

US East Coast heat wave driving up power prices, demand and gas burn

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Published on - Wed, 17 Jul 2019 17:04:50 EST | Modified on - Wed, 17 Jul 2019 19:40:16 EST

Northeast US power prices are moving upward heading into the weekend, when temperatures are forecast to reach nearly 100 degrees Fahrenheit and peak demand in the regional power markets could flirt with or surpass last year's peak levels.

"We are seeing some upward power-price movement heading into the weekend," a trader active in the Northeast markets said in a phone call Wednesday.

Natural gas prices, down from year-ago levels, are playing a role in the power complex as generators burn more of the fuel to meet rising weather-driven demand.

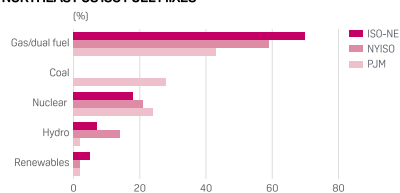
Total **US** power burn hit 43.5 Bcf/d on Tuesday, 0.4 Bcf/d higher than the previous record, set on the same date in 2018, S&P Global Platts Analytics said in a client note Wednesday.

Henry Hub cash prices have averaged \$2.35/MMBtu this July, 17 cents/MMBtu lower than the same period in 2018, and those lower prices have pushed average month-to-date power burn to 40.4 Bcf/d, almost 1.0 Bcf/d higher than 2018 levels for July, the analysts said.

The Northeast and Southeast accounted for most of the day-over-day growth in power demand, according to Platts Analytics.

The power generation fuel mix in all three ISOs was heavily skewed toward **gas** as of mid-afternoon Wednesday, with **ISO-NE** powering its system with 70% **gas**.

NORTHEAST US ISO FUEL MIXES*



*As of early afternoon Wednesday when temperatures were around 91°F in New York City
Source: ISO's

Temperatures were above 90 degrees Fahrenheit by mid-afternoon Wednesday along the East Coast, and forecasts showed continued increases into the weekend, pushing up power demand in the **ISO New England**, **New York Independent System Operator** and **PJM Interconnection** markets.

High loads

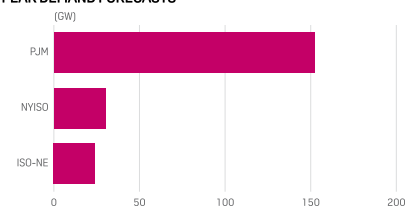
"In the northeastern ISOs the hot weather is going to drive loads quite high on Saturday," Manan Ahuja, senior director of **North America Electric Power** at Platts Analytics, said in an email. "So much so that in some places Saturday peak hour loads are looking higher than Friday peak hour loads."

Power demand during the current heat wave is expected to peak in **PJM** on Friday at a higher level than last year, while peak demand in **ISO-NE** and the **NYISO** is expected to be reached on Saturday.

"We're currently expecting Friday to have the highest load during the heat wave, which we anticipate to be around 152,000 MW," **PJM** spokesman Jason McGovern said in an email.

Last summer's peak was 150,830 MW, which occurred August 28, McGovern said. **PJM**'s all-time highest power use was 165,563 MW in the summer of 2006.

PEAK DEMAND FORECASTS*



*PJM's peak demand is expected on Friday, with ISO-NE and NYISO peaking on Saturday.
Source: ISO's

PJM Interconnection has issued Hot Weather Alerts for its entire footprint for Thursday, July 18, through Saturday, July 20. Hot Weather Alerts prepare **PJM** as well as transmission and generation personnel to meet the expected power use during extreme heat and/or humidity. **PJM** works with transmission and generation operators to determine whether they can defer or cancel any maintenance or testing on their facilities.

"We expect to have sufficient **electricity** supplies to meet demand through the hot, humid weather," **ISO-NE** spokeswoman Marcia Blomberg said in an email.

"Currently, the projected peak load on Saturday is 24,000 MW, which is short of last year's peak of 25,899 MW (which was the highest peak in five years)," Blomberg said, adding the all-time record peak was 28,130 MW on August 2, 2006, during a protracted heat wave.

The **NYISO** forecasts peak demand of 29,947 on Saturday and **New York**'s all-time record peak demand of 33,956 MW was reached in July 2013 at the end of a week-long heat wave, according to the grid operator.

NYISO Zone G balance week (i.e. Friday) on-peak traded around \$42/MWh and weekend prices were looking higher than Friday as of late afternoon Wednesday, according to **Intercontinental Exchange** data.

NEPOOL Mass Hub Friday was around \$31/MWh on Wednesday, while the **PJM Western Hub** Real-Time Peak 2x16 Fixed Price Future traded around \$52.25/MWh on **ICE** .

PJM Friday traded in a wide range with a weighted average around \$57.60/MWh, while **PJM** West Hub weekend 2x16 traded around \$48.50/MWh on **ICE** .

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