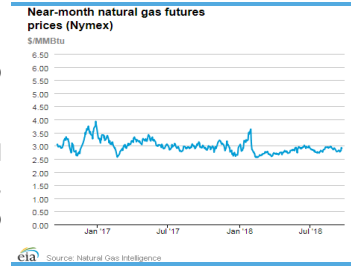




## GENERAL UPDATE

- Financial gas markets trade higher, with the October 2018 NYMEX contract price rising \$0.08 (1.2%) to finish at \$2.908/MMBtu on Wednesday September 19, 2018.
- In contrast to the widespread price decreases reported last week, physical gas spot prices trended upwards across most markets. Boston's Algonquin Citygate increased \$0.16 (5.8%) to \$2.91/MMBtu, with a high of \$3.00/MMBtu on Monday September 17. Transco Zone 6 NYC increased \$0.10 (3.4%) to \$3.01/MMBtu.
- Tennessee Zone 4 also increased, rising \$0.36 (16.4%) to \$2.55/MMBtu. Dominion South, serving southwest Pennsylvania, increased \$0.34 (15.2%) to \$2.57/MMBtu. Chicago Citygate prices rose \$0.28/MMBtu (10.3%) to \$3.00/MMBtu.
- SoCal Citygate prices jumped \$1.03 (29%) to finish at \$4.58/MMBtu last week. Prices at Northern California PG&E Citygate were unchanged week/week at \$3.09/MMBtu.



## POWER

- Notable gains continued through the forward curve for northeastern markets, particularly in the near term. Gains were largest in ISONE as eastern gas basis points traded higher throughout the week, especially for the upcoming October 2019 contract due to maintenance on the Algonquin gas pipeline. For the NEMASSBOST zone, the 12 Month ATC strip increased \$1.75 (3.7%) to \$49.07. The 24 Month ATC strip increased \$1.16 (2.5%) to \$47.33 while the Cal 2019 ATC strip increased \$1.18 (2.6%) to \$47.26/MWh.
- Similar gains were observed on NYISO curves, though the magnitude of price movement was smaller and less so in the front end of the curve. For the N.Y.C. zone, the 12 Month ATC strip increased \$0.81 (1.9%) to \$44.50. The 24 Month ATC strip increased \$0.72 (1.7%) to \$43.25, while the Cal 2019 ATC strip increased \$0.77 (1.8%) to \$42.85/MWh.
- While PJM zones also faced upwards pressure under gains on the gas curve, overall price movement was low compared to that of the northeast ISOs. For the PEPSCO zone, the 12 Month ATC strip increased \$0.27 (0.7%) to \$40.90. The 24 Month ATC strip also increased \$0.27(0.7%) to \$39.33, while the Cal 2019 ATC strip increased \$0.36 (0.9%) to \$39.35/MWh.
- ERCOT continued to experience price gains throughout the week, though more gains occurred further out on the curve (Summer 2020) in contrast to recent weeks when Summer 2019 has been the big mover. For the Houston zone, the 12 Month ATC strip increased \$0.58 (1.4%) to \$41.17. The 24 Month ATC strip increased \$0.87 (2.3%) to \$39.43, while the Cal 2019 ATC strip increased \$1.05 (2.6%) to \$40.82/MWh.

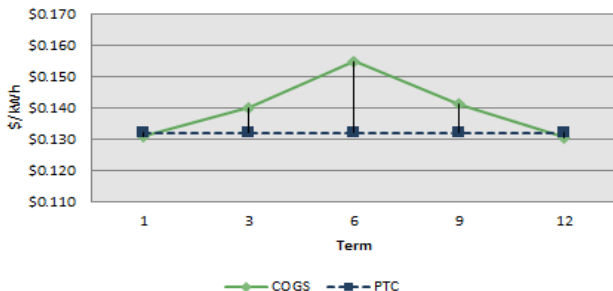
## UTILITY HIGHLIGHT

ISONE

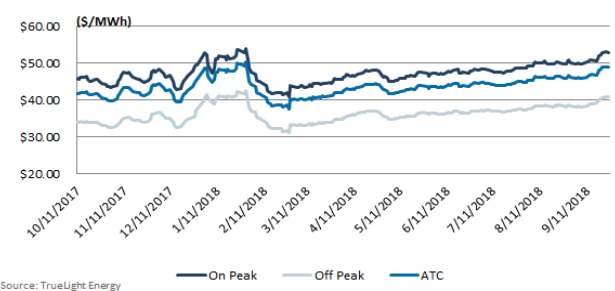
MA

NEMASSBOST

CELCO - G2



NEMASSBOST - 12 MONTH STRIP PRICING



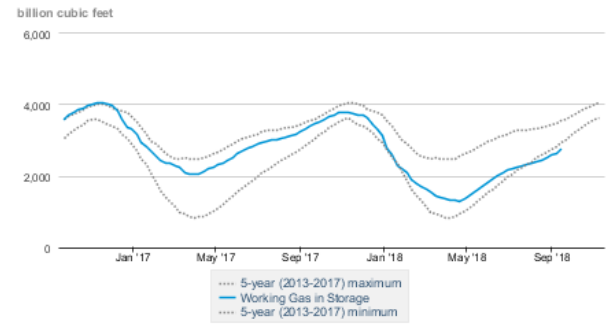
- The current Price to Compare (PTC) for Eversource Eastern MA, previously Cambridge Electric Co (CELCO), General Service Large Commercial NEMA rate class (G2) is projected to increase 18% to \$0.13206/kWh for the October 1, 2018 to December 31, 2018 price period.
- Slight headroom of \$0.00108/kWh is likely for the 1 month term and again likely for 12 month term at approximately \$0.00144/kWh.
- Over the last week, the CELCO ATC 12-month strip experienced a slight increase of 3.5% to finish at \$48.96/MWh.
- Since the beginning of the year, the ATC strip has reached a high of \$50.26/MWh on Jan 30, 2018 and a low of \$37.58/MWh on Feb 27, 2018. Since June 1, 2018, the strip has traded between \$43.37/MWh and \$49.07/MWh, a high that was reached yesterday September 24, 2018.



# NATURAL GAS

- For the week ending September 14, the EIA reported net injections into storage of +86 Bcf, which is higher than last report's +69 Bcf for the week ending September 7.
- Working natural gas stocks totaled 2,722 Bcf, which is 672 Bcf (24.7%) lower than last year's level and 586 Bcf (21.5%) lower than the five year average for the same week.
- For the January 2019 futures contract, working gas stocks continue to trade at a lower premium, averaging at \$2.99/MMBtu which is \$0.10/MMBtu higher than the spot price. Last year at this time, the January 2019 contract was \$0.41/MMBtu higher than the spot price.

Working natural gas in underground storage

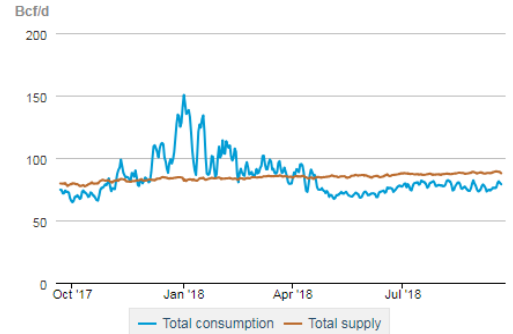


Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report"

# SUPPLY & DEMAND

- The EIA reported that the average total supply of natural gas increased by 1% week/week, fueled by gains in both dry natural gas production (+1%) and average net imports from Canada (+11%).
- Total U.S. consumption of natural gas rose 5% week/week, primarily driven by burn for gas power generation which increased 14% week/week. Demand dropped in the industrial sector (-2%) and the Residential-Commercial sectors (-12%). Natural gas to exports to Mexico were unchanged week/week, averaging 4.7 Bcf/day.
- LNG exports decreased week/week with five LNG vessels, totaling 17.8 Bcf, departing from US ports.

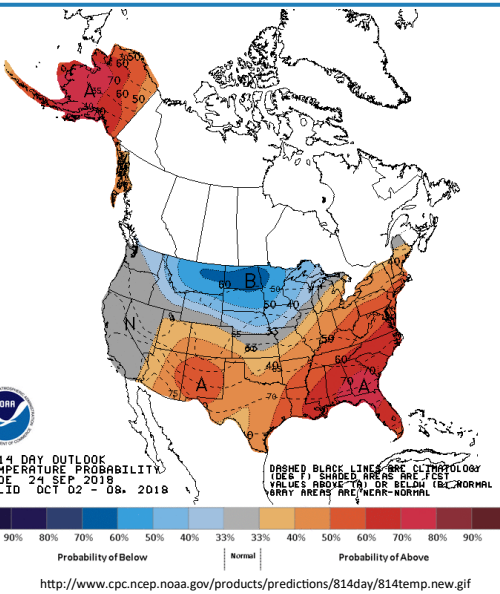
Total supply/demand balance (last 365 days)



Source: OPIS PointLogic Energy, an IHS Company

# MARKET INTELLIGENCE

- The Texas PUC recently discussed a proposal in ERCOT to place a \$2,000/MWh cap on the Day-Ahead market pricing to promote more balance between Day-Ahead and Real-Time markets by pushing volatility into the Real-Time. The current \$9,000/MWh price cap on both markets, called a scarcity pricing mechanism, has been established by the Texas PUC to allow wholesale prices to rise to high levels during periods of resource scarcity to reflect the Value of Lost Load (VOLL) through the operating reserves demand curve (ORDC) in the real-time. The ORDC adder does not currently apply to the Day-Ahead Market. According to the Commission Staff, this proposed ruling of a \$2,000/MWh cap would place significant constraints on the Day-Ahead market. Two possible resolutions have been identified: 1.) Eliminate the current scarcity pricing mechanism and set the system-wide offer cap at \$9,000, or 2.) Retain the current scarcity pricing mechanism but require that the ORDC not be applied in the Real-Time Market if the Peaker net margin threshold of \$315,000/MW is reached. This ruling is still being explored, promoting further uncertainty on the forward curve and for Summer 2020 in particular.



## WEATHER

- Above normal temperatures are expected across most of New England, with warmer anomalies occurring further south into the Mid-Atlantic. There is a high probability of above normal temperatures in the Southeast. Texas is also expected to experience above normal temperatures which extends out towards the Southwest. The entirety of the Pacific coast is expected to see normal temperatures.
- Colder Canadian air covers most of the Northern Rockies and threatens to push down further into the Midwest, though ridging in the southeast prevents the air mass from reaching the eastern U.S. Except for the Pacific NW, the entire lower 48 is expected to see above normal precipitation.

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