

# MARKET SUMMARY REPORT

August 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 BASIS

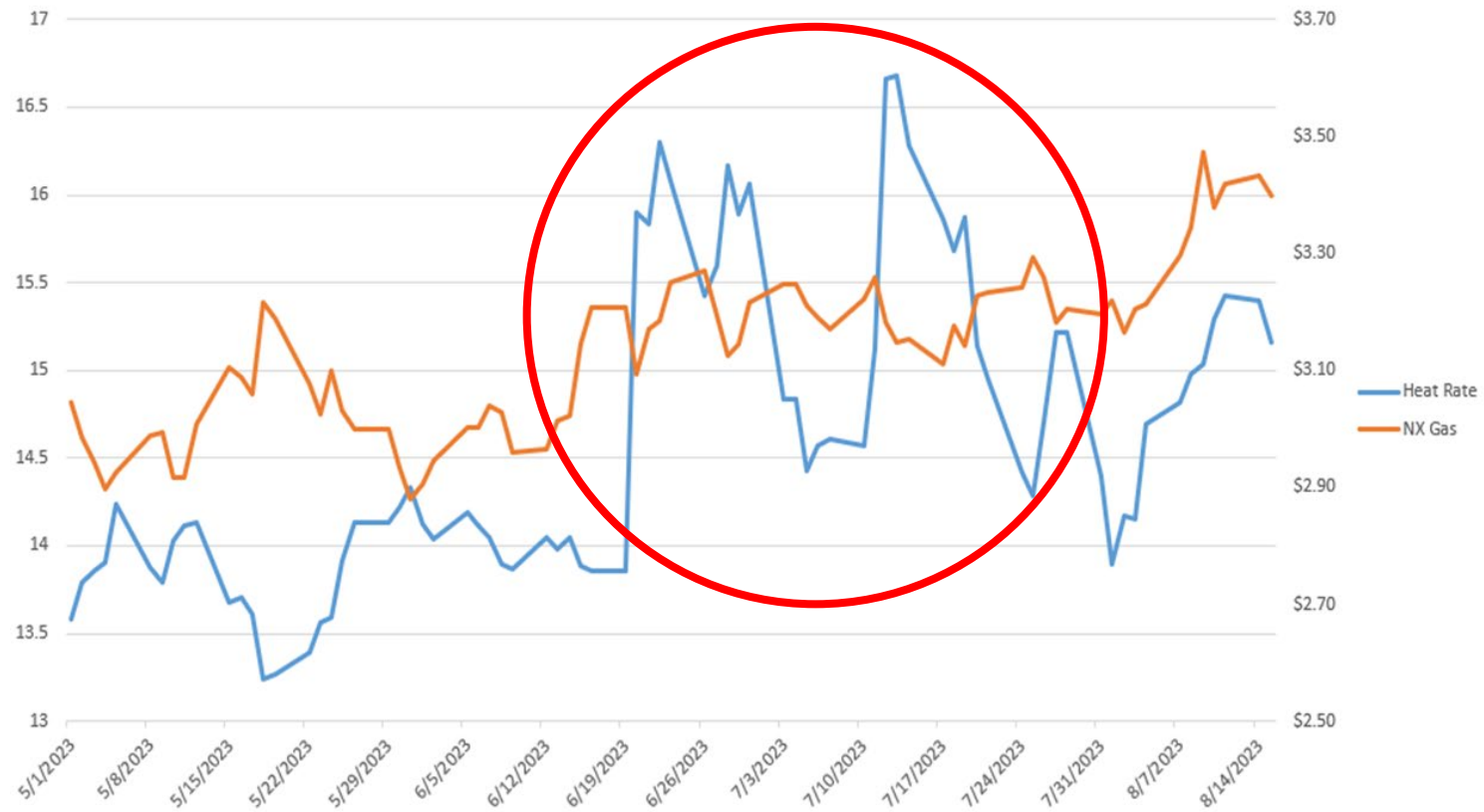
High wind kept July pricing in check – not so much in August.

Date	Load Zone				Basis			
	North	Houston	South	West	North	Houston	South	West
8/1/2023	\$ 198.13	\$ 199.88	\$ 129.17	\$ 194.73	\$ 1.84	\$ (1.04)	\$ (26.76)	\$ 0.98
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
8/1/2022	\$ 90.40	\$ 89.59	\$ 83.55	\$ 90.27	\$ 0.31	\$ (0.03)	\$ (3.19)	\$ 1.26

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# HEAT RATE VS NATURAL GAS: MAY-AUGUST

Heat Rate peaked in July – Power price 3% higher in August



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# REAL TIME PRICING

Thursday, August 17<sup>th</sup>:

- 15 Intervals > \$3,000
- 6 Intervals > \$5,000

Day	Interval Ending	Hub Houston	Hub North	Hub South	Hub West
8/17/2023	1415	2493.58	2481.74	2515.44	2486.89
8/17/2023	1430	1249.3	1209.95	1307.26	1223.8
8/17/2023	1445	2547.96	2512.91	2598.44	2532.02
8/17/2023	1500	3342.15	3345.03	3351.12	3348.27
8/17/2023	1515	878.15	874.76	893.76	879.87
8/17/2023	1530	1017.2	1038.38	1002.84	1035.96
8/17/2023	1545	4734.06	4760.6	4721.06	4762.47
8/17/2023	1600	1863.42	1886.49	1850.12	1885.6
8/17/2023	1615	658.26	663.02	661.37	663.51
8/17/2023	1630	1142.65	1162.44	1128.43	1159.97
8/17/2023	1645	3074.51	3096.46	3060.61	3094.1
8/17/2023	1700	4484.39	4687.59	4203.39	4601.39
8/17/2023	1715	2972.76	3145.52	2653.26	3057.83
8/17/2023	1730	4192.51	4320.79	3781.48	4223.61
8/17/2023	1745	3984.3	4167.17	3539.94	4075.92
8/17/2023	1800	4023.28	4247.49	3506.23	4165.69
8/17/2023	1815	561.64	648.83	450.68	631.3
8/17/2023	1830	1071.64	1226.61	853.06	1207.6
8/17/2023	1845	1503.96	1668.31	1272.13	1673.43
8/17/2023	1900	3717.61	4012.89	3288.71	3996.29
8/17/2023	1915	5002.95	5145.12	4805.83	5174.05
8/17/2023	1930	5012.84	5192.1	4757.03	5234.04
8/17/2023	1945	5013.34	5193.14	4755.9	5236.81
8/17/2023	2000	5023.86	5192.22	4770.38	5233.05
8/17/2023	2015	4995.8	5059.44	4916.11	5075.72
8/17/2023	2030	5009.88	5145.07	4800.06	5179.23
8/17/2023	2045	2727.51	2742.78	2707.26	2747.45
8/17/2023	2100	261.01	262.35	257.81	263.33

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# ERCOT NET LOAD – AUGUST 17

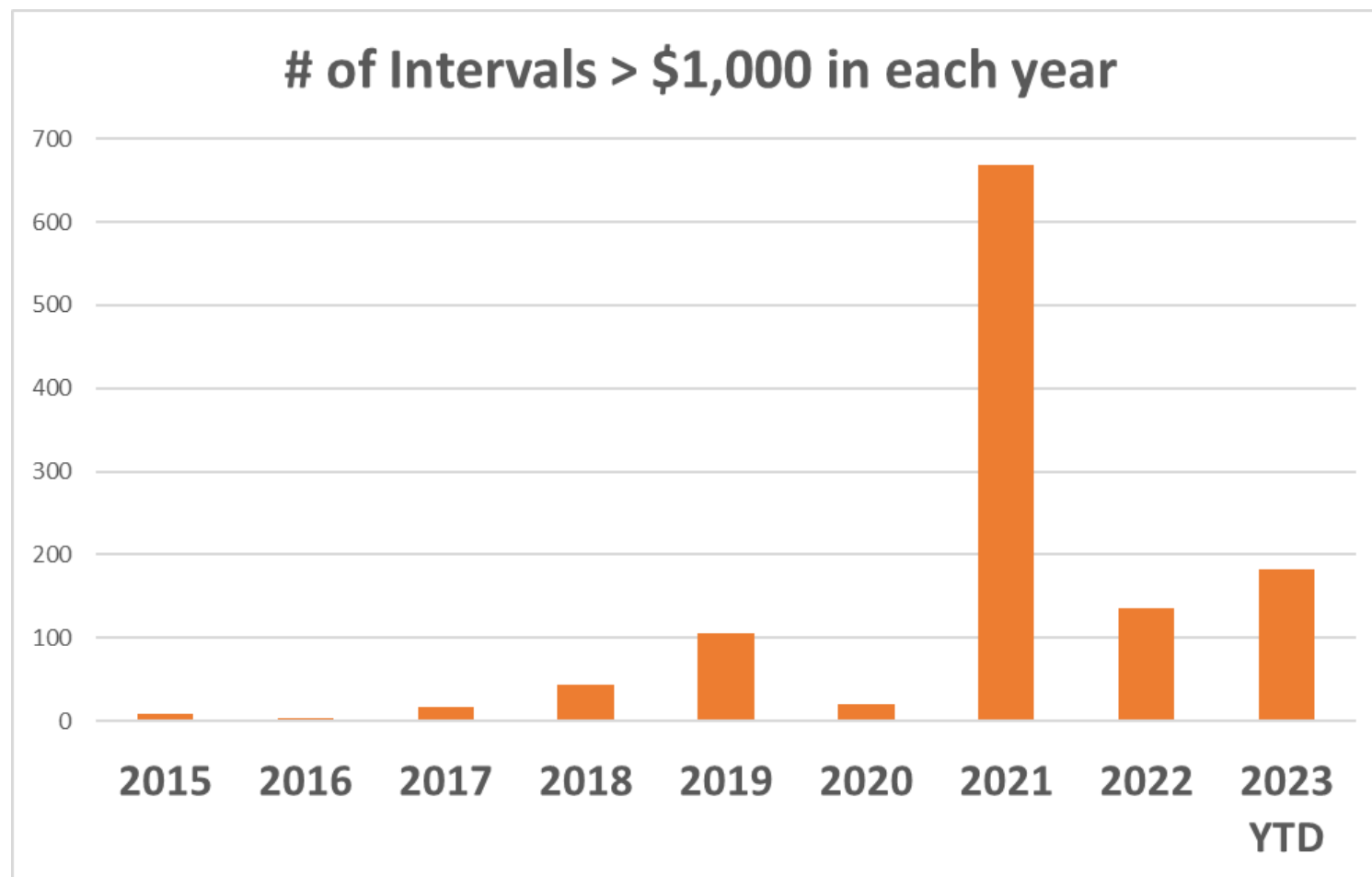
“Net Load” is the amount of power that must be supplied by non-renewable generation.



# ERCOT RTSPP VOLATILITY IS INCREASING

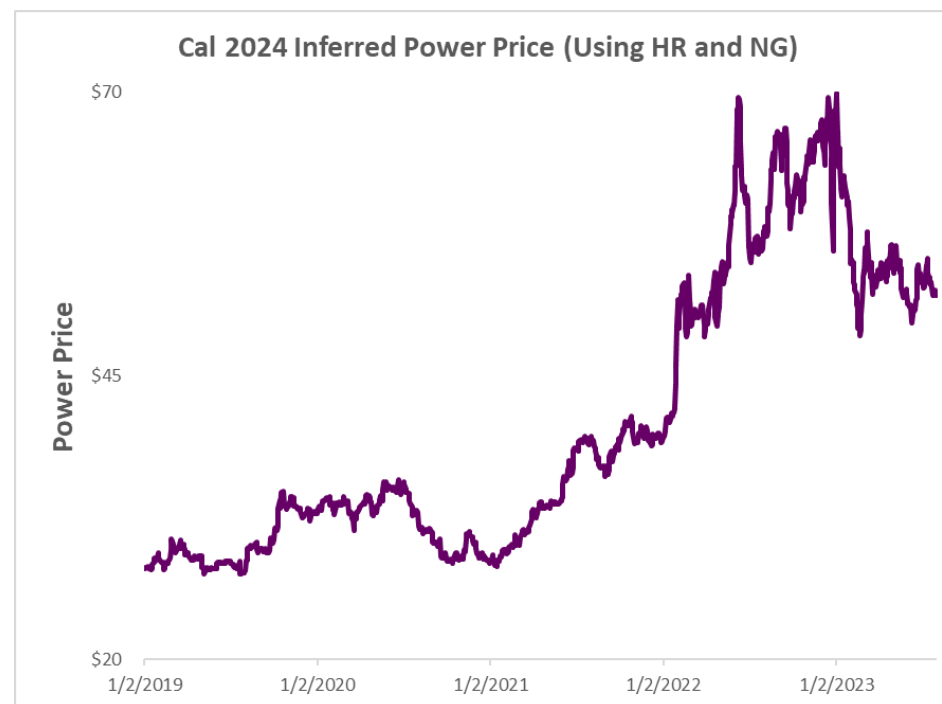
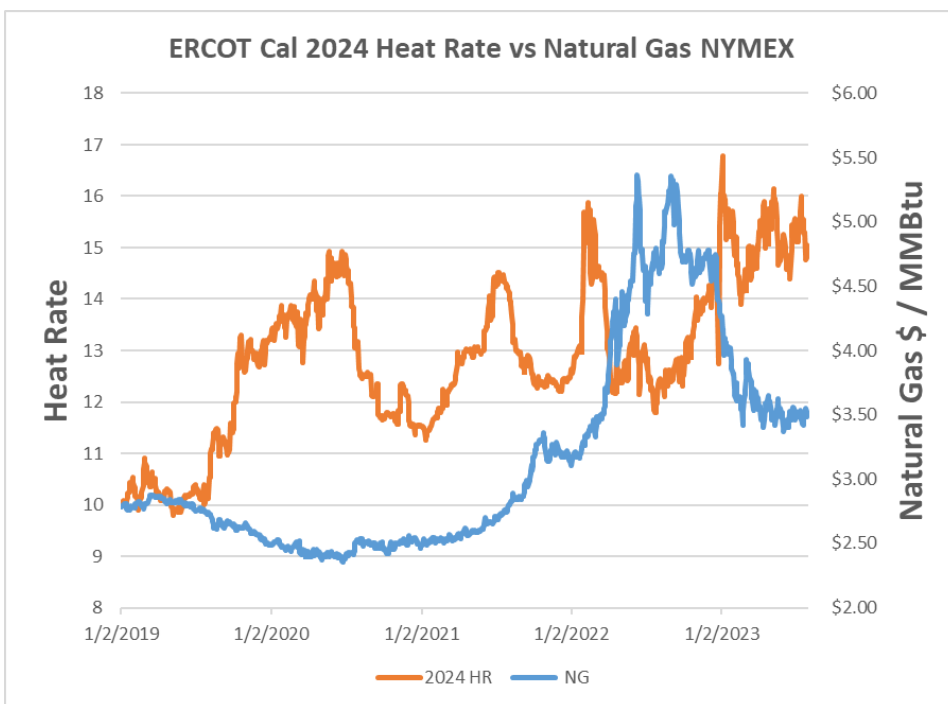
Even without Uri, RTSPP is trending higher.

- These price spikes represent “Scarcity Events.”



# INDICATIVE POWER PRICING HISTORY

- Rising Heat Rates and Natural Gas prices have both contributed to higher Power pricing in ERCOT since 2019
- Power Pricing = HR X Natural Gas Price



*Pricing shown is an approximation (directional) and for illustrative purposes only*

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# NATURAL GAS 12-MONTH ROLLING STRIP

Showing some weakness after last week.

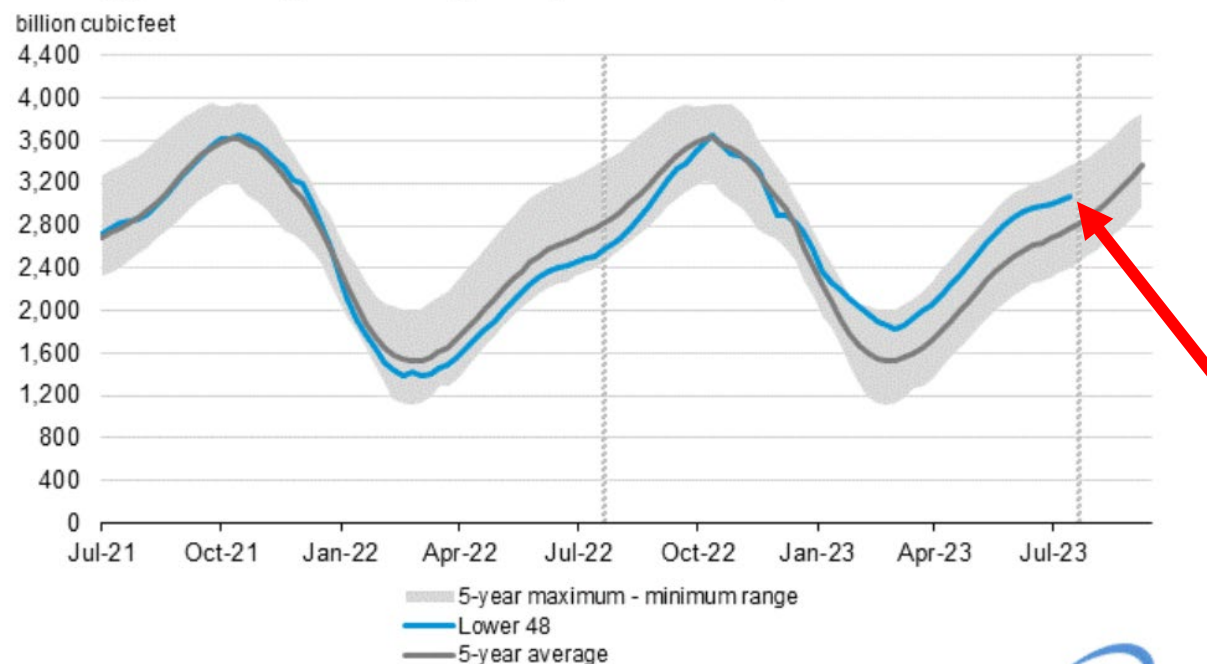


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# NATURAL GAS STORAGE

Last injection of 35 Bcf. Levels Flattening vs 5-year average.

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



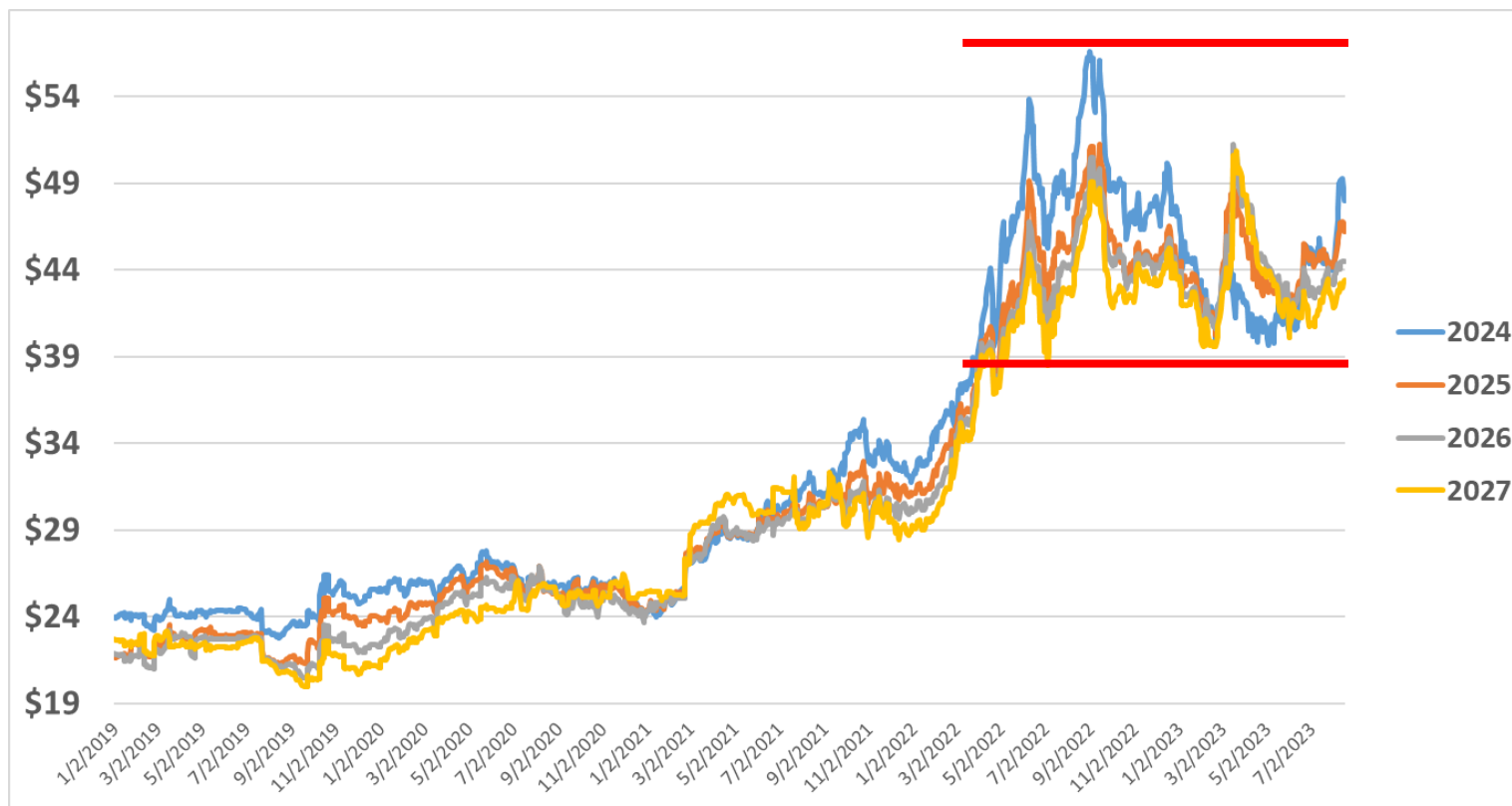
Data source: U.S. Energy Information Administration



Levels now 11% above 5-year average.

# 7X24 PRICING

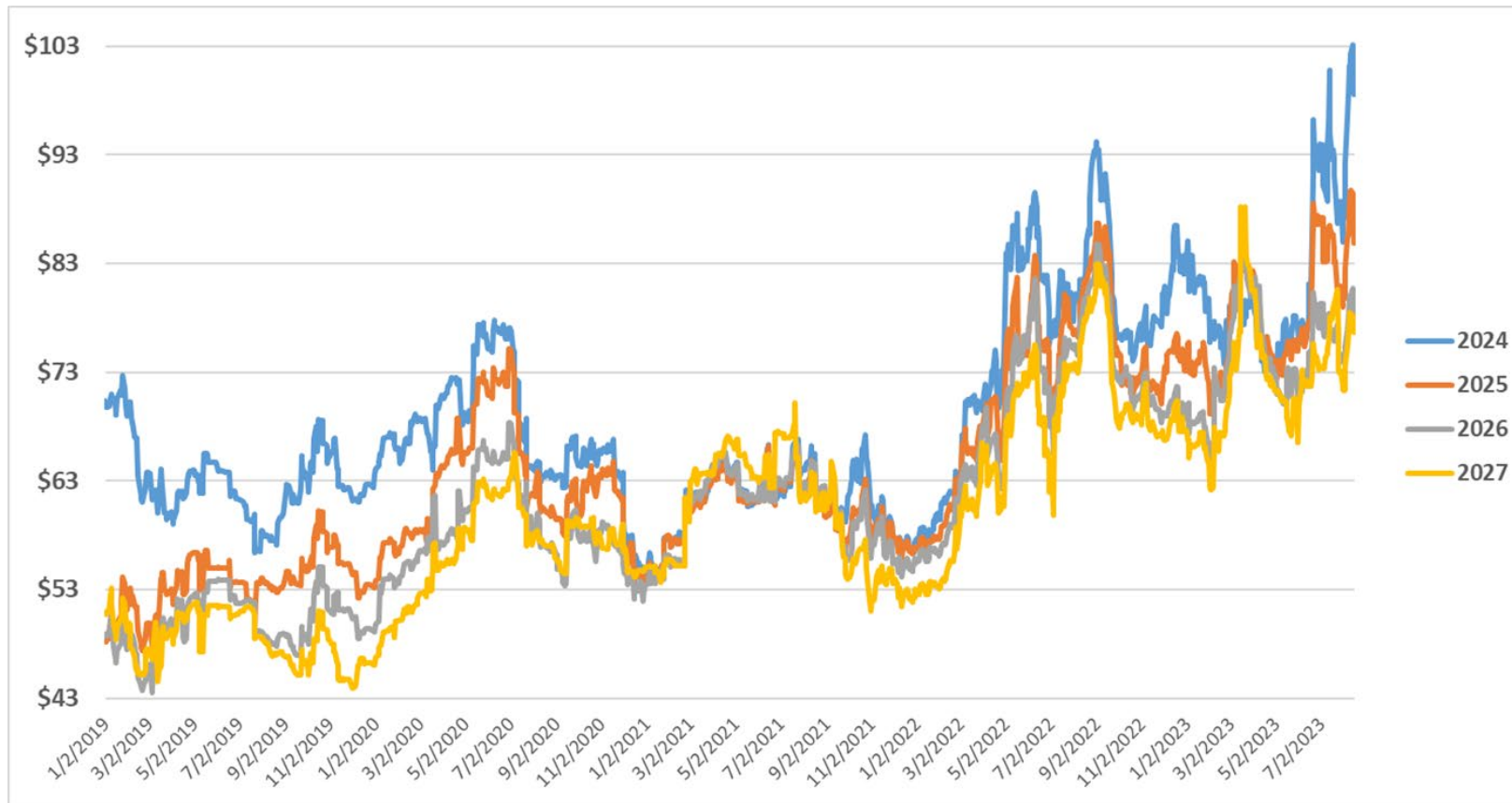
\$4/MWh Backwardation from 2024 to 2027



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# 5X16 SUMMER PRICING

\$22 / MWh Summer Backwardation 2024 - 2027



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# MARKET NUGGETS

## Power

- New unofficial all-time peak of 85,435 MW on August 10
- July pricing held down by wind production – not so in August
- Heat Rates driving market pricing – not natural gas
- ECRS pricing has been significantly higher than expected so far
- ERCOT ancillary charges are a work in progress – more on the way in 2024

## Gas

- Bearish Technical Trading signals
- Texas gas storage is supplying strong Texas generation market
- Storage surplus coming down
- LNG demand running about 12 Bcfd
- September is coming – generation load likely to drop

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