NEW ENGLAND MARKET UPDATE WEBINAR
After the call summary

Compiled: Sept. 23, 2024

Important highlights at a glance

The following is an overview of some important elements of the September 2024 New England Market Update presentation.

Regulatory update

Massachusetts Clean Peak Energy Standard (CPS)

On July 19, the Dept. of Energy Resources (DOER) filed an emergency rulemaking to change some of the terms of the CPS, including the minimum percentage of sales that must be fulfilled with qualified clean peak resources between now and 2050. ***The DOER completed the obligations necessary to effectuate the changes in the emergency rulemaking.***

Algonquin rate case

Algonquin filed a general rate case on May 30, 2024 that included a 218% increase in Mainline rates set to go into effect on Dec. 1, 2024. ***Settlement process is ongoing.***

Reliability

The **Mystic generating facility retired** at the end of May, along with the costs associated with Reliability Must Run (RMR) for this facility, which have been in place for two years.

The MA Department of Public Utilities (DPU) approved contracts between National Grid, Eversource, and **Constellation's Everett Marine Terminal (EMT)** to continue providing access to LNG supply. The 6-year contracts are for a collective 61,600 Dth/day through Mar. 30, 2030.

Market constructs

This is the last scheduled winter for the **Inventoried Energy Program**, which runs Dec.-Feb. The base payment rate for resources electing to participate is $79/MWh.

As part of the **Day-Ahead Ancillary Services Initiative (DASI)**, beginning in March 2025, ISO-NE will procure additional types of reserves co-optimized with energy in the day-ahead market and will retire the Forward Reserve Market. These additional ancillary service products include Energy Imbalance Reserve and Flexible Response Service.

Market Fundamentals

Natural gas

Production: in March, producers announced cuts of about 5 Bcf/day with the intent of shoring up gas prices. Short-term prices did move up a bit as a result. Although producers have maintained these cuts, production crept up over the summer and is currently averaging 100 Bcf/day.

Exports: LNG exports have grown steadily and significantly since the U.S. began exporting in 2016. We hit an all-time high of 15.2 Bcf/day in November 2023 and have been relatively stable at around 13 Bcf/day in 2024.

Storage: we came out of last winter with an abundance of gas in storage. Despite most of the weekly injections this summer coming in below historical benchmarks, we are still at a surplus to last year and the 5-year average.

Demand: with a heavier reliance on gas for power generation and high LNG exports, the total demand for natural gas is trending just above last year and is at the top of the 5-year average range.

Pricing: NYMEX prompt month pricing is currently up since last month, but the calendar strips out through 2029 are down between 6 and 17 cents/kWh, with some backwardation from 2028 through 2034. This means that prices for each succeeding year decrease as you go further out in time.

Gas bulls v. bears:

- New England faces potential gas supply shortages every winter because peak load exceeds pipeline capacity.
- Alternative supply is available via LNG and oil but must compete with international markets and pricing.
- Higher Algonquin transmission rates are expected as early as December, but how much higher is TBD.
- We can likely count on LNG supply from Everett to provide winter peaking supply for at least the next six years via the deals signed with Nat Grid/Eversource.
- Winter weather is a wild card that can have a big impact.

Take-away: near-term NYMEX prices are close to the lowest we've seen over the last two years and offer some incredible value. Algonquin basis prices thru 2028 and beyond are just slightly above the lowest prices seen in the last two years. Both offer good value as compared to the last two years.

As a reminder:
***delivered* gas prices = NYMEX + basis prices**

Power

Around-the-clock power pricing at Mass Hub for 2025-2028 has been declining throughout the summer after being rangebound and showing some volatility over the last year. Currently, the market is backwardated, with longer-term pricing being lower.

Market fundamentals (con't)

Power bulls v. bears:

- ISO-NE Inventoried Energy Program (IEP) results in added costs for customers.
- Wind capacity being built off the coast of Martha's Vineyard experienced a blade failure on one of the windmills. This resulted in 24 turbines being shut down and a loss of about 312 MW of electric generating capacity.
- Beginning in March 2025, the ISO is implementing two new day-ahead ancillary services, which could impact the non-energy component of retail prices.
- All of the factors impacting NYMEX and basis pricing also have the potential to impact power prices due to the tight correlation between power and gas in the region.

Take-away: when looking at the last two years of historical pricing, current power pricing for 2025-2028 is showing strong value in an overall low-priced market.

Strategy considerations

Index v. fixed

- 2023/2024 index prices settled lower than forwards for the same timeframe.
- Forward prices are down but still higher than index.

Index participation can yield significant value, but not without risk. You may want to consider a **hybrid electricity** or **natural gas product structure** that provides the flexibility to capitalize on index market prices while diversifying risk with layered hedges.

Non-energy costs

- Renewable energy obligations are 10% higher in Massachusetts than the rest of New England and can comprise up to 25% of energy supply costs.
- Capacity costs continue to be a significant portion of retail supply costs (around 13%).
- Renewable energy projects have seen significant delays and rising costs in recent years, increasing the importance of aligning costs and goals.

Energy cost management

To help lower or offset energy costs, you may wish to consider load management. If you can reduce your usage on a short notice, significant value is available.

- **Peak load management** can help you actively lower your capacity obligation, which can help lower costs (note: this is only applicable to product structures that pass through capacity costs). ***How it works:*** We provide alerts on days when peak demand is expected so that you know when to lower or curtail consumption. We can also help you determine how to achieve reductions based on your operations.
- **Demand response** can help you earn money for your ability to curtail when called upon. Currently, the ability to curtail 1 MW could earn you up to $150,000 in certain utility zones.

Demand Response: value of 1 MW curtailment

Utility	Program	Estimated Annual Revenue
Vermont, Portland ME, NW Vermont, NH-LR, NH Seacoast, Maine	PRD	$22,293
CT West, CT East, CT North, Western MA, WCMA Central Mass, Springfield MA, Norwalk Stamford	PRD	$23,499
NEMA Boston, Lower SEMA, SEMA, RI 1 ADCR, NEMA NS	PRD	$35,820
Eversource, National Grid & Unitil	Connected Solutions – Summer Targeted Dispatch	$26,250
Eversource, National Grid & Unitil	Connected Solutions – Summer Daily Dispatch	$150,000

Final considerations

- **Natural gas pricing:** you may wish to consider the option to manage NYMEX and basis costs independently
- **Electricity pricing:** your focus should be on commodity, capacity and renewables costs, which comprise ~95% of your retail electric price
- **Product options:** consider those that provide flexibility and optionality
- **Winter weather risk:** even brief cold snaps can cause huge price spikes that drive both near- and long-term prices higher
- **Load management (via DR or PLM):** may make economic sense given the opportunities to lower costs or earn money
- **Corporate sustainability plans:** with costs rising, decide what you want to achieve then seek the guidance of an experienced supplier to help you navigate all options and the costs that go with them

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