

April 2021 Market Update

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Including market research provided by NRG's analyst team

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NYMEX Natural Gas Pricing

The May 2021 contract has settled at \$2.925/MMBtu.

The June 2021 contract is trading around \$2.914/MMBtu (as of 5/6/2021 @ 3 PM EST).

Natural Gas Storage Report

Current BCF in Storage (2021 vs 2020):

Week of	Total BCF	Week of	Total BCF
02-Apr-21	1,784	03-Apr-20	2,024
09-Apr-21	1,845	10-Apr-20	2,097
16-Apr-21	1,883	17-Apr-20	2,140
23-Apr-21	1,898	24-Apr-20	2,210
30-Apr-21	1,958	01-May-20	2,319

There is about 16% less in underground storage now than there was at this time last year.

Weather (as of 5/6/2021)

6-10 Day: Much cooler than average conditions are expected across the south-central and eastern US. Warmer than average conditions are expected across the West.

11-15 Day: Period anomalies are forecast to be near to slightly warmer than normal across the majority of the Lower 48.

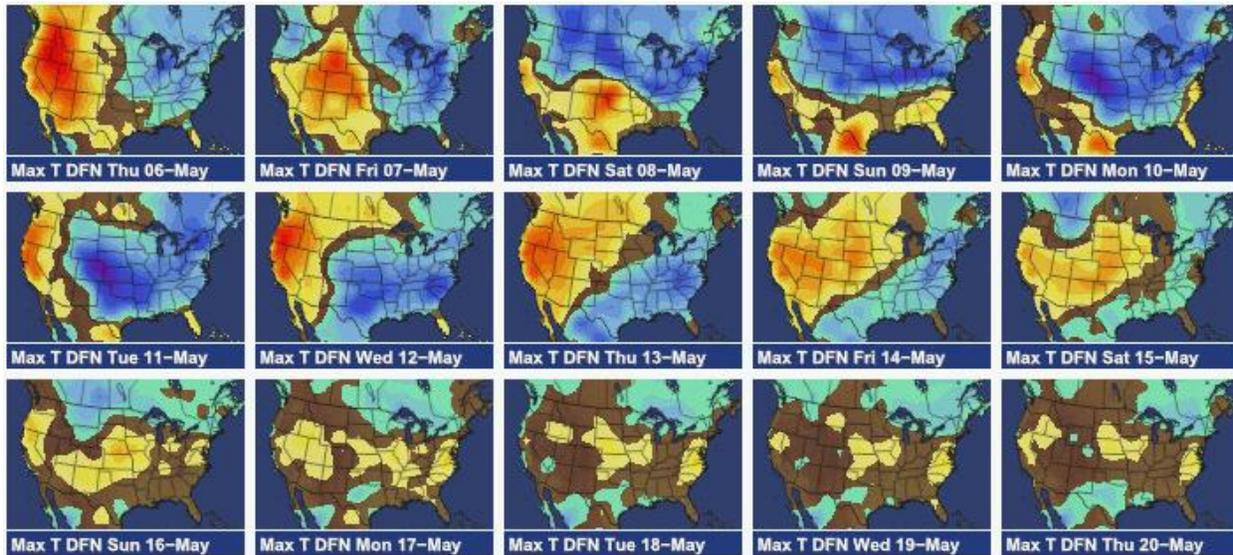


Photo and forecast courtesy of WSI Trader

MARKET UPDATES

State of the Electric Utility 2021: Gas doubts rise, DER focus wanes, and 5 other key takeaways

https://www.utilitydive.com/news/state-of-the-electric-utility-2021-gas-doubts-rise-der-focus-wanes-and-5/597071/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202021-04-01%20Utility%20Dive%20Newsletter%20%5Bissue:33367%5D&utm_term=Utility%20Dive

- 1) Despite COVID impacts, the energy transition is as strong as ever
- 2) Renewables, sustainability, or the environment continue to significantly outrank other top issues for utilities, but security and reliability concerns are close behind
- 3) Solar remains number one for new generation; doubts are rising about the future of gas
- 4) Strong state and federal policies are important for decarbonization, but money, especially tax credits, is king
- 5) There appears to be less utility focus, and a decrease in challenges, surrounding distributed energy resources (DERs)
- 6) An electric vehicle boom is expected soon, but that's not reflected yet in load drivers or trends
- 7) Utilities continue to be unsure about the merits of performance-based regulation, though many welcome some aspect of it

EIA expects U.S. natural gas consumption to continue decreasing in 2021 and 2022

<https://www.eia.gov/todayinenergy/detail.php?id=47616>

According to EIA, natural gas consumption in 2020 is 1.9 BCF/day lower than the all-time high of 85.1 BCF/day in 2019, and EIA forecasts natural gas consumption will further decrease in 2021 and 2022 due to the economic slowdown related to COVID-19 and forecasted milder temperatures. However, there is a different trend per sector-level natural gas consumption. Energy power, the only sector that has a positive net change from 2019 to 2020, is expected to consume less natural gas in 2021 and 2022 because of higher forecast natural gas prices and increased capacity of renewable energy. The residential, commercial, and industrial sectors are expected to consume more natural gas because of warmer weather forecasts and more importantly an improving economic outlook post COVID-19.

Six subsectors account for nearly 90% of manufacturing energy consumption

<https://www.eia.gov/todayinenergy/detail.php?id=47596&src=email>

In 2018 six energy-intensive subsectors - chemicals, petroleum, and coal products, paper, primary metals, food, and nonmetallic mineral products - consumed around 87% of the total energy consumed in the manufacturing sector. Nonfuel consumption in the manufacturing sector surpassed 32% of total manufacturing energy consumption in 2018, which is an increase of 28% from 2014. This was due to the availability and price reductions of the U.S natural gas and hydrocarbon gas liquids, specifically ethane, which led to an increase in basic chemical production.

Renewables could displace fossil fuels to power the world by 2050, report claims

<https://www.cnbc.com/2021/04/23/climate-renewables-could-oust-fossil-fuels-to-power-the-world-by-2050.html>

If wind and solar power continue this current trajectory, they could push fossil fuels out of the electricity sector by the mid-2030s. Also, solar and wind could replace fossil fuels entirely to become the world's power source by 2050. Current technology gives the world the power to capture 6,700 Petawatt hours (PWh or 1,000 terawatt hours) of power from solar and wind energy, more than 100 times the amount of energy consumed globally in 2019. Continued falling costs are likely to drive exponential growth in the generation of solar and wind power. Solar power has grown at an average annual rate of 39% over the last decade, almost doubling in capacity every two years. Meanwhile, wind energy had grown in capacity by 17% a year, with advances like better panels and higher turbines helping to reduce costs. There is still skepticism over an energy transition happening anytime soon. Embedded power structures and continued support of the industry is thwarting progress. Of the world's 60 largest banks, 33 increased their funding to the fossil fuel sector between 2016 and 2020.

PJM proposes to end FERC MOPR policy that raised prices for state-subsidized resources

https://www.utilitydive.com/news/pjm-proposes-to-end-ferc-mopr-policy-that-raised-prices-for-state-subsidize/599248/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202021-04-29%20Utility%20Dive%20Newsletter%20%5Bissue:33933%5D&utm_term=Utility%20Dive

A year after the MOPR expansion rule was issued, PJM is already proposing to end the policy. The new proposal would remove the application of the MORP from any resources that are subsidized by the state; this is heavily backed by the coastal states who have enacted clean policies recently. Competitive suppliers believe that if a repeal is necessary, there needs to be a replacement market design enacted as well. A few named suppliers suggested FERC replace the current PJM capacity system with one similar to ISO-NE. PJM hopes to file with FERC by July in an effort to have a replacement ready by the December auction for the 2023/24 capacity year. FERC chair Richard Glick has said that if PJM does not have a proposal finalized by the specified time, he is in favor of FERC taking its own action.

Texas Set to Ban Griddy-Like Electricity Plans After Blackouts

<https://www.bloomberg.com/news/articles/2021-04-29/texas-set-to-ban-griddy-like-electricity-plans-after-blackouts>

Legislation, as a direct result of the winter storm in mid-February, is on its way to the Governor's desk to ban the sale of index-like products to residential customers in TX. Companies like Griddy, who offered index products to all customers regardless of sector, have gone bankrupt because customers forwent payments and, in turn, were revoked of their operating rights.

California's dilemma: How to control skyrocketing electric rates while building the grid of the future

<https://www.utilitydive.com/news/californias-dilemma-how-to-control-skyrocketing-electric-rates-while-buil/597767/>

California needs to find new ways to reduce energy costs. It is expected that rates could climb 40% higher than the inflation rate over the next 20 years. As a way of trying to lower these energy costs for the customer initial steps are to subsidized electric rates by reducing the amount of money spent on a wildfire prevention. Research found reducing the state's 46 MMT 2030 power sector emissions target to the proposed 38 MMT target would add \$0.006/kWh to \$0.008/kWh to all customers' rates because more emissions reductions would add new system transition costs and accelerate current patterns.

CAISO adopts summer reliability measures to avoid repeat of 2020 blackouts

https://www.utilitydive.com/news/caiso-summer-2021-analysis-august-blackouts/591937/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202021-04-26%20Utility%20Dive%20Newsletter%20%5Bissue:33831%5D&utm_term=Utility%20Dive

CAISO's board of governors began examining possible improvements to reduce the probability of future blackouts. These improvements aim to address the cause of the blackouts, which have been preliminarily identified as extreme heat, supply and demand patterns, and poor resource planning. Although these improvements remain in the analysis phase, initial findings point to an extension of peak conditions into to evening, when solar output reduces. Additional storage resources are anticipated to be online for 2021, however the ISO is still working on effective management of these resources. With these changes anticipated to be functional by fall of 2021, the summer may still yield issues for the grid. To combat this, the CAISO is recommending an increase in planning reserve margins from 15% to 20% during the June-through-October anticipated peak of 2021. Environmentalists have raised concerns that reaction to the blackouts by the governing bodies of California's grid may hinder clean energy goals. Continued use of natural gas and diesel, as grid support, calls into question the feasibility of sooner-than-later clean energy in California.