

Enel X Insights

March 2020 New York Monthly Market Commentary



ConEd gas and electric rates set to increase through 2022

In early 2019, ConEd had requested to increase delivery service revenues by \$485 million for electricity and \$210 million for natural gas in 2020, equating to proposed increases of 8.6% for and 14.5% for delivery charges across the rate bases respectively. In late January 2020, following a year of study and stakeholder engagement, the New York Public Service Commission (PSC) approved a rate increase, but for nearly 75% less than the original request, granting \$113.3 million for electricity (3.1%) and \$47.2 million (6.7%) for natural gas. As part of the agreement, rates will steadily increase through 2022.

<i>Approved Revenue Increase</i>	<i>Electricity</i>	<i>Natural Gas</i>
2020	\$113.3 million	\$47.2 million
2021	\$370.3 million	\$176.3 million
2022	\$326.4 million	\$170.3 million

The cost increases will be felt differently by different consumers, as the impact to tariff rates vary not only by customer class (residential or commercial), but also by usage characteristics, as both demand-based and volumetric charges may be adjusted. For one of the more common rate classes, EL9 – Large (Secondary Voltage), primary demand charges (recorded weekdays between 8 AM and 10 PM) increase while secondary demand charges will actually decrease, such that the net impact is \$0.66/kW increase in the summer and \$0.09/kW increase in the winter. The rate structure further incentivizes off-peak usage and penalizes customers with high peak demand relative to their total electricity consumption.

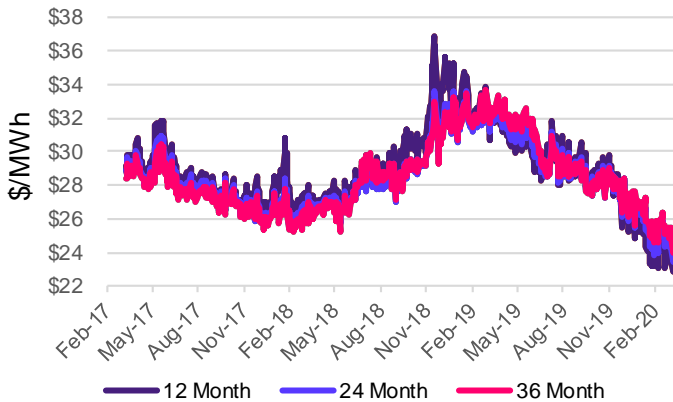
Zone J Rolling Strip at 5-year low

Forward power prices in New York City reached 5-year lows closing February 24 at \$27.80/MWh, on the back of mild-winter weather, sinking natural gas prices and decreased demand driven by the coronavirus outbreak. As of March 12, the rolling strip was still trading in the 1st percentile at \$28.27/MWh after averaging \$38.79/MWh in the trailing 60-month period. However, beginning in October forward power has seen a steady decline despite the spike in capacity prices, which can often signify a shortage in generation. CY2021 & CY2022 prices are also at historic lows, hovering around \$30/MWh. Prices do recover by 2023, due to the expectation of a carbon price, but customers can mitigate near-term increases to distribution and capacity charges by taking advantage of comparatively low forward energy prices today.

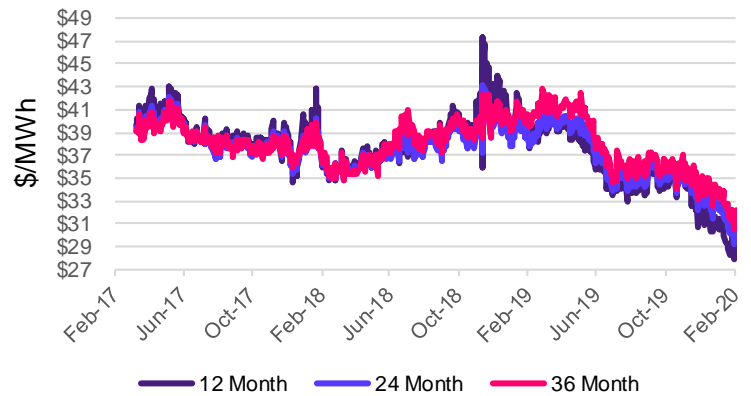


Regional Electricity Pricing Update

West - Zone A ATC Forward Strip



NYC - Zone J ATC Forward Strip



Zone J forward prices continue 2020 decline: Forward wholesale energy prices in Zone J (NYC) continued the decline that started in October 2019. Rolling 12-month strip prices hit a new 5-year low on February 24, at \$27.80/MWh and have averaged \$29.36/MWh so far in 2020. Prices for 12-, 24-, and 36-month rolling strips for Zone J (NYC) are down 27% since this time last year. Current forecasts indicate that warmer temperatures will continue into late March. This, in addition to gas storage well above the 5-year average, will continue to put downward pressure on forward prices in the state.

NYISO Day-Ahead Spot Pricing								
NYISO Zone		Feb-20	Jan-20	MoM% Inc/(Feb)	Feb-19	YoY% Inc/(Feb)	Feb Five Year Avg	% Inc/(Feb)
ZONE A	West	\$ 16.07	\$ 16.37	▼ (2%)	\$ 25.43	▼ (37%)	\$ 32.05	▼ (50%)
ZONE B	Genesee	\$ 15.79	\$ 15.82	▼ (0%)	\$ 24.80	▼ (36%)	\$ 32.06	▼ (51%)
ZONE C	Central	\$ 16.36	\$ 16.57	▼ (1%)	\$ 25.74	▼ (36%)	\$ 33.57	▼ (51%)
ZONE D	North	\$ 14.88	\$ 14.59	▲ 2%	\$ 22.84	▼ (35%)	\$ 29.94	▼ (50%)
ZONE E	Mohawk Valley	\$ 16.65	\$ 16.82	▼ (1%)	\$ 26.08	▼ (36%)	\$ 34.83	▼ (52%)
ZONE F	Capital	\$ 20.45	\$ 25.53	▼ (20%)	\$ 32.72	▼ (38%)	\$ 49.45	▼ (59%)
ZONE G	Hudson Valley	\$ 19.66	\$ 23.36	▼ (16%)	\$ 31.34	▼ (37%)	\$ 46.33	▼ (58%)
ZONE H	Millwood	\$ 19.82	\$ 23.59	▼ (16%)	\$ 31.61	▼ (37%)	\$ 46.70	▼ (58%)
ZONE I	Dunwoodie	\$ 19.87	\$ 23.60	▼ (16%)	\$ 31.61	▼ (37%)	\$ 46.83	▼ (58%)
ZONE J	NYC	\$ 21.26	\$ 25.12	▼ (15%)	\$ 33.07	▼ (36%)	\$ 47.92	▼ (56%)

February Average Spot Prices Hit 10 Year Low: Day ahead LMP prices were down across all zones month-over-month, averaging a 9% decline state wide. New York City electricity prices averaged \$21.26/MWh, down 56% compared to the 5-year average and roughly 36% lower than this time last year. Statewide LMP monthly average prices are the lowest in 13 years*. Seasonally above average temperatures this winter have decreased demand for natural gas resulting in significantly lower electricity prices. With forecasts showing continued mild temperatures in March, low LMP prices are expected to persist barring any significant weather events.

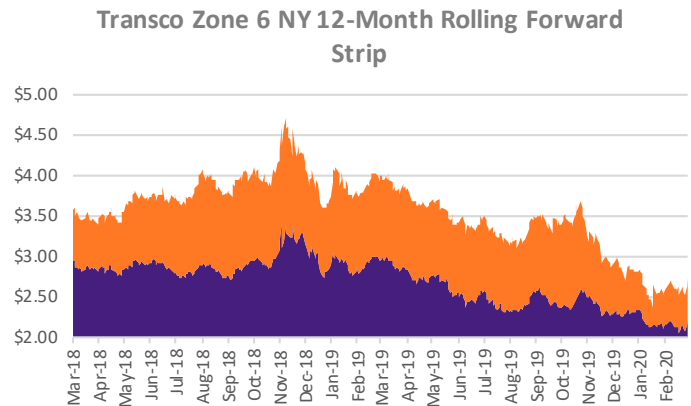
Regional Natural Gas Pricing Update

February New York Wholesale Natural Gas Prices

Rebound in February: The NY 12-month rolling strip (including NYMEX) increased 9% in the week following its 9-year low in late January. Prices peaked at \$2.69/MMBtu on February 19—since then prices have declined but found support at the \$2.50/MMBtu mark. Low basis forwards and historically low NYMEX prices present an opportune long-term buying position. On average 12-, 24-, and 36-month NY Rolling Strips are down between 4-9% in 2020.

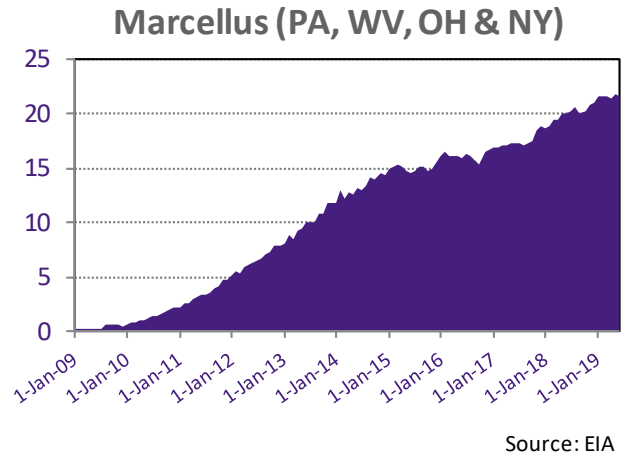
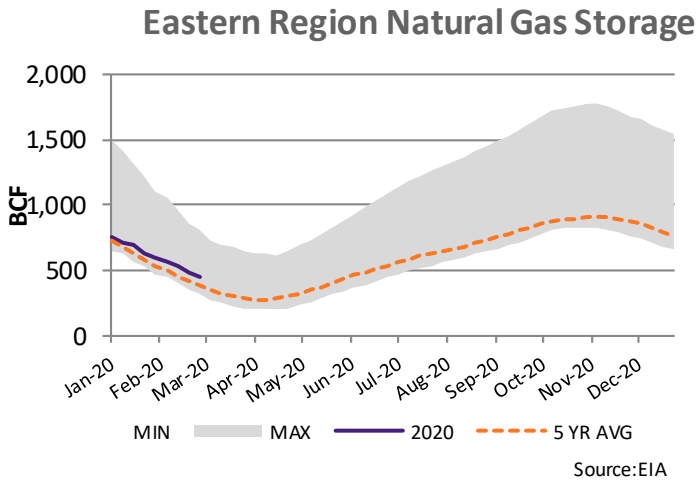
Transco Zone 6 – NY Average Daily Gas Prices

Continue to Fall: The monthly average of daily spot gas pricing at Transco Zone 6 – NY for February was down 14.3% month-over-month. Prices have averaged \$2.07/MMBtu so far in 2020. A brief return to seasonally average temperatures in the middle of February sent prices as high as \$2.33/MMBtu, but prices have since roughly averaged 1.79/MMBtu. Basis for the month of February averaged \$-0.027/MMBtu, the first time since December 2015 that a winter month has averaged negative basis prices. This winter (Dec-Feb) had average basis prices of \$0.12/MMBtu, the lowest over the past 8 years. As of March 10, 14-day temperature forecasts show above average temperatures in the Northeast, continuing to put downward pressure on natural gas spot prices in the region.



Natural Gas Spot Pricing							
Trading Point	Feb-20	Jan-20	MoM% Inc/(Feb)	Feb-19	YoY% Inc/(Feb)	Feb Five Year Average	% Inc/(Feb)
Transco Z6 NY	\$1.848	\$2.157	▼ (14.3%)	\$2.853	▼ (35.2%)	\$5.564	▼ (66.8%)
Henry Hub	\$1.875	\$2.005	▼ (6.5%)	\$2.671	▼ (29.8%)	\$2.620	▼ (28.4%)
Transco Z6 NY Basis	-\$0.027	\$0.151	▼ (118.1%)	\$0.182	▼ (115.1%)	\$2.944	▼ (100.9%)

Marcellus production is up 7.2% year over year, finishing the month of January at 23.11 Bcf. Withdrawals from natural gas storage in the East have averaged 38 Bcf per week in the month of February, 1 BCF lower than this time last year and 3 BCF lower than the 5 year average. Current regional storage levels are 134 Bcf higher year-over-year and 66 BCF higher than the 5-year average. Continued increases in Marcellus production in conjunction with above average temperatures forecasted in the Northeast for the remainder of March will likely lead to more above average injections to regional storage.



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