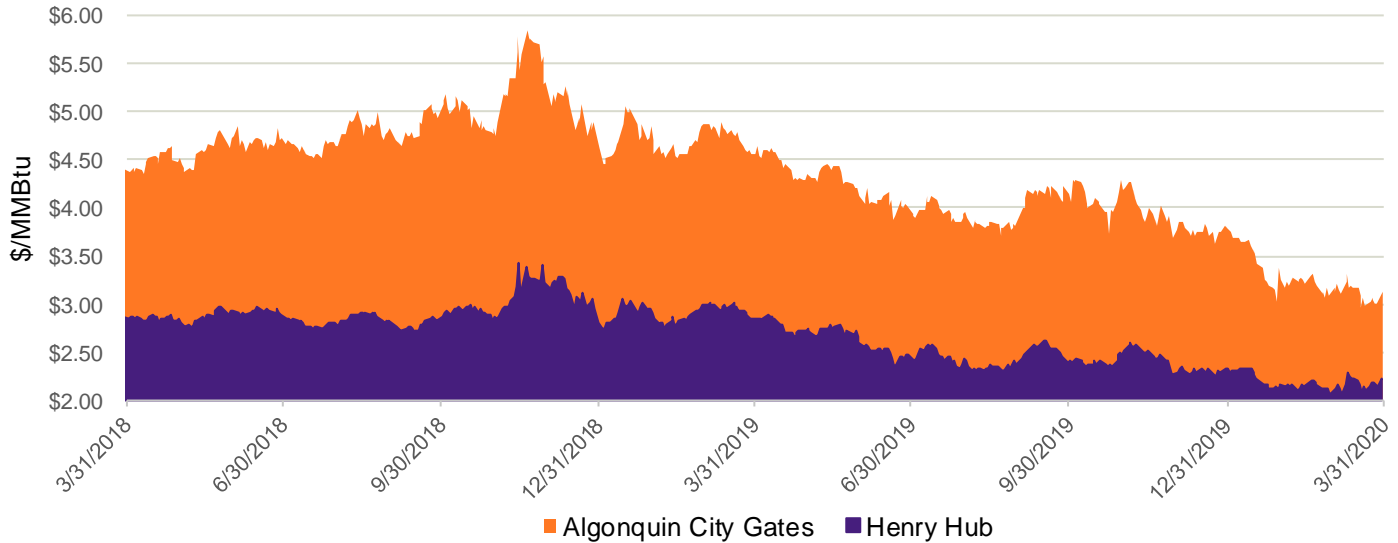
Massachusetts average monthly spot prices fall to record low in March: Massachusetts Hub day-ahead spot prices averaged \$17.18/MWh in March, a 25% decline month-over-month. Average day ahead prices in March fell to their lowest on record due to stay at home orders from state governments curbing demand during traditional business hours. Stifled demand will continue to keep spot prices low, barring a dramatic change in weather.



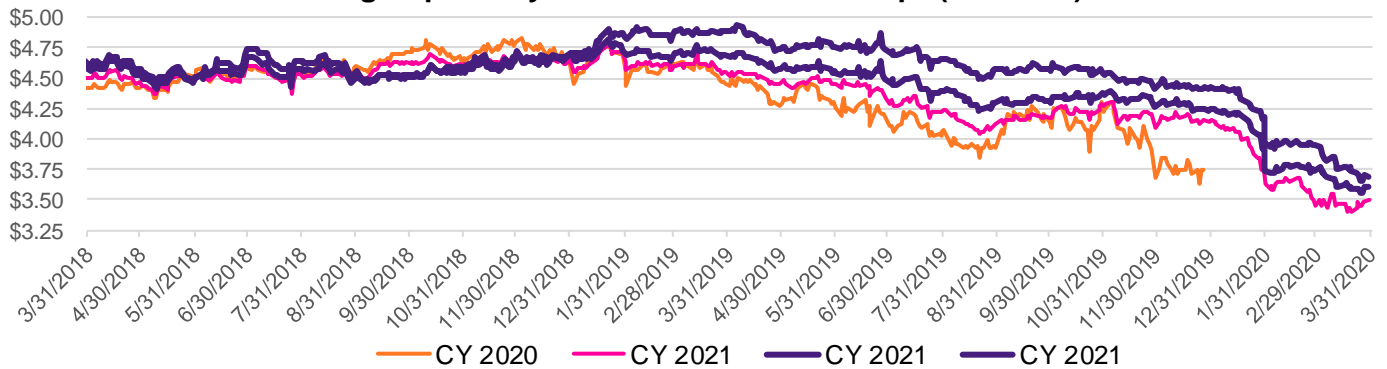
Regional Natural Gas Pricing Update

AGT forwards remain near historic lows in March: The Algonquin City Gate (AGT) 12-month rolling strip remained at near 8-year lows in March. Continued strong gas production and high storage levels resulting from a mild end to winter have contributed to near-record low gas prices both regionally and nationally. As of March 30, AGT 12-month rolling strips settled at \$3.13/MMBtu, roughly 32% lower than this time last year.

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



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



March Average Algonquin City-Gates Spot Prices reach historic lows: Midpoint daily gas spot prices at Algonquin City-Gates (AGT) averaged \$1.58/MMBtu in March, representing about a ~30% percent decrease month-over-month and a ~65% decrease compared to the 5-year average for the month of March. AGT spot gas basis averaged \$0.17 below Henry Hub spot prices through the month, an indicator that the region was well-supplied in March. As of March 31st, the Climate Prediction Center is forecasting continued above average temperatures for the Northeast for April,



which might exert further downward pressure on basis. However, should forecasts flip and significantly colder-than-normal temperatures materialize in New England, basis prices would likely increase.

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	\$2.27
Mar	\$2.81	\$6.78	\$15.19	\$7.99	\$1.87	\$4.52	\$3.97	\$4.04	\$1.58
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	\$2.22

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