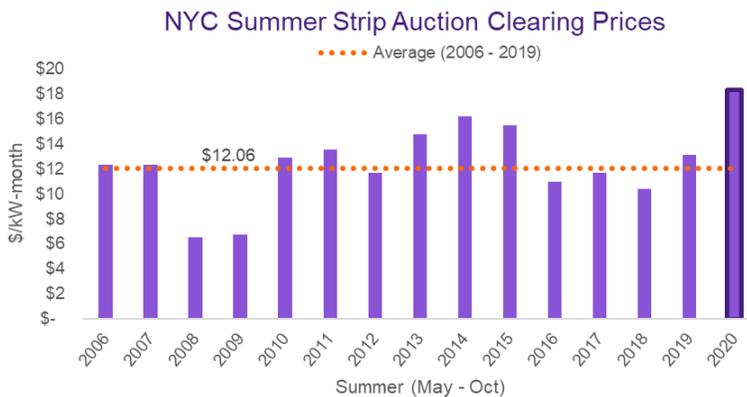




Enel X Insights

May 2020 New York Monthly Market Commentary

NYC Summer Capacity Strip Reaches All-time High



On March 30, the New York ISO (NYISO) held its annual summer capacity strip auction and New York City prices cleared at \$18.36/kW-month, representing a 40% increase year-over-year. Elsewhere, the Lower Hudson Valley (LHV) price decreased by \$1.56/kW-month to \$3.07/kW-month, while Rest-of-State (ROS) increased to \$2.71/kW-month from \$1.30/kW-month in 2019.

The capacity market acts as a supplement to energy market revenues for generators to ensure that there is sufficient generation available to meet peak demand. Not all regions have

capacity markets, and even among those that do, there is a fair amount of variation in their structure.

New York’s version is a 6-month forward auction that occurs bi-annually in April and October. There are additional monthly and spot auctions, as well as a forward capacity swap that trades on the Chicago Mercantile Exchange (CME), where load-serving entities (LSE) are expected to procure the capacity required to meet their obligations.

Since LSEs may satisfy their capacity requirements through a variety of channels, strip auction pricing does not directly translate to costs to retail load but it does provide an approximate value and sheds light on the supply-demand balance for capacity. In the case of New York City, high prices reflect an area which is capacity constrained.

New York City, compared to LHV and ROS, typically incurs the highest capacity costs in the state because it has high demand relative to the amount of generation it can locally support. However, in 2020, a confluence of factors drove capacity up to its highest levels all-time.

NYISO, which is responsible for ensuring grid stability and reliability made changes to the Installed Reserve Margin (IRM) and NYC Local Sourcing Requirement (LCR), which sharply increased capacity demand. Both requirements are intended to minimize the probability of a blackout, but pose particular challenges to NYC which does not have the real estate available to accommodate new large scale generation.

In addition, Indian Point Nuclear Station retired the first of its remaining two nuclear units on April 30, representing a reduction of over one gigawatt of generation capacity.

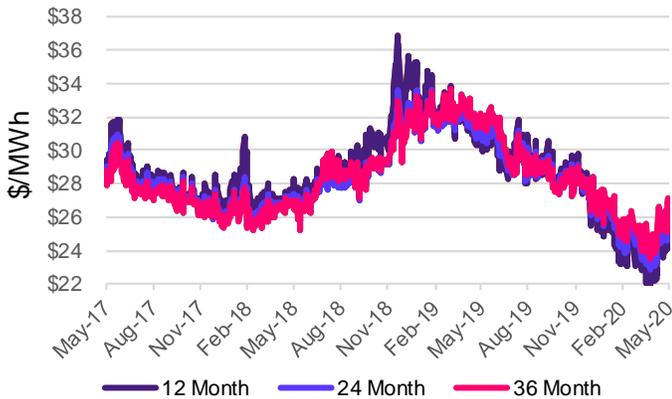
Lastly, in late February 2020, FERC levied a decision similar to the Minimum Offer Price Rule in PJM, which effectively increases the cost of capacity from state-subsidized resources. As New York is aggressively pursuing the expansion of renewable energy through state programs like the Clean Energy Standard and because renewable energy will be easier to site locally than traditional fossil-based resources (for air quality and other reasons), this ruling may have a lasting impact on in-city capacity prices.

Customers in fixed price contracts will generally be protected from the increase in capacity prices, but may notice that renewal rates may not be as favorable as one might expect given the sharp drop-off on the commodity cost. Customers can elect to pass-through capacity charges and mitigate their capacity costs through peak demand management.

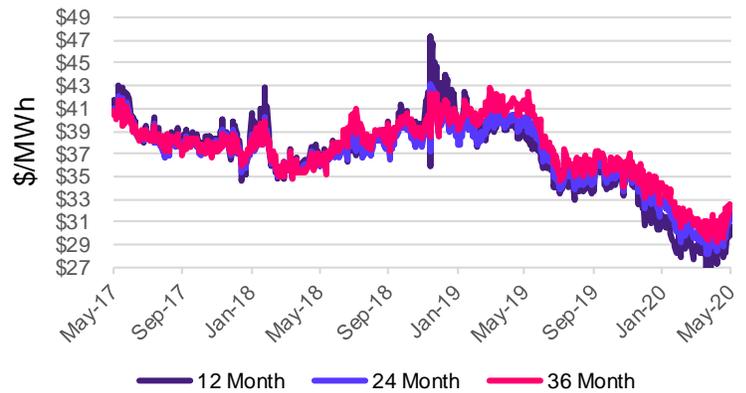


Regional Electricity Pricing Update

West - Zone A ATC Forward Strip



NYC - Zone J ATC Forward Strip



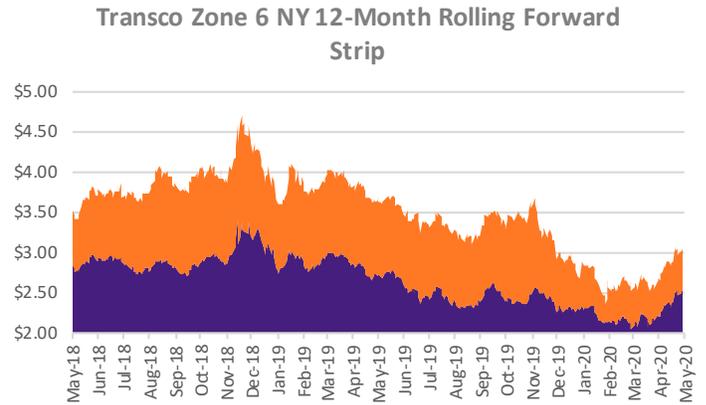
Zone J forward prices climb for first time in 2020: Forward wholesale energy prices in Zone J (NYC) increased through the month of April as long-term natural gas availability concerns grew. Rolling 12-month strip prices finished the month at \$30.42/MWh, up 8% from April 1. Prices for 12-, 24-, and 36-month rolling strips for Zone J (NYC) are still down 22% since this time last year. Current forecasts indicate that colder than average temperatures in the northeast into mid-May will push fears of natural gas scarcity, contributing to upward momentum in forward power prices.

NYISO Day-Ahead Spot Pricing								
NYISO Zone		Apr-20	Mar-20	MoM% Inc/(Apr)	Apr-19	YoY% Inc/(Apr)	Apr Five Year Avg	% Inc/(Apr)
ZONE A	West	\$ 12.54	\$ 14.19	▼ (12%)	\$ 23.40	▼ (46%)	\$ 24.58	▼ (49%)
ZONE B	Genesee	\$ 11.39	\$ 13.47	▼ (15%)	\$ 21.03	▼ (46%)	\$ 22.11	▼ (48%)
ZONE C	Central	\$ 11.87	\$ 13.99	▼ (15%)	\$ 21.82	▼ (46%)	\$ 23.13	▼ (49%)
ZONE D	North	\$ 10.63	\$ 11.57	▼ (8%)	\$ 19.05	▼ (44%)	\$ 18.65	▼ (43%)
ZONE E	Mohawk Valley	\$ 11.87	\$ 13.91	▼ (15%)	\$ 21.89	▼ (46%)	\$ 23.06	▼ (49%)
ZONE F	Capital	\$ 16.19	\$ 17.05	▼ (5%)	\$ 26.03	▼ (38%)	\$ 28.52	▼ (43%)
ZONE G	Hudson Valley	\$ 15.26	\$ 16.39	▼ (7%)	\$ 25.94	▼ (41%)	\$ 28.62	▼ (47%)
ZONE H	Millwood	\$ 15.39	\$ 16.57	▼ (7%)	\$ 26.18	▼ (41%)	\$ 28.99	▼ (47%)
ZONE I	Dunwoodie	\$ 15.40	\$ 16.61	▼ (7%)	\$ 26.29	▼ (41%)	\$ 29.15	▼ (47%)
ZONE J	NYC	\$ 15.53	\$ 16.81	▼ (8%)	\$ 28.82	▼ (46%)	\$ 30.40	▼ (49%)

April Average Spot Prices Continue to Tumble: Day ahead LMP prices were down across all zones month-over-month, averaging a 10% decline state wide. New York City electricity prices averaged \$15.53/MWh, down 49% compared to the 5-year average and roughly 46% lower than this time last year. Statewide LMP monthly average prices are the lowest in 13 years*. Historically low natural gas spot prices and substantially lower demand due to stay at home orders will likely continue to hold spot prices low in May.

Regional Natural Gas Pricing Update

February New York Wholesale Natural Gas Prices Increase in April: The NY 12-month rolling strip (including NYMEX) increased 11% month over month. Prices closed out the month of April at \$3.10/MMBtu, a new high for 2020. On average 12-, 24-, and 36-month NY Rolling Strips are up between 3-9% in 2020. Climbing NYMEX forward prices due to declining natural gas production will continue provide upward momentum while gas demand continues to decline due to virus-related stay-at-home orders.

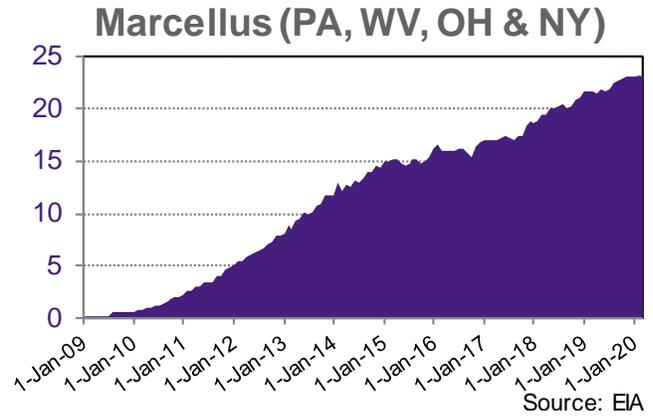
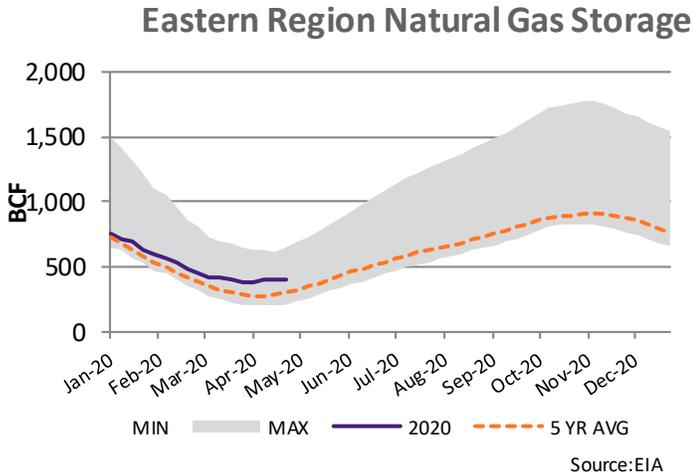


Transco Zone 6 – NY Average Daily Gas Prices Continue to Fall: The monthly average of daily spot gas pricing at Transco Zone 6 – NY for February was down 19.7% month-over-month. Prices have averaged \$1.769/MMBtu so far in 2020. Seasonally colder temperatures in the second half of April provided support for prices that fell to a 2020 low in late March due to declining demand. As of May 1, below average temperatures forecasted in the Northeast through mid-May will continue to provide support to prices facing downward pressure from declining demand due to stay-at-home orders.

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Natural Gas Spot Pricing							
Trading Point	Apr-20	Mar-20	MoM% Inc/(Apr)	Apr-19	YoY% Inc/(Apr)	Apr Five Year Average	% Inc/(Apr)
Transco Z6 NY	\$1.484	\$1.848	▼ (19.7%)	\$2.372	▼ (37.4%)	\$2.393	▼ (38.0%)
Henry Hub	\$1.746	\$1.875	▼ (6.9%)	\$2.600	▼ (32.8%)	\$2.604	▼ (33.0%)
Transco Z6 NY Basis	-\$0.262	-\$0.027	▼ (854.3%)	-\$0.228	▼ (14.9%)	-\$0.211	▼ (24.0%)

Marcellus production is up 6.5% year over year, finishing the month of January at 23.03 Bcf. Additions to natural gas storage in the East have averaged 6 Bcf per week in the month of April, 8 Bcf lower than this time last year and equal Bcf to the 5-year average. Current regional storage levels are 134 Bcf higher year-over-year and 99 Bcf higher than the 5-year average. Contraction in natural gas production in the Marcellus due to deflated pricing and demand could jeopardize storage builds in the Northeast this spring.



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