

A Lingering Winter in PJM

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Data Sources Used in This Publication
PJM
NOAA
EOX Live

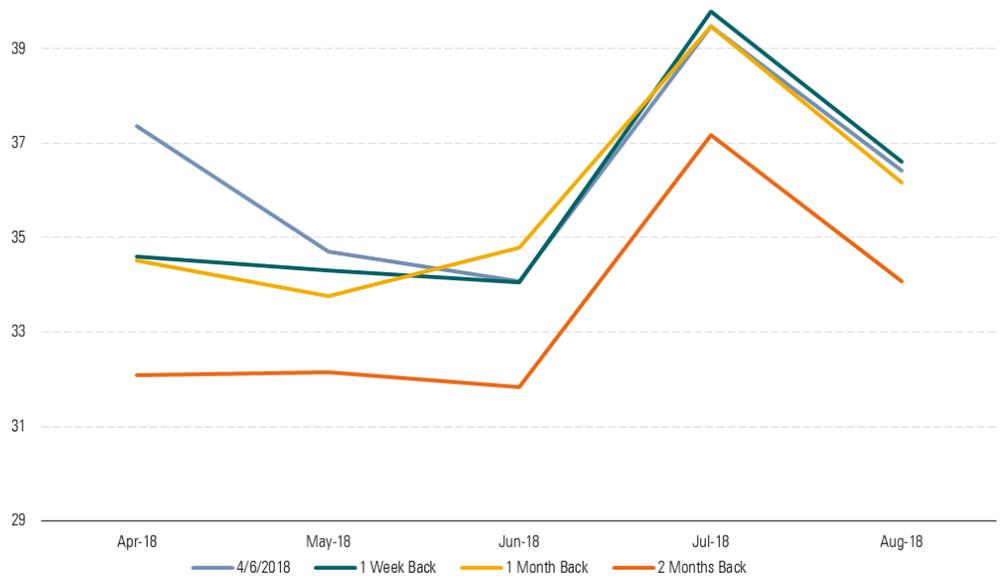
To discover more about the data sources used, [click here](#).

PJM Snapshot

The lingering cold throughout the northeast has seen elevated power prices. The region has seen a sustained and slow-moving cold front sitting over much of the upper Midwest and East Coast. While not as severe as the core of winter, the cold spring temperatures driving higher demand during outage season have elevated prices so far this spring above levels seen at this time in the past two years. The Bal-month April contract for PJM West Hub has increased from \$34.60/MWh at the end of March to \$37.37/MWh after the first week in April. However, over the same period, the June–August contract has fallen slightly in response to a milder demand outlook in the peak summer season.

Exhibit 1 PJM West Hub Forward Curve

PJM West Hub Forward Curve



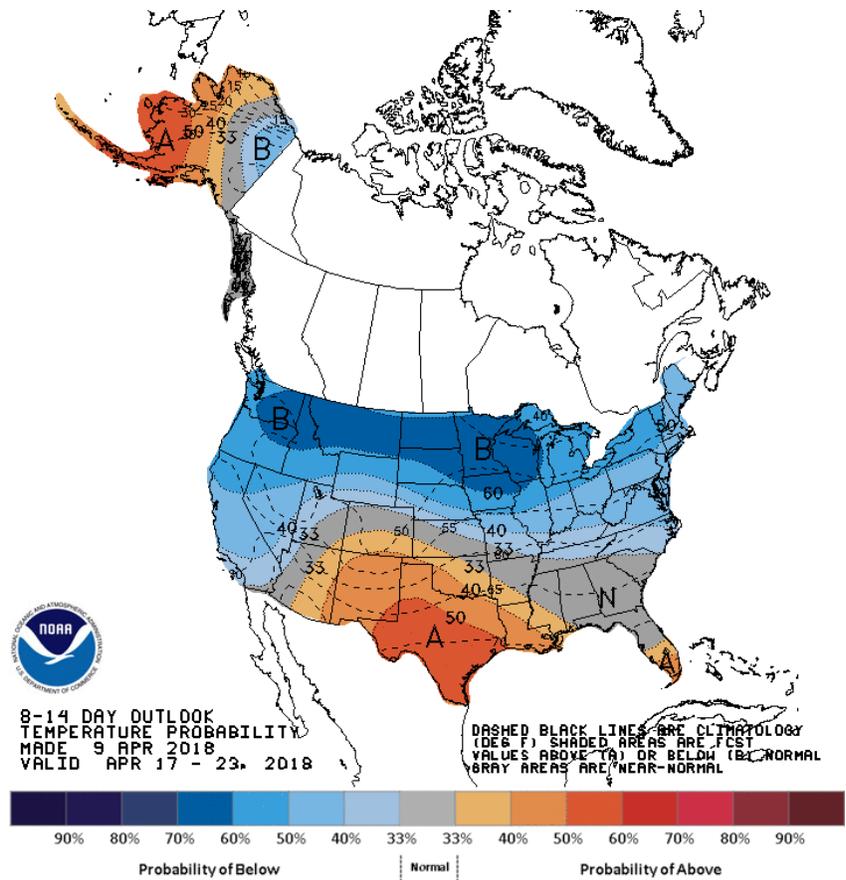
Source: EOXLive

Short Term

Lingering cold through the northern half of the U.S. has been especially noticeable in East Coast power prices. The cold might get a reprieve in the latter half of this week with Gulf Coast warmth driving up the coast, but as can be seen in Exhibit 2, the forecast for the remainder of the month still shows below-average temperatures. Overall these temperatures are only slightly below average for the PJM region, but heating demand is not the only issue PJM has to deal with that is driving up prices.

Current outages sit at 57,810 MW, with 42,588 MW being planned outages. Historically, PJM has not had over 60,000 MW of total outages often or for long, even during the height of outage season, so they should be near their height. However, colder temperatures and a shortened generation stack will mean morning pricing spikes and congestion should continue for the next few weeks until the weather and outages let up later in May.

Exhibit 2 Eight- to 14-Day Temperature Outlook



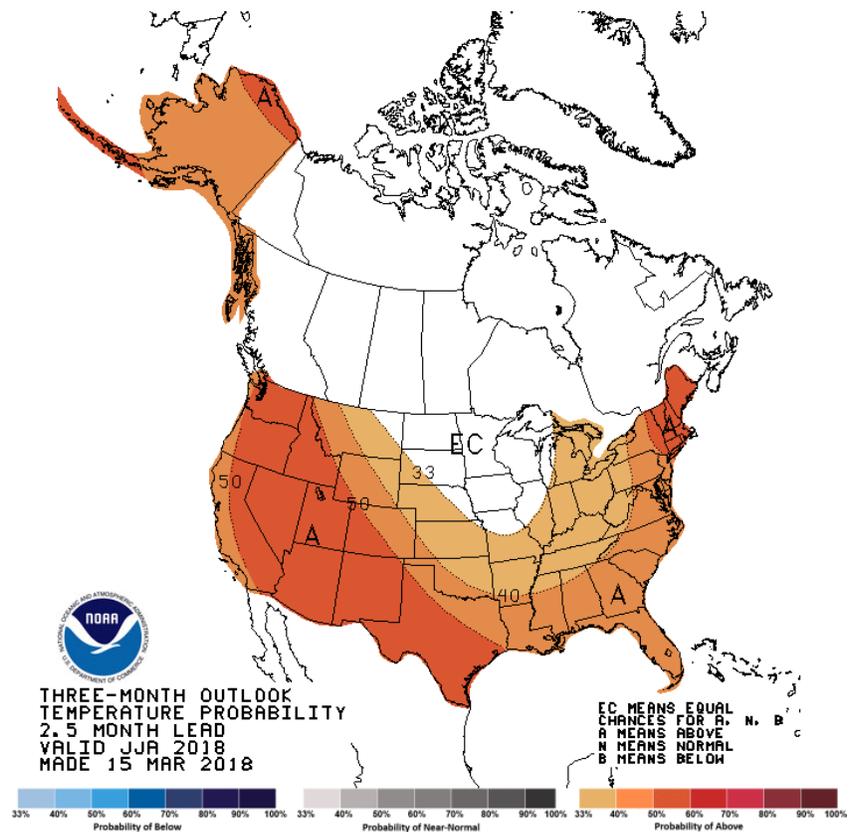
Source: NOAA

Medium Term

Summer contracts over the past week have seen a slight trim but are up from February trading. The overall outlook at current prices looks to be priced at parity with the past couple of summers. While winter has given a nice demand shock to bring action to the market, the summer is not overly bullish. Capacity shifts so far this year and through the summer months should see 7,839 MW of combined-cycle natural gas coming on line, as well as 108 MW of wind and 223 MW of solar. Over the same time period, we only see about 2,256 MW of coal retiring. With cheaper natural gas coming on line and less efficient steam coal plants exiting the stack, we should see a relatively trouble-free summer.

Summer temperatures are looking a bit warmer for June-August, as can be seen in Exhibit 3. NOAA's March population-weighted cooling degree day forecast for the summer season has about 23 cooling degree days over the 1981-2010 average for the Mid-Atlantic region and 6.67 cooling degree days over the average for the East North Central Region. While there is a slightly warmer than average summer forecast ahead, this is nothing new in recent years, and PJM has not appeared to blink, seeing falling prices with newer and more efficient plants on the grid. If anything, the current curve is slightly bearish at this point, absent a considerably stronger weather forecast or major outage.

Exhibit 3 NOAA Summer Three-Month Outlook



Source: NOAA

Outlook

The upside for PJM Bal-month during the next few weeks has largely been taken into account. The later portion of this week and into next week may relax prices for April a bit, but the later month still looks like we could see further cold. It has been years since we have seen April West Hub settle over \$40/Mwh, but if the Gulf Coast warmth is short-lived and we still get some stronger demand in the later portion of the month, that is not out of the question. Looking further out, summer on-peak prices have moved up a couple of dollars since February but have been relatively range-bound since. With additional cheaper gas coming on line and a few hundred more MW of renewables, together with a warm but not overly hot outlook, present prices look in line with value to bearish at current levels. ■■

Natural Gas Important Points

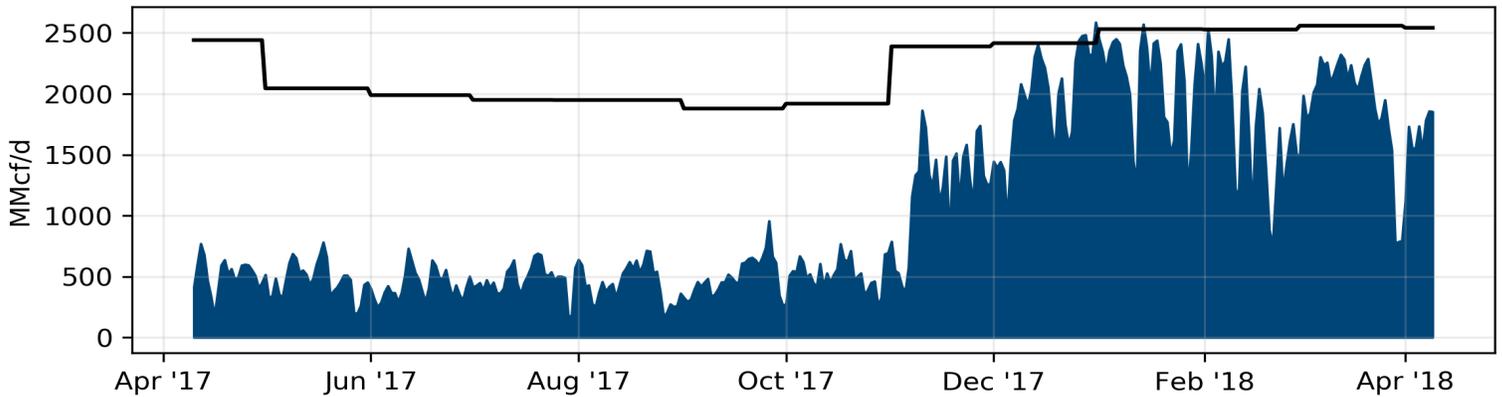
Algonquin: Stony point Compressor



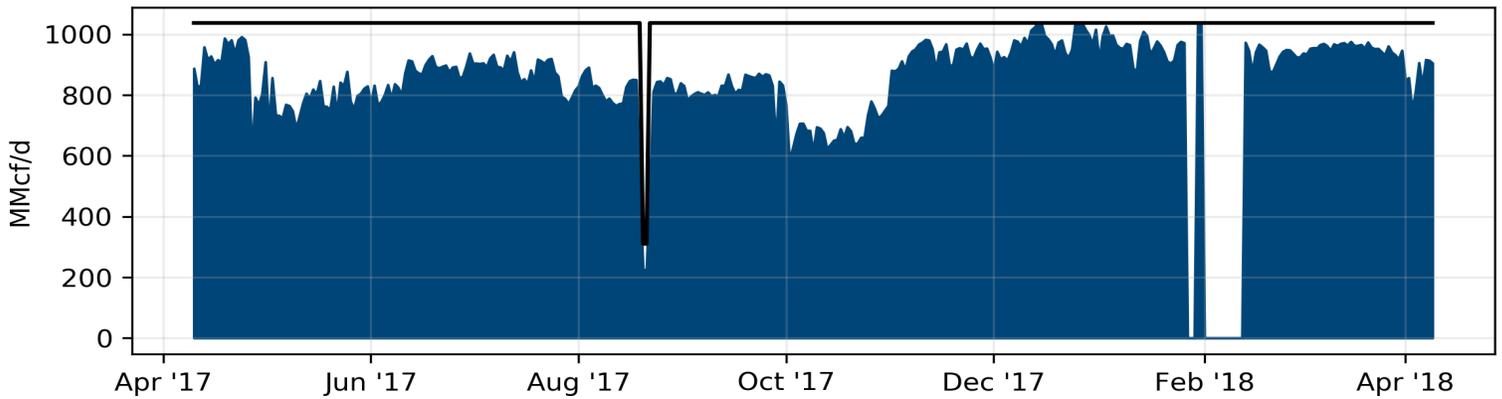
Transcontinental: Leidy Line Station 505



Texas Eastern: Lambertville Compressor

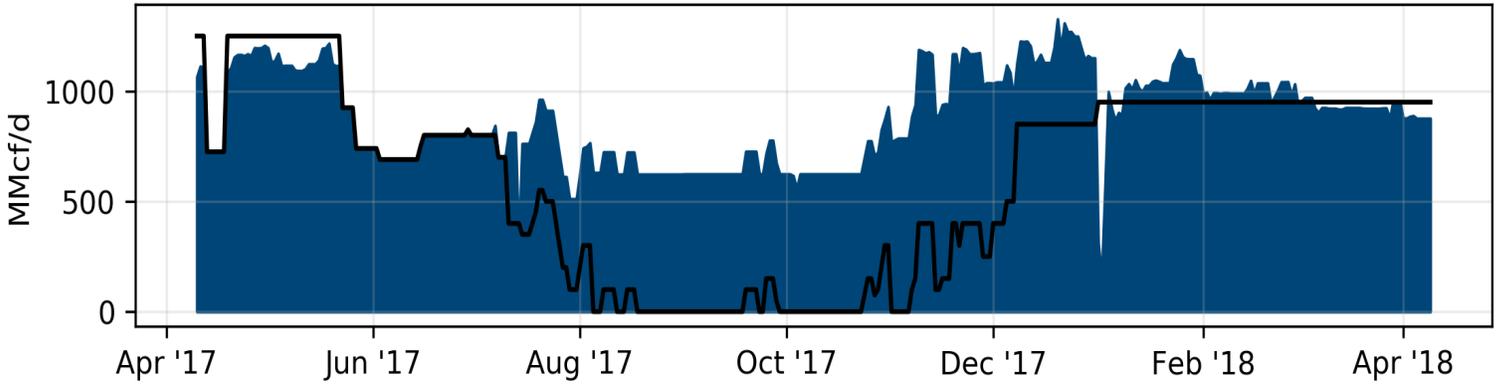


Millennium: Wagner West Compressor

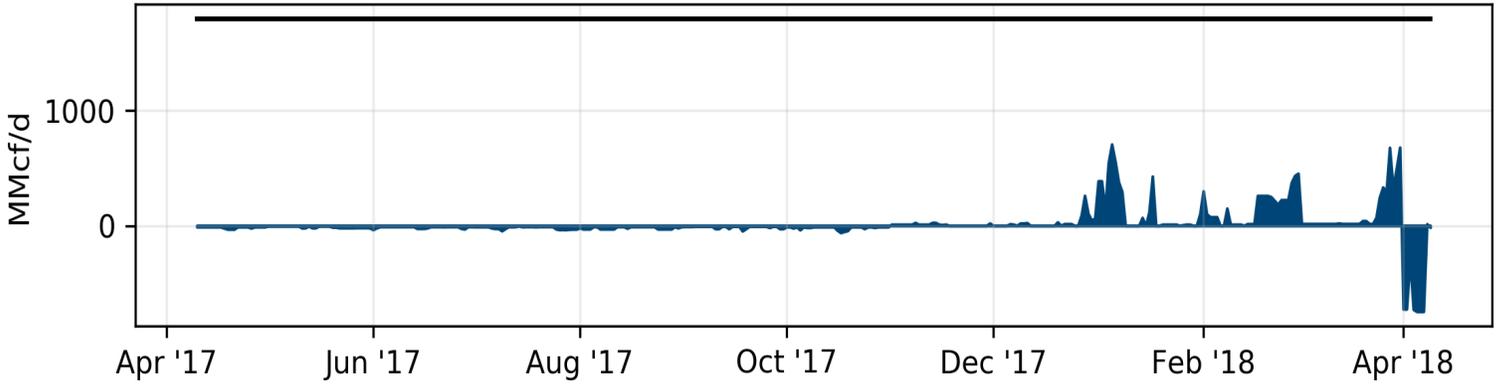


■ Volume — Capacity

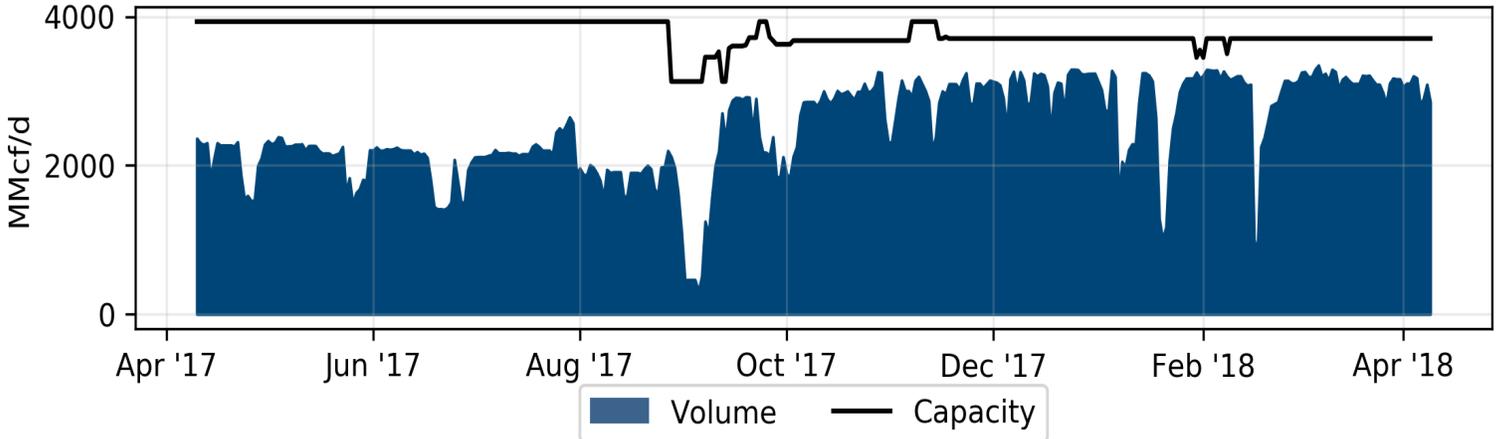
Columbia Gas Trans: Braxton-Stonewall



LNG: Cove Point



LNG: Sabine



■ Volume — Capacity

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