

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.

REAL-TIME PRICING AND CONGESTION

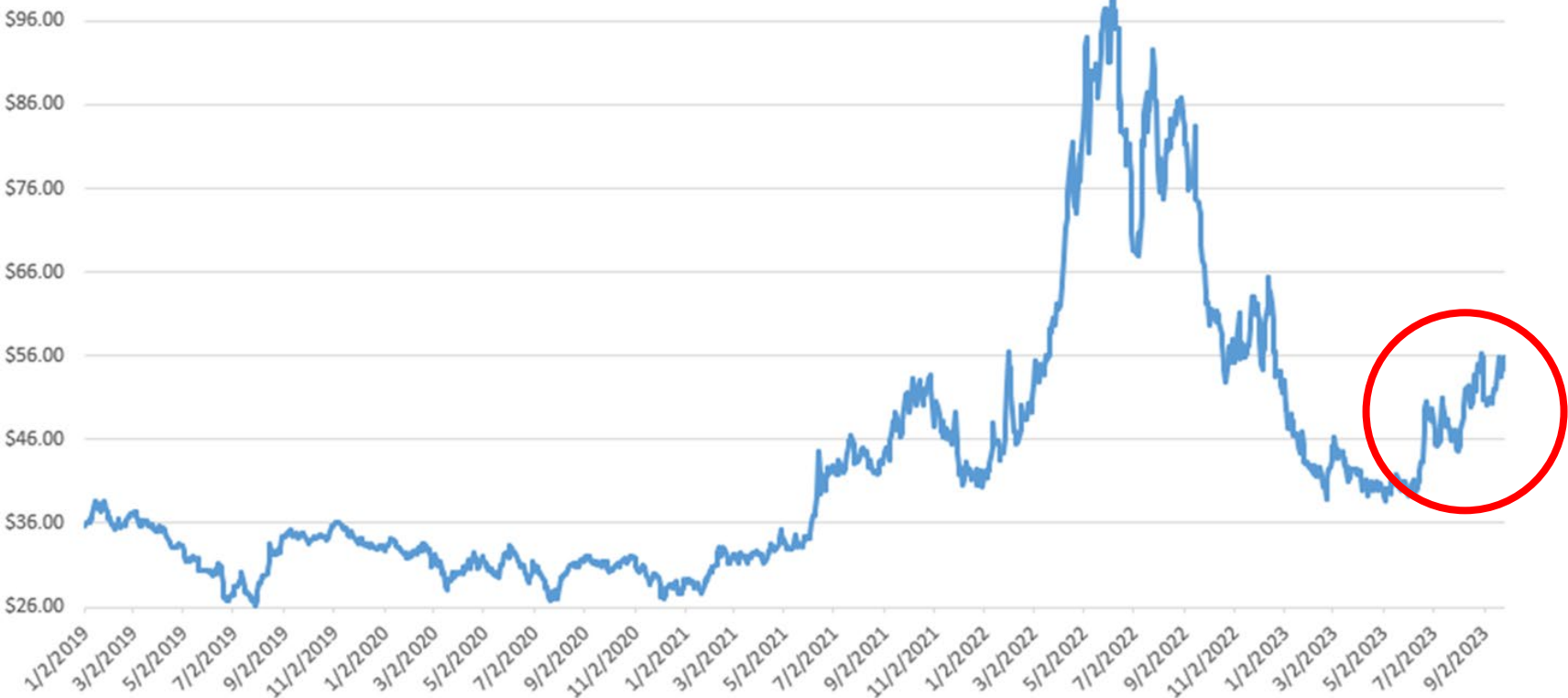
September experienced low winds and above normal temperatures

Date	Real-Time Settlement Point Price (Load Zone)				ERCOT Nol Intrazonal Congestion			
	Monthly Averages				Monthly Averages			
	North	Houston	South	West	North	Houston	South	West
9/1/2023	\$99.09	\$97.12	\$90.58	\$105.10	\$0.74	\$0.29	(\$2.47)	\$4.53
8/1/2023	\$199.45	\$200.53	\$162.77	\$200.84	\$1.52	(\$0.53)	(\$13.92)	\$2.74
7/1/2023	\$45.05	\$47.35	\$37.09	\$44.89	\$0.08	\$0.20	(\$2.15)	\$1.09
6/1/2023	\$62.24	\$63.29	\$59.94	\$64.47	\$0.05	(\$0.02)	(\$1.32)	\$2.42
5/1/2023	\$28.72	\$31.34	\$29.41	\$38.78	\$0.14	\$0.31	\$0.67	\$8.70
4/1/2023	\$20.14	\$21.63	\$21.70	\$38.91	\$0.49	\$0.44	\$1.42	\$20.53
3/1/2023	\$25.38	\$26.14	\$29.43	\$53.62	\$0.85	\$0.02	\$3.38	\$25.42
2/1/2023	\$18.35	\$19.40	\$19.31	\$27.31	\$0.10	\$0.31	\$1.64	\$9.54
1/1/2023	\$23.40	\$22.81	\$22.90	\$33.96	\$0.02	(\$0.15)	\$0.47	\$13.31
12/1/2022	\$59.18	\$57.01	\$56.23	\$71.57	\$2.87	\$0.20	\$2.28	\$16.57
11/1/2022	\$42.24	\$45.42	\$42.95	\$39.96	\$0.86	\$1.10	\$1.32	\$3.21
10/1/2022	\$48.29	\$51.25	\$50.22	\$48.34	\$0.06	\$1.16	\$1.17	\$3.53
9/1/2022	\$64.25	\$65.47	\$66.25	\$65.23	\$0.13	\$0.13	\$1.29	\$1.68

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ROLLING 12-MONTH ATC POWER PRICES

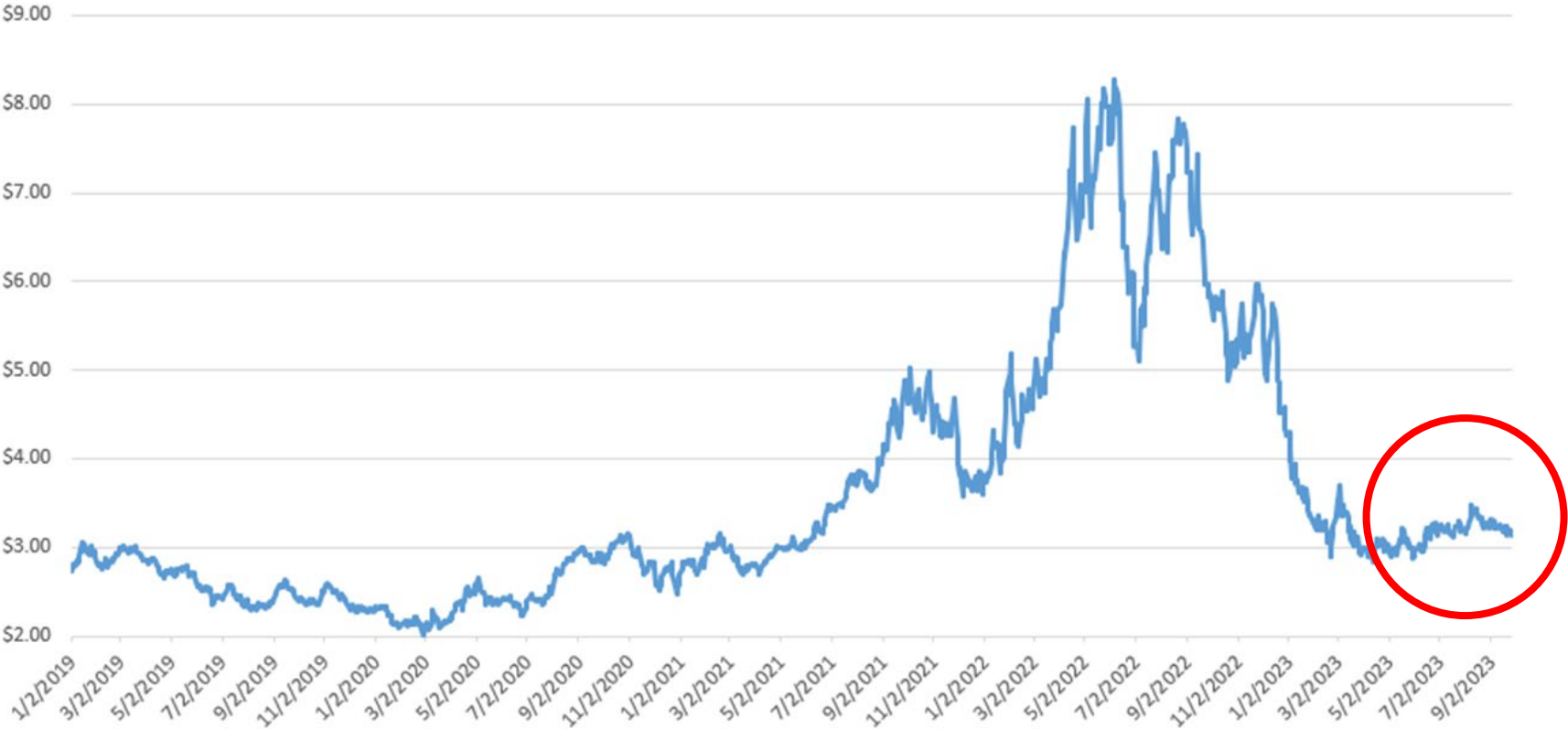
Power prices moved higher against flat gas in Q3



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NYMEX 12-MONTH STRIP

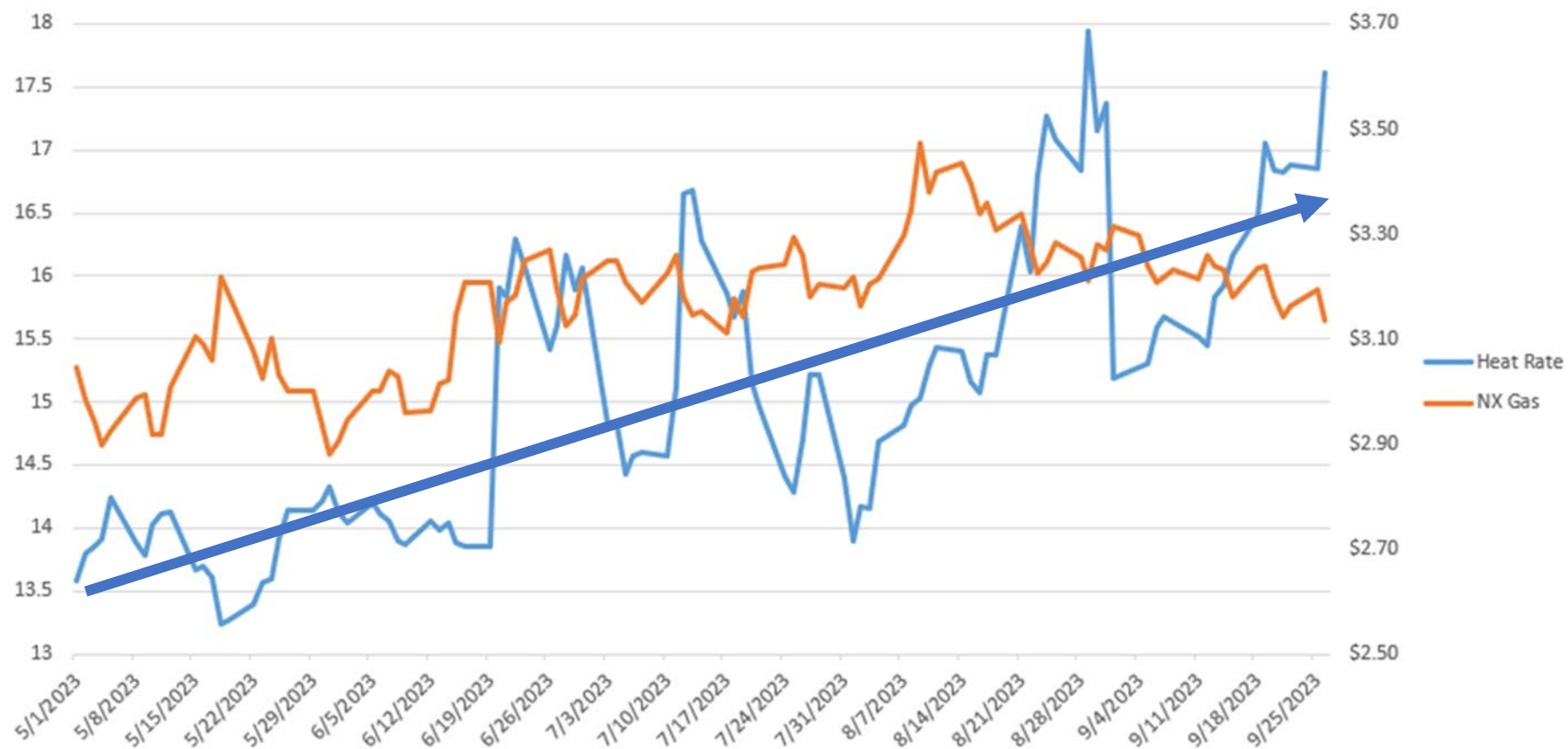
Natural Gas lacks a compelling bullish storyline



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HEAT RATE VS NATURAL GAS

Heat Rate sharply higher since June

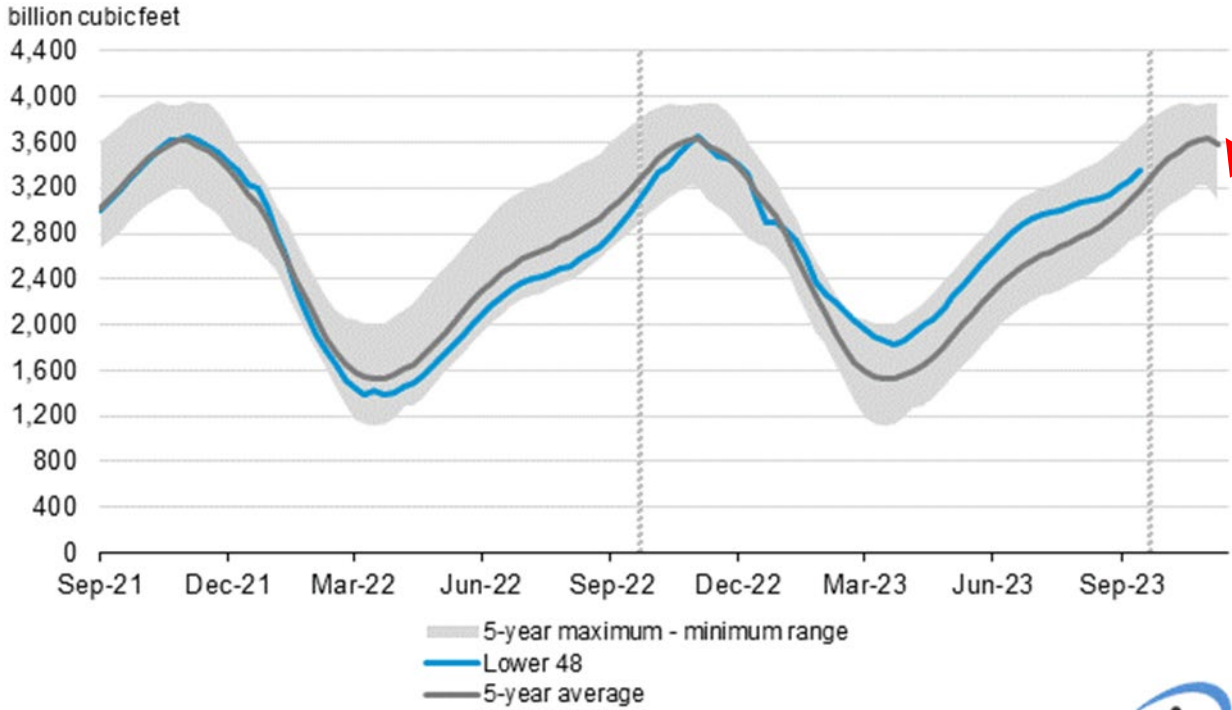


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NATURAL GAS STORAGE

Last injection of 90 Bcf. Levels getting closer to 5-year average

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



Levels now 6% above 5-year average

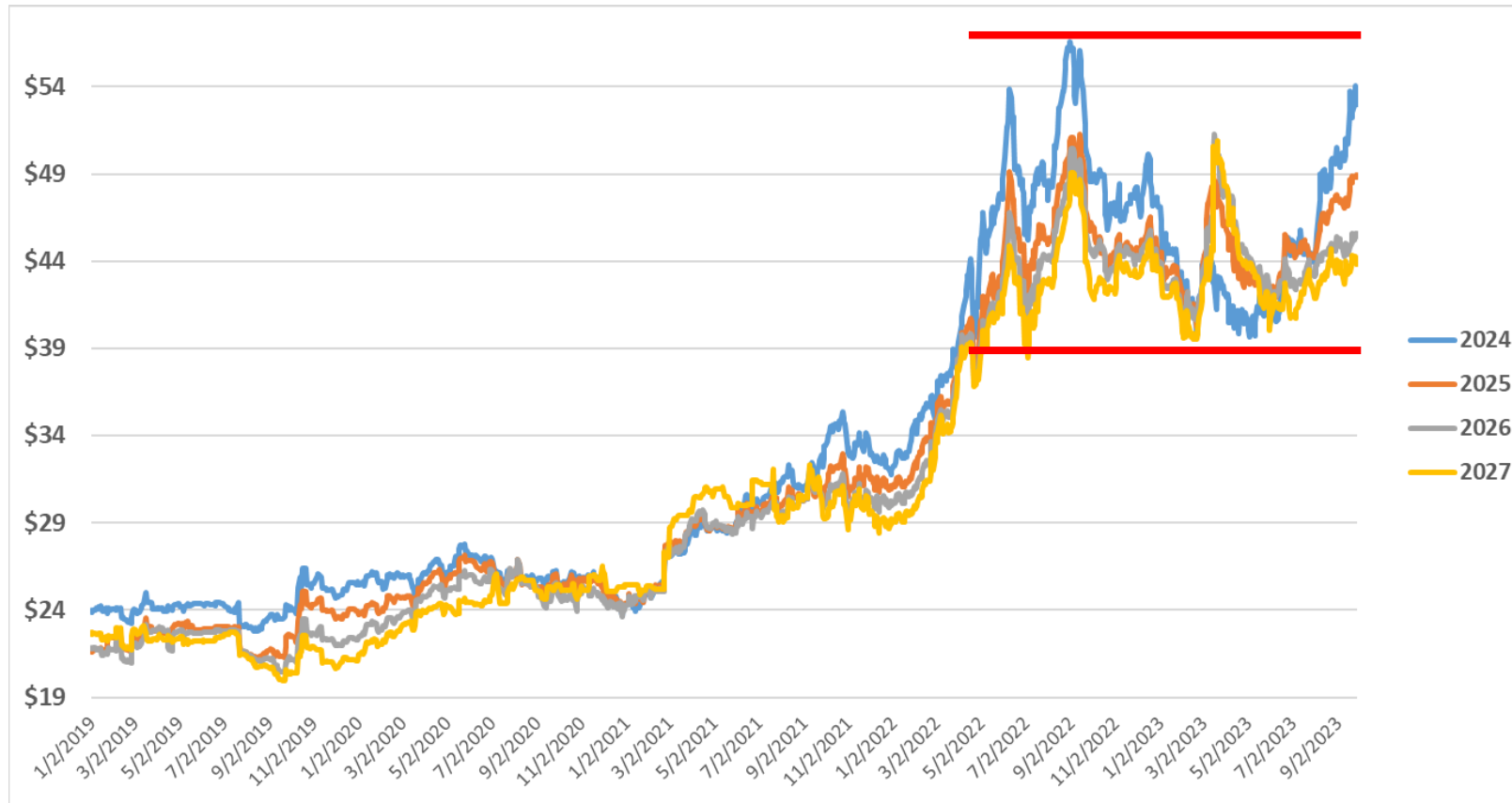
Data source: U.S. Energy Information Administration



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7X24 PRICING

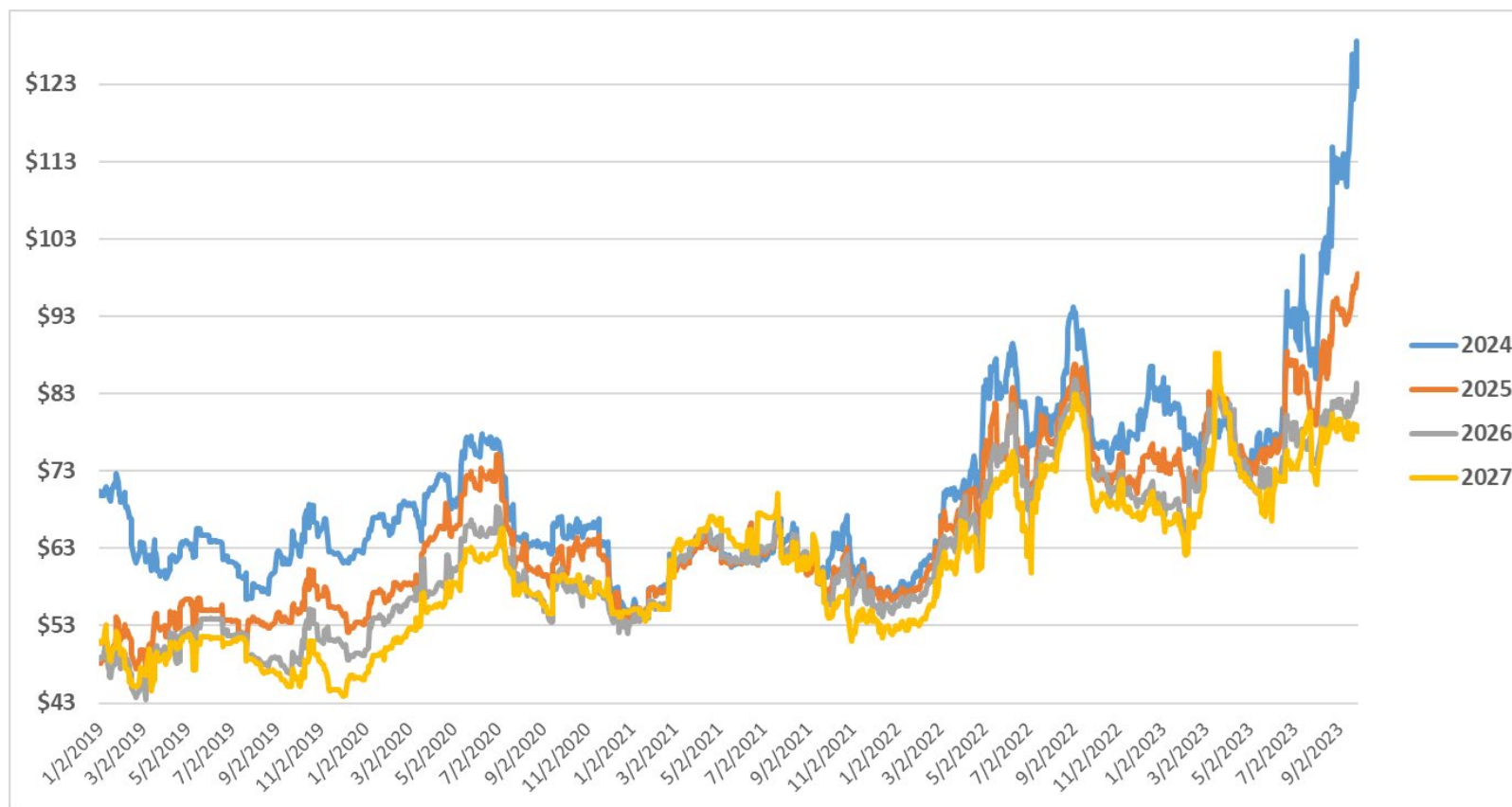
\$9 / MWh Backwardation from 2024 to 2027



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5X16 SUMMER PRICING

\$44 / MWh Summer Backwardation 2024 - 2027



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MARKET NUGGETS

Power

- Price Backwardation is once again a feature in the market
- Heat Rate Trend continues to be higher
- Heat Rates driving market pricing – not natural gas
- Summer of 2023 was the hottest summer on record

Gas

- Bearish to flat sentiment
- Storage surplus continues to shrink
- High oil prices appear to be adding active drilling rigs – more associated production?
- Australian LNG workers reach agreement with arbitration and end strike

NET LOAD GAP – DRIVING POWER

ERCOT Load is growing, but no new Thermal Generation

- As load grows at ~2% annually, no new Thermal Generation is being added to stack
- The gap between Peak Load and Net Load continues to widen in ERCOT (orange bar)
- Wind and Solar are shouldering more load every year
- Thermal generation fleet are routinely being dispatched at close to max levels on peak days (red line is ERCOT SARA expected thermal availability)

Net Load = total load being supported by Thermal Generation (blue)

