

MARKET SUMMARY REPORT

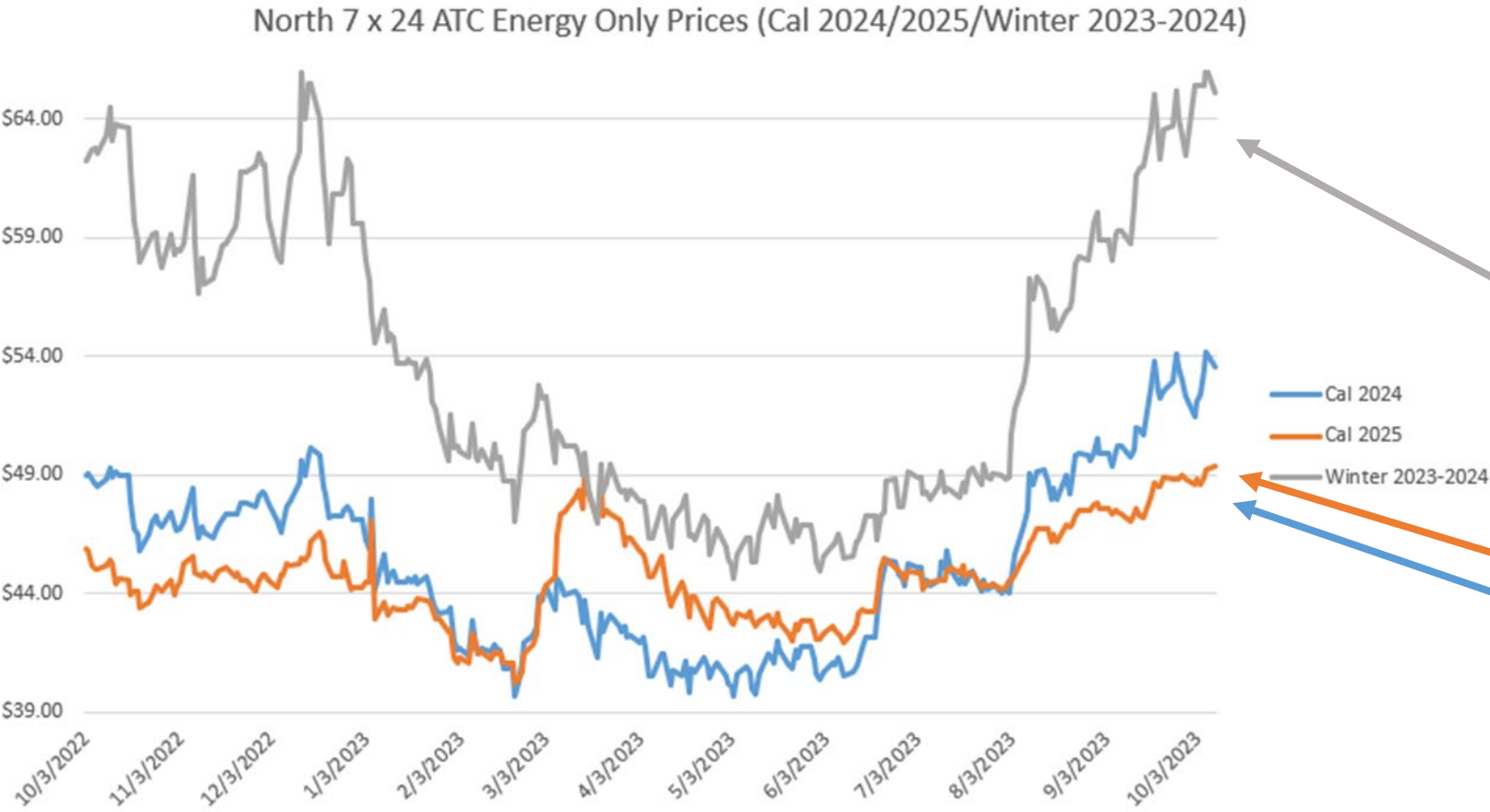
October 2023

UNDERSTANDING THIS MARKET SUMMARY REPORT

Use the information in this email to identify trends and movements affecting electricity in the ERCOT market to make informed energy decisions. Here are a few quick tips:

- **Power prices** are determined from forward Heat Rate and natural gas strips for a specific timeframe. *Power Price = Heat Rate x Natural Gas Price*. Power prices can change based on electricity supply and demand, which is driven by factors such as weather, the economy, available generation and grid conditions.
- **Natural Gas** prices are a key driver of power prices because natural gas fuels the power plants that are brought online primarily to satisfy peak demand.
- **Heat Rates** are the common measure of power plant efficiency and are derived from power and natural gas prices: *Heat Rate = Power Price ÷ Natural Gas Price*. Heat rates are typically higher when gas prices are lower. Heat rates are impacted by weather, regulatory changes, consumer demand and power plant retirements.

WINTER VS CALENDAR POWER PRICE TRENDS



Following August Heat...

Winter 2023 -2024 is 33% Higher

Cal-24 and Cal-25 21% and 12% higher

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NATURAL GAS 12-MONTH ROLLING STRIP

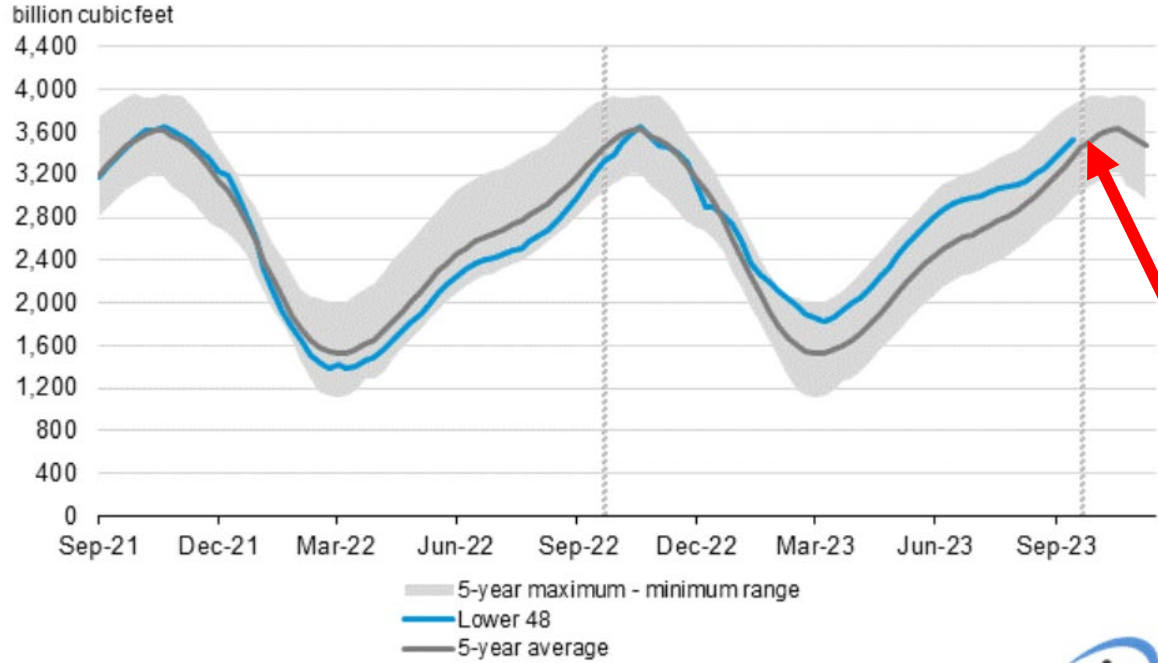


~Normal Storage + Higher LNG = Pre-Winter Optimism

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NATURAL GAS STORAGE

Working gas in underground storage compared with the 5-year maximum and minimum



Levels now 4.8% above 5-year average

Data source: U.S. Energy Information Administration

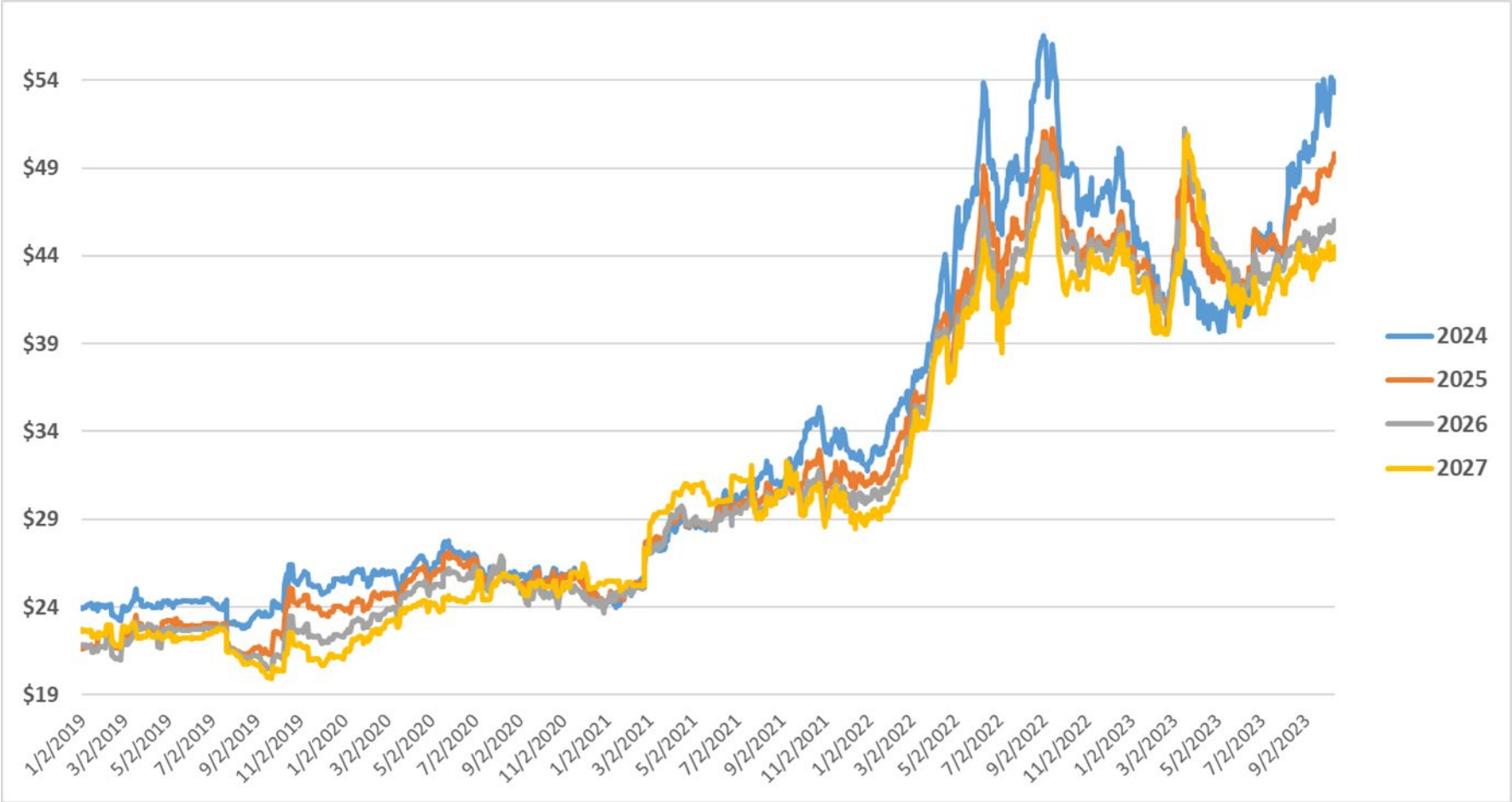


Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2018 through 2022. The dashed vertical lines indicate current and year-ago weekly periods.

~Last injection of 84 Bcf. Levels getting closer to 5-year average

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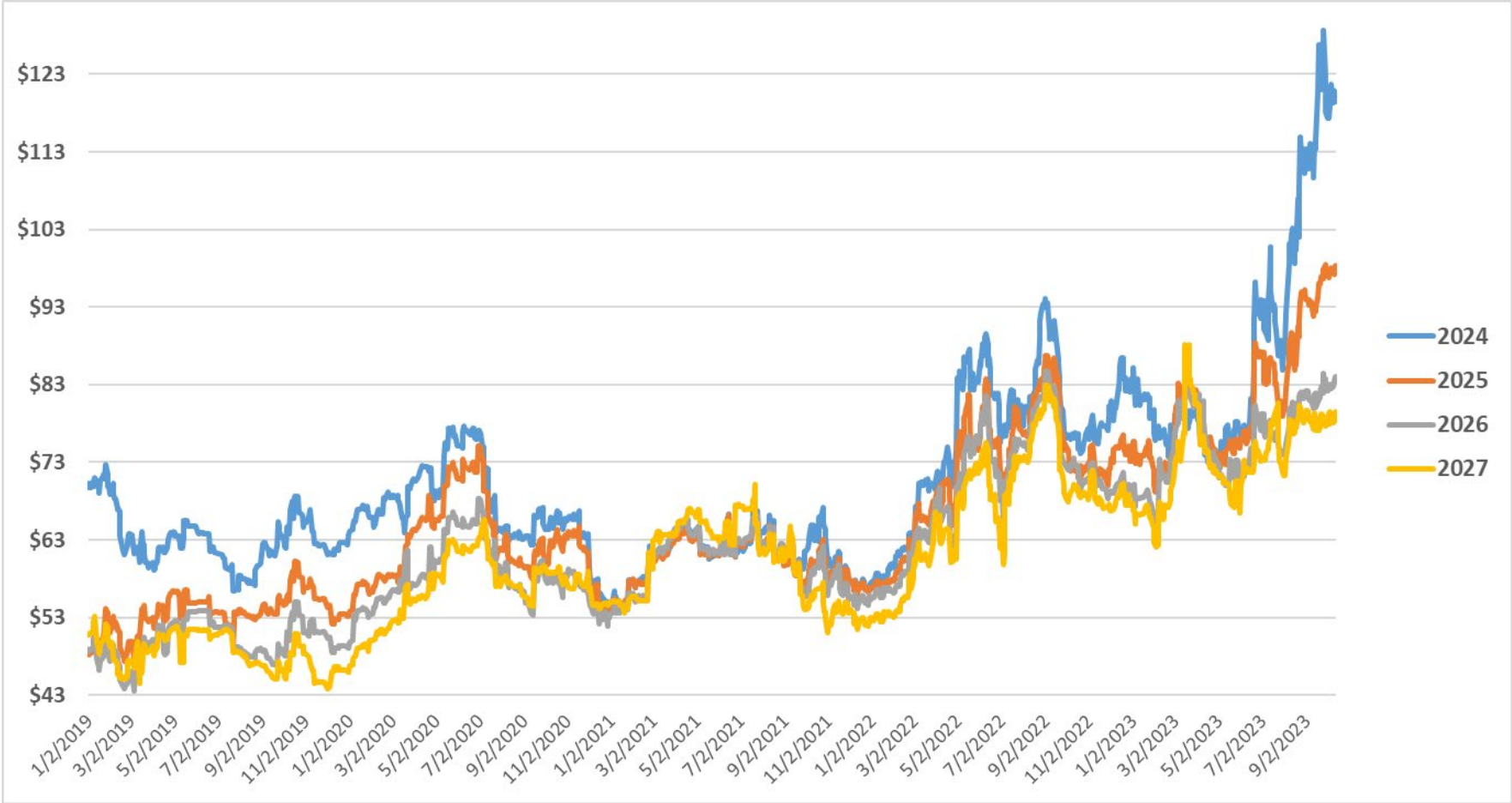
7X24 POWER PRICING



\$9 / MWh Backwardation from 2024 to 2027

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5X16 SUMMER POWER PRICING



\$40 / MWh Summer Backwardation 2024 - 2027

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MARKET HIGHLIGHTS

Power

- Price Backwardation is a significant feature in ERCOT forward market
- Price increases for the winter, calendar 2024 and on-peak summer 2024 suggest concerns that “scarcity pricing” is anticipated to continue in the future
- ERCOT RFP seeking 3,000 MW of “mothballed” thermal capacity this winter – bid pool includes plants that are vintage 1970’s and 1980’s
- Power prices are moving faster than natural gas – resulting in Heat Rate volatility

Gas

- The last two EIA Storage Reports have provided bullish pre-winter optimism
- Aussie LNG workers’ negotiated agreement fell through – providing bullish news for pricing
- However – US production hit new highs this past weekend and could moderate prices
- LNG demand running over 14 Bcfd and could trend higher through the winter