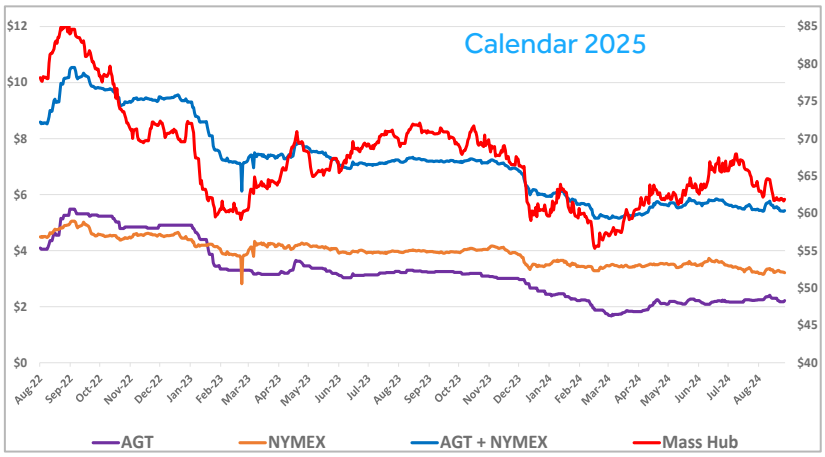
New England Market Update Webinar
Q&A

Compiled: Sept. 25, 2024

The following are answers to the questions our presenters received from participants during the New England Market Update webinar on Sept. 18, 2024

Do you expect the correlation between gas and power prices in New England to change?



The New England region remains highly reliant on natural gas for power generation overall, causing a tight correlation between power and gas prices. Because of this, at least for the next few years, we would not expect this correlation to break down. However, moving into the future, an increased reliance on non-dispatchable resources, such as wind and solar, could cause power prices to break from natural gas prices. The correlation has already broken down in other parts of the country, such as California—mostly during high demand hours with decreased sunlight. There is also risk of volatility during periods of extreme weather when gas demand exceeds pipeline capacity. While we've seen this in the New England region, competition is increasing between gas and power due to the electrification of many businesses.

Are forward power price premiums too high?

Due to the changing market fundamentals weighing in on both near-term and future prices, there is no way to tell for sure whether index prices will be higher or lower than what forward prices are today for the same timeframe. The market however is very smart, and the risk-reward is not a bell curve. It may seem like the premium is too high and unlikely to be worthwhile if you're considering locking in today, however there is probably about a 50% chance that winter index prices for Jan/Feb 2025 reach the levels of current forward prices. How you value that risk will vary by business, which is why a layered product strategy could make sense. This type of structure will provide you with a balanced approach to mitigate risk without giving up all the value of the index.

How would you justify the risk of a non-fixed price retail product?

It's important to keep in mind that *all products have risk*. The risks of a fixed price product:

- Waiting for the best day to lock in a fixed price could expose a business to market volatility.
- Locking in all load at a fixed price at one point in time will prevent a business from capitalizing on market dips.

It could be argued that hybrid products—or a layered purchasing approach—are actually less risky than fully fixed or full index product structures. Some benefits of a hybrid approach include:

- You can diversify risk over multiple layers/purchases.
- You have a faster transaction platform, rather than having to fully negotiate a contract when the market moves.
- You can participate in PLC management, giving you the ability to take action to reduce costs.

over

What is the biggest challenge for a business to "go green"?

The biggest challenges to implementing renewable solutions:

- They can be expensive—especially in the Northeast where compliance requirements are higher and it's more difficult to build large, utility-scale wind and solar projects.
- Understanding the variety of offerings, the costs associated with each, and which might make the most economic sense for your business can be complex.

Once your business defines what it would like to achieve, it's important to partner with a company that is knowledgeable about renewable offerings and can help you navigate specific solutions and options that will help you meet your goals, while staying within your budget.

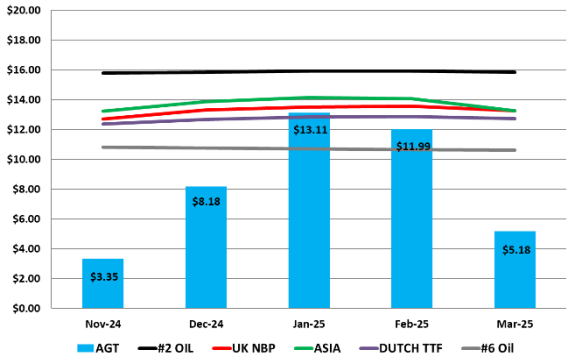
Do you expect any significant regulatory impacts from the upcoming elections?

We are not expecting any surprises in New England but, depending on the outcome, there is a potential for the progressive states to take on a more prominent role in decarbonization. All state policies have expired and will be reintroduced in January, so it remains to be seen what renewable portfolio standard (RPS) changes are ahead. As in other regions, calls for advanced nuclear and other zero-carbon resources are growing in New England.

Coming out of back-to-back mild winters, what are the risks for the gas and power markets if a real winter shows its face early and often for this coming winter?

All energy prices are lower going into this winter compared to a year ago. But, when cold weather increases demand for natural gas, there often isn't enough pipeline capacity to meet the demand. Therefore, New England also relies on oil (#2 and #6) and LNG imports as backup fuel for power generation when natural gas is scarce. As a result, the wild cards for price volatility are the weather, as well as oil prices and the global pricing for LNG. Even brief cold snaps can cause huge price spikes that drive both near- and long-term prices higher.

Algonquin Basis for 24/25 Winter Months v. Alternate Fuel Sources



Are there restrictions on purchasing RECs in Connecticut that come from outside the state?

The Connecticut Public Utilities Regulatory Authority (PURA) implemented specific guidelines regarding the sale of renewable energy certificates (RECs) to Connecticut energy users. Beginning Feb. 29, 2024, new and renewing Voluntary Renewable Offers (VROs) must comply with new rules ordered by the PURA.

Do you anticipate an increase to the Clean Peak Standard ACP?

The current Clean Peak Energy Standard alternative compliance payment (ACP) rate is $45/MW and the recent emergency rulemaking filed by the Department of Energy Resources (DOER) did not include a change to the ACP rate. While there is no action to change the ACP rate at this time, the DOER can adjust the rate administratively without legislative action.

over

Do you have more information on the PJM capacity auction?

Although our webinar was focused on the New England region, there was mention of the large increase in the cost of capacity in PJM for the 2025/26 delivery year because of the recent Base Residual Auction (BRA) results. With the next PJM BRA scheduled for December, which will set rates for 2026/27, learn more about PJM capacity and the impact of the recent auctions in our informational series.

About the PJM Base Residual Auction
About the 2025/26 PJM Base Residual Auction results

Keep in mind that while PJM's July 2024 BRA published rates settled more than 9x higher than the 2024/25 BRA—an increase of $241/MW-day—for most of the RTO, there is no way to know if New England's Forward Capacity Auction (FCA) will follow the same trajectory. What's important to note is that both regions are impacted by some of the same factors that weigh in on capacity prices, including retirement of fossil fuel plants, an increase in reliance on intermittent renewable supply, and growing demand.

Forward Capacity Auction Historical Prices at Key Zones

