



Enel X Insights

May 2020 New England Monthly Market Commentary



New England

Another Summer, Another Opportunity to Reduce Costs

Each summer starting on June 1, businesses and organizations located in New England have an opportunity to avoid thousands of dollars in capacity costs by strategically lowering site level demand (also known as Installed Capacity Tag or ICAP) during the grid’s annual coincident system peak. The ISO-NE grid operator allocates capacity costs based on a customer’s contribution to the grid’s single highest peak hour load. Specifically, for each megawatt (MW) of demand reduction during the system peak this summer, customers in eastern Massachusetts will save almost \$100,000 over the course of next year (June 2021 – May 2022), and between \$80,000 - \$90,000 for all other zones, so long as they are under the correct supply contract structure.

In order to capitalize on this opportunity, customers must know when to reduce consumption, and predicting system peak demand has become an increasingly complicated endeavor in the region. Increased deployment of behind-the-meter (BTM) solar and energy efficiency projects is fundamentally altering the traditional load shape of the system. Last year’s peak occurred on July 30, between 5:00 – 6:00 PM, with peak demand reaching 23,973 MW – representing the third lowest peak on record. Just the year prior, peak load reached a five-year high at 25,559 MW in 2018.

Potential Cost Avoidance per 1 MW ICAP Reduction	
If customer reduces ICAP during:	2020 Summer
Cost avoidance occurs during:	June 1, 2021 - May 31, 2022
ME	\$ 82,242
SEMA	\$ 99,108
WCMA	\$ 88,614
NEMA	\$ 99,108
NH	\$ 82,242
RI	\$ 99,108
CT	\$ 88,614

Historically speaking, New England peak demand occurs in the mid-to-late afternoon on the back end of a heat wave, when temperature and humidity are high and air-conditioning systems are running at full tilt. While high temperatures are still correlated strongly with high demand, multiple 90 degree days during the 2019 summer failed to push grid demand above 24,000 MW for only the second time since 2004. In comparison, New England’s peak record was established in 2006 at 28,038 GW.

Enel X uses proprietary System Peak predictive modeling technology to assess the likelihood of a system peak each year between June 1 and September 30. Enel X advises enrolled facilities of the likelihood of a peak over the next seven days every morning during the program period. Facilities that are able to reduce demand on a given day enact an energy reduction strategy, which could include temporarily reducing non-essential site demand (i.e. lighting, HVAC, certain manufacturing equipment).

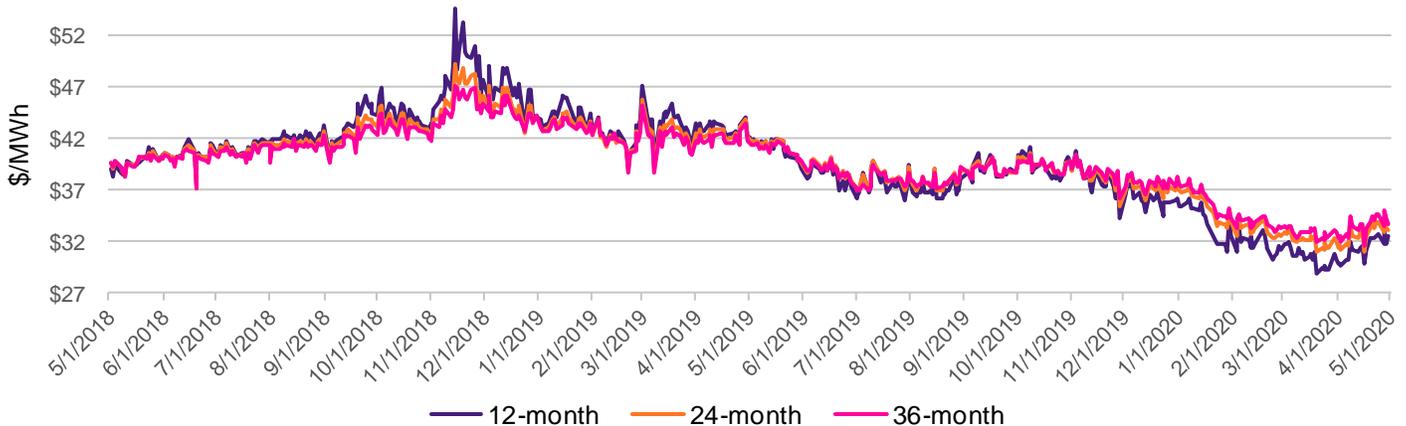
System Peak Predictor 2020 starts in just a couple of weeks. Contact Enel X today to determine site eligibility and to assess your facility’s potential capacity cost avoidance. For more information on Enel X System Peak Predictor contact Enel X Support at +1 888 363 7662 or support.enelx@enel.com



Regional Electricity Pricing Update

Massachusetts Hub forward prices rebound in April: The Massachusetts Hub ATC 12-month rolling strip climbed 7% in April. While prices are still down 8% so far in 2020, forward prices have found upward momentum as traders became wary of potential natural gas scarcity entering the upcoming winter. After increasing from the record low prices in March, 12-month rolling strip prices closed out the month of April at \$32.54/MWh, in the 9th percentile of settlements over the past 3 years.

MassHub ATC Forward Strip



Massachusetts average monthly spot prices rise in April: Massachusetts Hub day-ahead spot prices averaged \$18.36/MWh in April, a 7% increase month-over-month. Following historically low prices in March, Average day ahead prices increased due to a cold snap late in the month. Prices were still 32% lower year over year and 42% lower than the 5-year average. Stifled demand will continue to keep spot prices low as heating and cooling demand are low in comfortable spring weather.

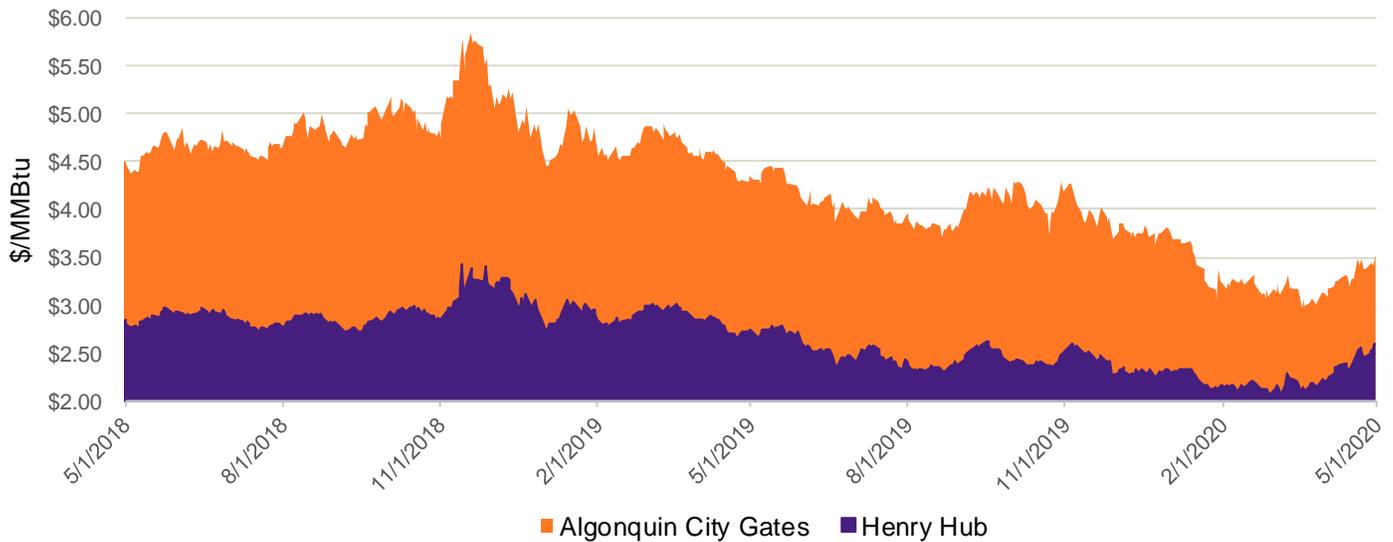
Average Monthly Day Ahead LMP - MaHub									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jan	\$40.59	\$86.53	\$168.81	\$71.14	\$38.60	\$40.30	\$108.75	\$56.76	\$26.45
Feb	\$30.92	\$122.31	\$156.02	\$122.77	\$29.90	\$30.02	\$39.58	\$35.62	\$23.06
Mar	\$26.16	\$53.09	\$111.16	\$64.25	\$20.63	\$35.75	\$35.38	\$38.07	\$17.18
Apr	\$25.88	\$42.89	\$44.98	\$28.43	\$28.36	\$29.23	\$45.00	\$26.97	\$18.36
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	\$21.26



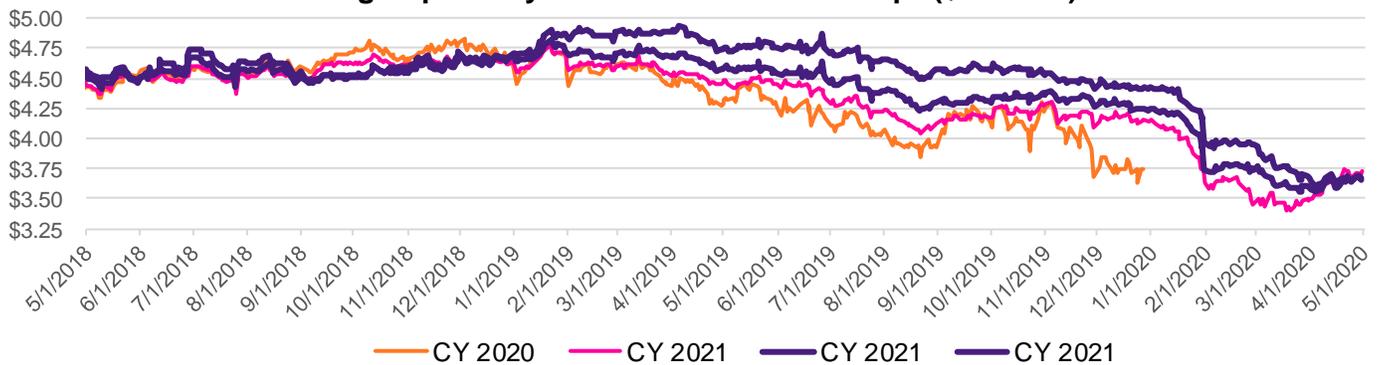
Regional Natural Gas Pricing Update

AGT forwards bounce off of historic lows in April: The Algonquin City Gate (AGT) 12-month rolling strip rebounded off of historical lows in April. The price recovery has been range-bound thus far, and forwards remain relatively depressed. As of April 28, AGT 12-month rolling strips settled at \$3.43/MMBtu, up \$0.30 versus March 30, but down \$0.89 compared to this time last year.

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



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





Algonquin City-Gate April spot prices remain near historic lows: Midpoint daily gas spot prices at Algonquin City-Gates (AGT) averaged \$1.63/MMBtu in April, representing a ~3% percent increase month-over-month, but ~51% below the 5-year average for the month of April. AGT spot gas basis averaged 5 cents below Henry Hub spot prices through the month, an indicator that the region was well-supplied in April. As of April 30th, the Climate Prediction Center is forecasting below average temperatures for the Northeast for May. Weather will likely not be the primary cause of market disruption/uncertainty in May and will probably be dwarfed by COVID-19 supply and demand impacts.

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	\$1.63
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	\$2.08

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