

News

East prices sink in May; summer strength seen

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ANALYSIS Despite generally flat natural gas prices and rising demand, May's day-ahead on-peak power prices were down sharply month to month, but July-August forwards indicated strength, compared with day-ahead on-peak prices in July-August 2015.

For the eight eastern hubs included in this analysis, day-ahead on-peak prices fell an average of 17.4% from April to May, and the year-over-year drop averaged 29.2%.

Eastern US hubs' day-ahead on-peak power price comparison

Forwards*

Location	May 2015	Y-to-Y	June	July	August	May 2016	April 2016
M-to-M							
Into Soco**						23.54	25.36
-7.18%	34.49	-31.76%	24.84	29.44	28.97		
ISO-NE Internal Hub***						23.51	30.80
-23.68%	28.63	-17.90%	26.70	42.30	38.95		
NYISO Hudson Valley Zone G						24.65	29.82
-17.33%	35.27	-30.11%	28.60	42.85	38.75		
NYISO N. Y. C. Zone J						26.69	31.54
-15.37%	36.47	-26.81%	30.75	47.20	42.05		
NYISO West Zone A						23.48	32.86
-28.54%	35.62	-34.08%	29.75	47.95	40.25		
PJM AEP-Dayton Hub						26.64	31.21
-14.64%	38.96	-31.63%	30.40	40.00	38.05		
PJM Western Hub						28.03	33.03
-15.13%	41.21	-31.97%	32.95	44.85	42.90		

*Forwards as of May 27

**Platts Day-ahead Bilateral Index

***Forward is for Mass Hub

Source: Platts

For three benchmark Mid-Atlantic and southern natural gas hubs (Transco Zone 6 N.Y., Texas Eastern M-3 and Transco Zone 3), the month-to-month change ranged from negative 0.6% to positive 1.9%, but New England's Algonquin city-gates price fell more than 27.7% from April to May.

On a year-over-year basis, Algonquin city-gates was up more than 13.3% in May, but the other three were down, from as little as 7.7% to as much as 40.1%.

As of May 27, the forward prices for July and August for this analysis' eight electricity hubs were up by an average of 15.2%, compared with the day-ahead on-peak prices of July-August 2015.

The steep drop in natural gas prices from April to May may explain much of ISO New England's month-to-month drop, but the decreases at other hubs may have been driven more by other factors.

Gurcan Gulen, senior economist at the University of Texas Bureau of Economic Geology, speculated that some generation units' exit from maintenance outages may account for some price declines.

However, across the Northeast, as much as 8,500 MW were offline in early May due to nuclear outages, according to Platts Bentek's Power Burn Nuke Outages History report. In comparison, 8,550 MW were offline at the end of April.

Biggest drops in western New York

Among the eight hubs in this analysis, the largest month-to-month and year-to-year decreases occurred at the New York Independent System Operator's Zone A West, where day-ahead on-peak LMPs averaged \$23.48/MWh in May, down 28.5% from April and 34% from last May.

NYISO Zone A West day-ahead on-peak LMPs spiked for the month on May 26 reaching \$55.37/MWh, a jump of \$21.40 from the previous day. As those prices spiked, Zone A West day-ahead on-peak LMP congestion costs dropped as low as negative \$57.75/MWh on May 26, a \$35.65 day-to-day drop and down \$45.12 in two days. Congestion costs averaged negative \$27.85/MWh for May 26 and negative \$8.35/MWh for the month.

NYISO load was up nearly 12% on the month, but down 3.5% from 2015 to an average of around 19,100 MW for May.

Looking ahead to summer, NYISO hubs followed a downward trend for the July package throughout most of May until a spike toward the end of the month. NYISO Zone A West July on-peak reached as high as \$50.30/MWh May 25, a jump of \$6.70 from the previous day. In comparison, Zone J had a \$2.65 jump while Zone G had a \$2.80 bump that same day.

But as of May 27, Zone A's July and August packages averaged \$44.10/MWh, up 25.5% from July-August 2015's average day-ahead on-peak LMP, which was the largest premium among the eight hubs in this analysis.

Warmer-than-normal July-August forecast

The weather may play a role in traders' expectations for power price strength in July and August in the Northeast, as the National Weather Service's most recent long-lead forecast calls for the highest chances for above-normal temperatures in the Northeast.

Another region that had stronger demand in May, compared with April, was PJM, where peakload averaged 90,088 MW for May, up 4.25% from April, but down 7.25% from last May. Wind generation fell 24.75% on the month to an average of roughly 1,650 MW.

In ISO New England, peakload averaged 14,644 MW for May, which was up more than 2.5% from April, but down 3.25% from last year. Gas-fired generation was up about 16% in May versus April and remained the lead fuel source for the ISO accounting for 55% of the overall generation mix. Most other fuel sources lost ground. Coal fell 37%, hydro was down 26.25% and oil eased 20%

ISO New England's Internal Hub day-ahead on-peak LMPs dropped 23.75% to an average of \$23.51/MWh for May compared to April, while off-peak lost 28.75% on the month to average \$16.72/MWh.

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NYISO Zone A day-ahead on-peak May|graph Source: NYISO|NYISO congestion cost|graph Source: NYISO|NYISO July on-peak|graph Source: Platts

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