



# Enel X Insights

March 2020 Texas Monthly Market Commentary

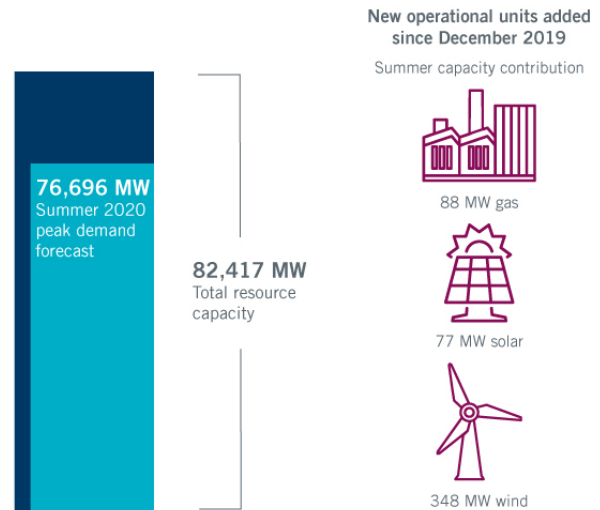
# TEXAS

## Summer 2020 demand expected to reach 76,696 MW

According to its preliminary SARA report and weather conditions from 2004-2018, ERCOT anticipates a peak load forecast of 76,696 MW for summer 2020. The projected forecast is about 2,000 MW higher than last summer’s peak on August 12.

The grid operator expects to add 3,900 MW in operating reserves, mainly wind and solar, over its summer 2019 capacity of 78,500 MW. With a forecast peak of 76,696 MW and less than 6,000 MW of additional resources in 2020, the state expects tight supply conditions and grid operations very similar to last summer.

In the Capacity, Demand and Reserves report, ERCOT projects a planning reserve margin of 10.6%, up from 8.1% last summer but still below the state’s target of 13.75%. The reserve margin indicates the difference between the total generation available and the forecasted firm peak demand.



### Pricing Impacts:

Last year, when the reserve margins were below target and the state was baked by a heat wave, real-time prices hit \$9/kWh, its system-wide offer cap. The addition of generation capacity and improved reserve margin for summer 2020 certainly lowers the chances of capacity shortages, but Texas is still prone to higher summer prices should the reserves drop below 2,000 MW.

ERCOT North Hub On-Peak forwards for summer months were trading around \$82/MWh on March 10, down by roughly 15% since early December 2019 levels. This presents an opportunity for the customers with open positions to lock in and hedge themselves against the sort of price volatilities presented by the market that were seen last summer.



## Texas Electricity Pricing Update

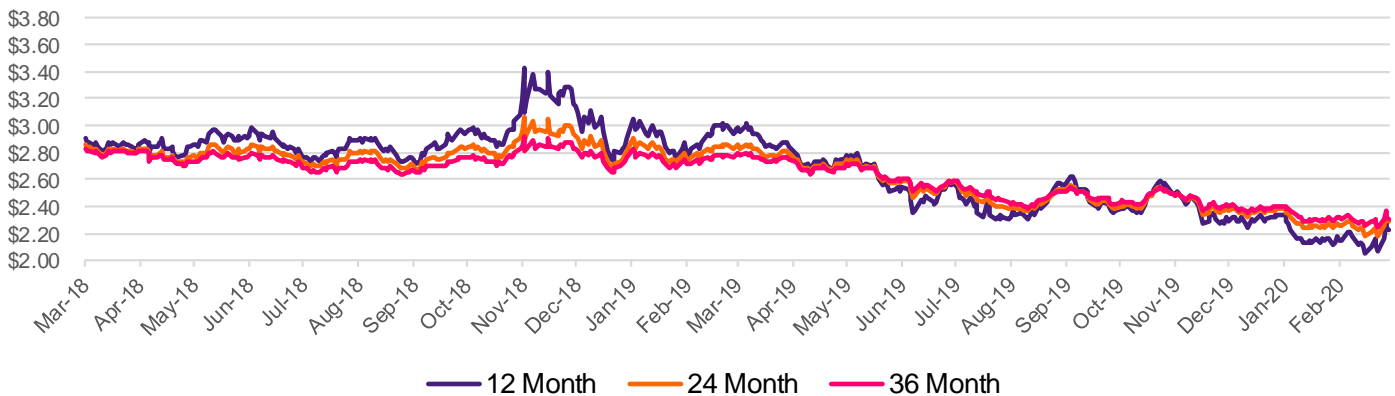
Power pricing in ERCOT was up 7% month-over-month in February as the heating demand was higher than expected due to below average temperatures. February 2020 Day Ahead prices averaged \$21.24/MWh, 16% below February 2019 prices.

ERCOT Spot Pricing							
ERCOT Hub	Feb-20	Jan-20	MoM		Feb-19	YoY	
			▲	%		▼	%
			Inc/(Jan)			Inc/(Feb)	
North	\$17.72	\$16.99	▲	4%	\$20.86	▼	-15%
Houston	\$17.70	\$17.02	▲	4%	\$21.50	▼	-18%
South	\$18.43	\$16.70	▲	10%	\$22.13	▼	-17%
West	\$17.14	\$15.64	▲	10%	\$20.49	▼	-16%
<b>Hub Average</b>	<b>\$17.75</b>	<b>\$16.59</b>	<b>▲</b>	<b>7%</b>	<b>\$21.24</b>	<b>▼</b>	<b>-16%</b>

## Texas Natural Gas Pricing Update

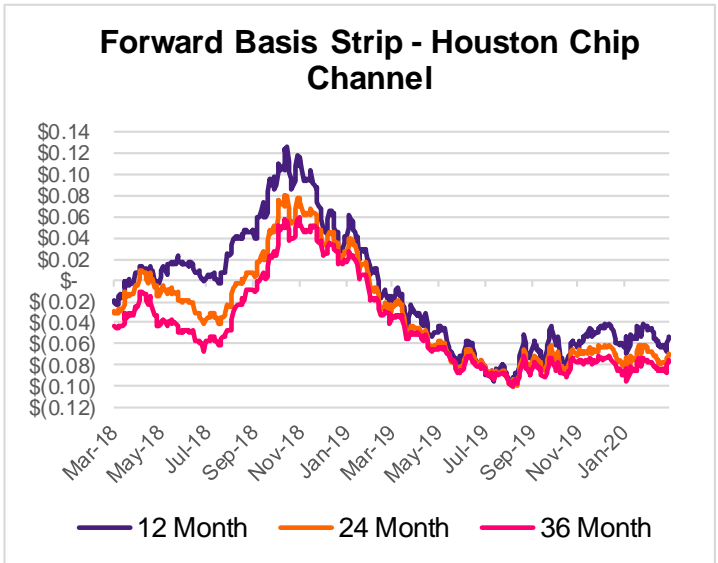
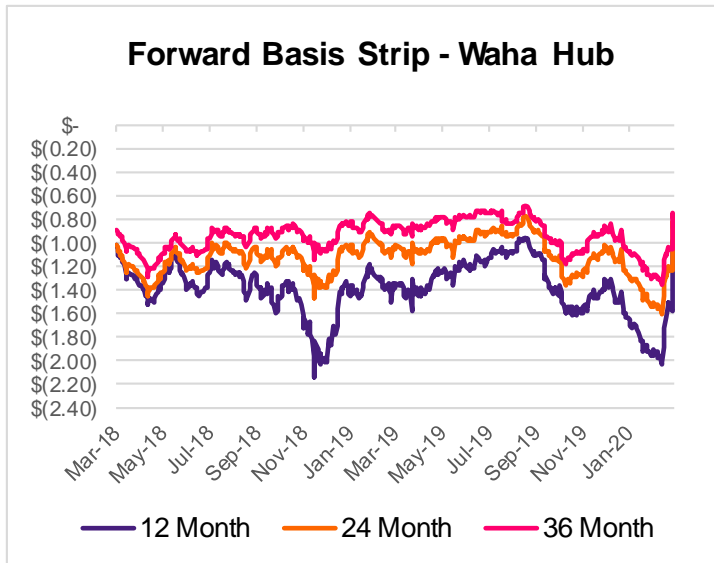
NYMEX Henry Hub futures remained flat for February 2020 as natural gas production averaged 4.7 bcf/d, higher by 5% when compared with February 2019 levels. With natural gas production reaching all-time highs, NYMEX forwards continued to trade below \$2.4/MMBtu in February this year.

Forward Strips - Henry Hub





Houston Ship Channel's prompt month-forward basis prices traded below \$(0.04)/MMBtu as demand averaged lower than expected. Forward basis for the 24-month term and 36-month term were trading near May 2019 levels after peaking at \$0.08/MMBtu in Dec 2018. In the west, Waha forward basis showed an upward trend in Feb 2020. The 12-month contract settled at \$(0.8)/MMBtu while 24-month term and 36-month term traded below \$(1.00)/MMBtu.



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