

News : US POWER TRACKER: Texas' record heat waves triple July average prices on year

By Mark Watson

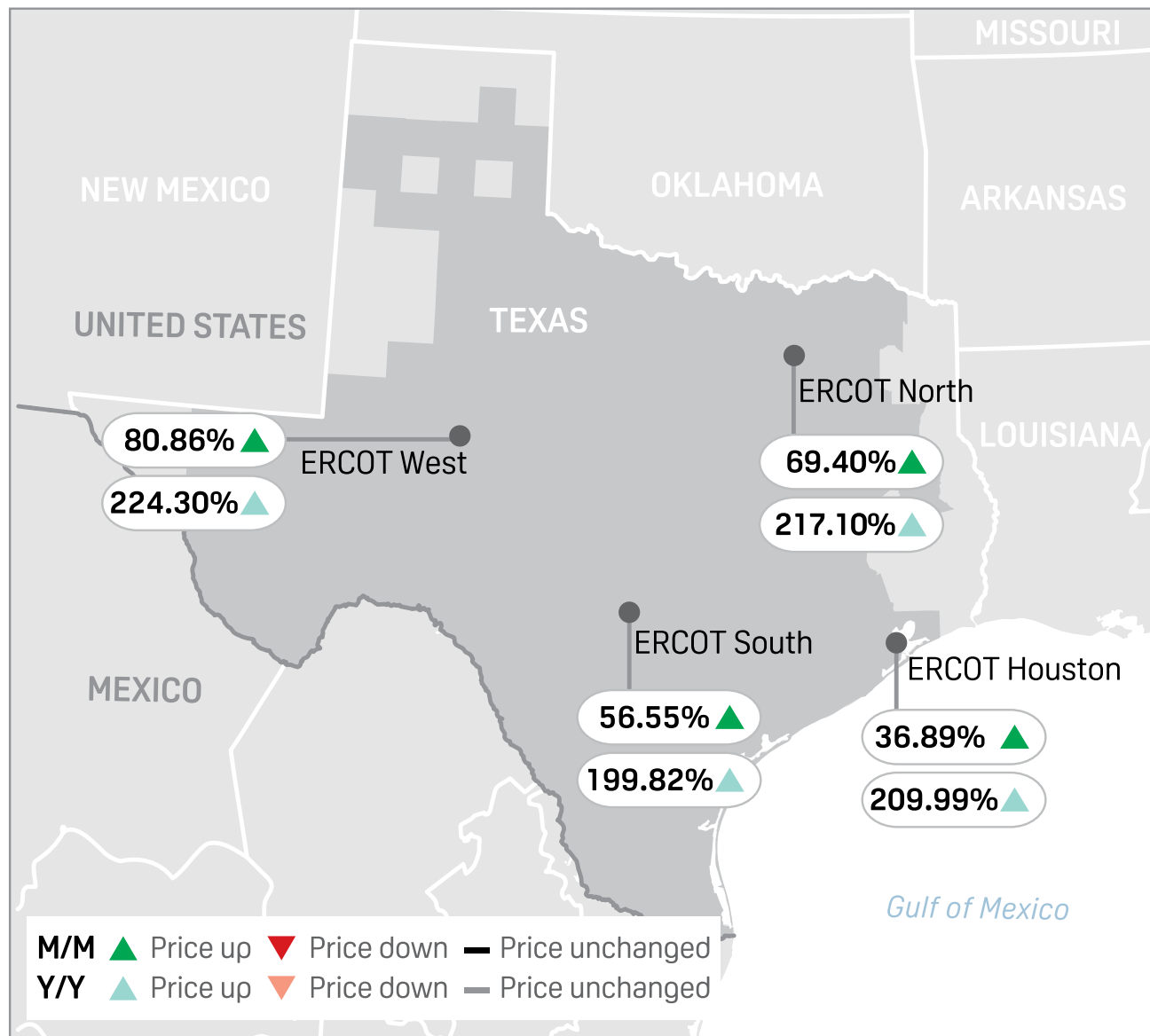
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- Seven peakload records set in month
- Natural **gas** prices remain strong
- But September forwards trend flat

Electric Reliability Council of **Texas** power prices in July averaged about triple the July 2021 average, as peakload set seven all-time records during the month, natural **gas** prices remained strong, and **wind** output fell month-to-month but was offset by stronger **solar** output.

However, September power and **gas** forwards have trended virtually flat since June, as power traders appear to have conceded that **ERCOT**'s more conservative approach to grid operation is unlikely to result in significant scarcity pricing past August. Platts Analytics forecasts September natural **gas** power burn to fall 6.9% in comparison with September 2021; consequently, a 6.9% drop in power burn to less than 3.9 Bcf/day would be likely, given a similar heat rate to September 2021.

ERCOT DAY-AHEAD ON-PEAK POWER PRICE CHANGES



DAY-AHEAD ON-PEAK AVERAGE PRICE COMPARISON (\$/MWh)

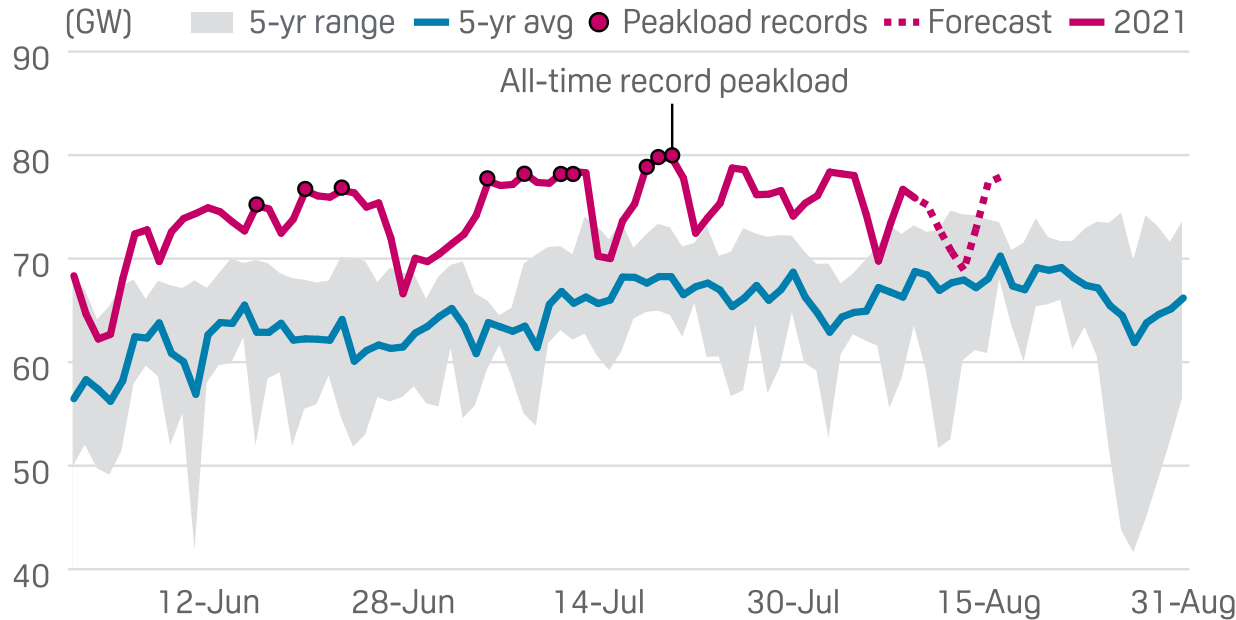
Location	Jul-22	Jun-22	Jul-21	M/M	Y/Y
ERCOT Houston Hub	155.48	113.58	50.16	41.90	105.32
ERCOT North Hub	158.57	93.60	50.00	64.96	108.56
ERCOT South Hub	147.26	94.07	49.12	53.19	98.14

ERCOT West Hub 156.46 86.51 48.25 69.95 108.22

Source: S&P Global Commodity Insights

S&P Global Commodity Insights' price database shows **ERCOT** 's day-ahead on-peak locational marginal prices averaged in the mid-\$140s/MWh to the high \$150s/MWh in July, up by about 199.8% to as much as 224.3% from July 2021 averages and up by a range of about 37% to almost 81% from June, when **ERCOT** data shows heat waves helped the grid set four new peakload records.

ERCOT SUMMER PEAKLOAD COMPARISON



Forecast as of 11:30 am Aug. 9

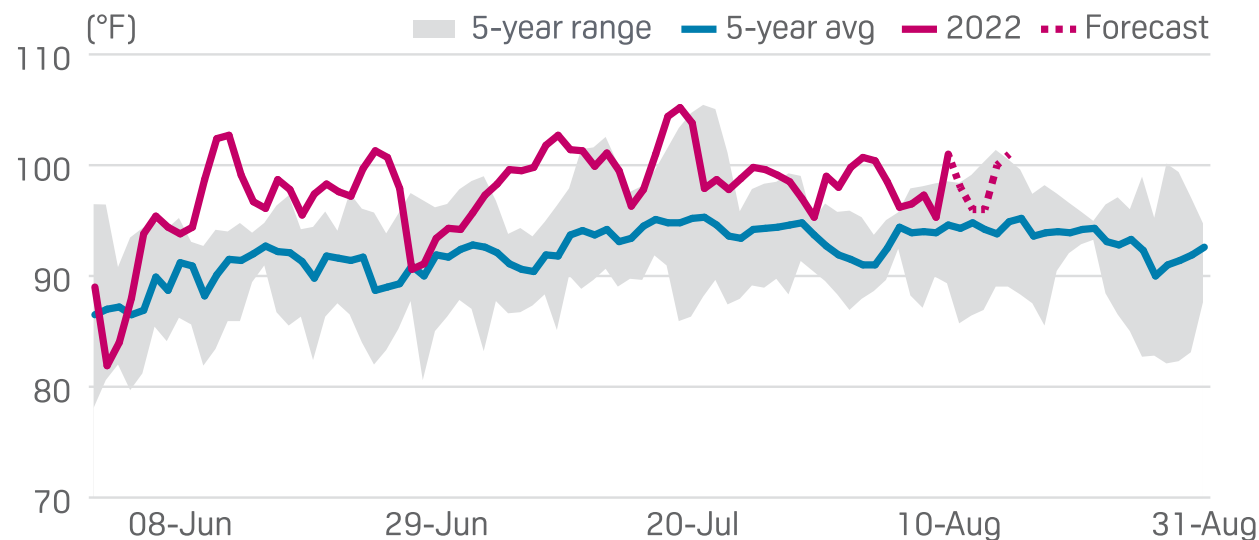
Source: ERCOT

Peakloads averaged 75.8 GW in July, up 5.2% from June's 72.1 GW and up 16.1% from July 2021's 65.3 GW. Before this summer, **ERCOT** 's all-time record peakload was 74.5 GW set Aug. 12, 2019.

Stronger fundamentals

ERCOT 's population-weighted average high temperature in July was 99.4 F in July, up four degrees from June's 95.4 F and up 9 degrees from July 2021's 90.4 F, CustomWeather data shows.

ERCOT POPULATION-WEIGHTED AVERAGE HIGH TEMPERATURES, PLUS FORECAST



Note: Forecast is from National Weather Service for Austin

Source: CustomWeather, National Weather Service

Population-weighted average highs from June 1 through Aug. 8 have averaged 16.3% higher than the previous five-year averages for the same dates. For the same period, the population-weighted average highs have exceeded the previous maximums over five years in all except seven of the 69 days.

Population-weighted average cooling-degree days in July averaged 19.3% more than June and 38.6% more than July 2021.

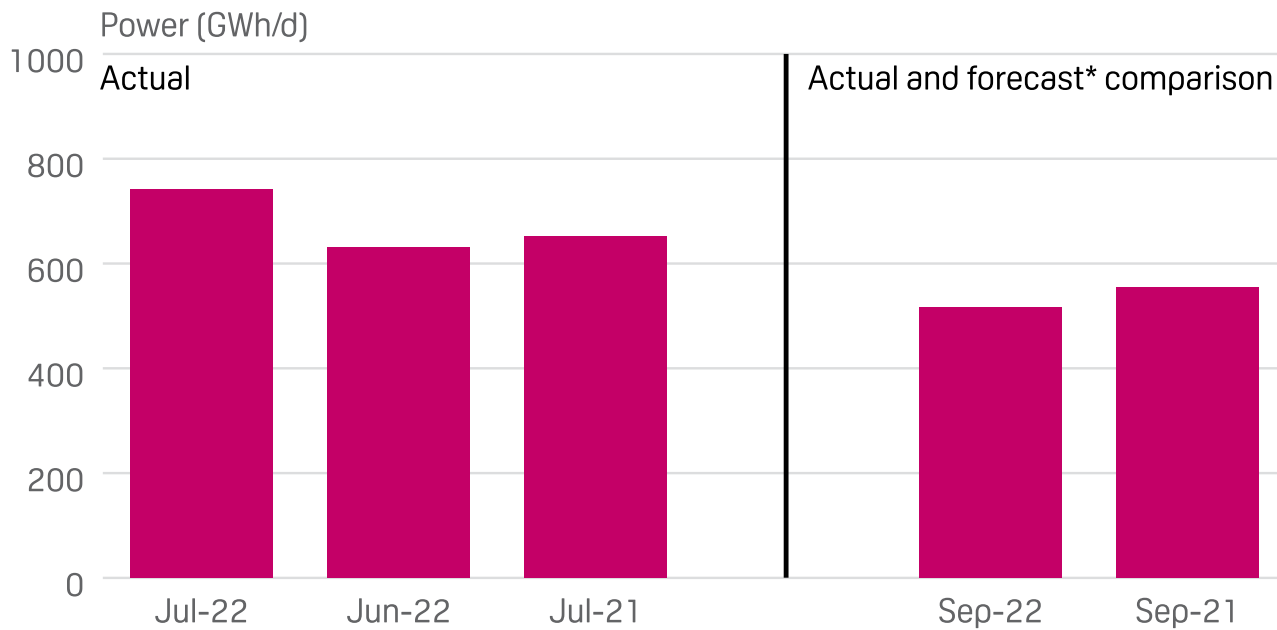
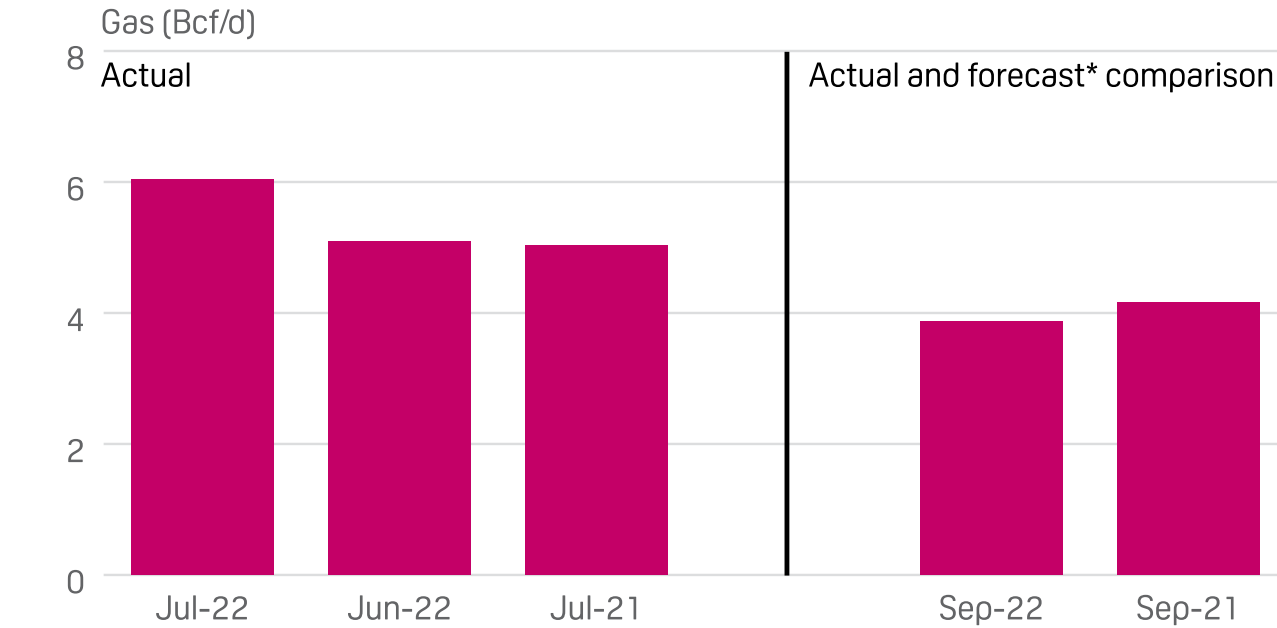
At the **Houston Ship Channel**, spot **gas** averaged \$6.761/MMBtu in July, down 8.5% from June's \$7.386/MMBtu but up 83.1% from July 2021's average of \$3.692/MMBtu, S&P Global data shows.

Waha spot **gas** averaged \$6.533/MMBtu in July, down 6.4% from June's \$6.982/MMBtu but up 83.6% from July 2021's \$3.559/MMBtu.

Generation mix

Despite the stronger **gas** prices, **gas**-fired generation increased output and power burn in July, both month on month and year over year, according to **ERCOT** data.

ERCOT NATURAL GAS GENERATION AND POWER BURN

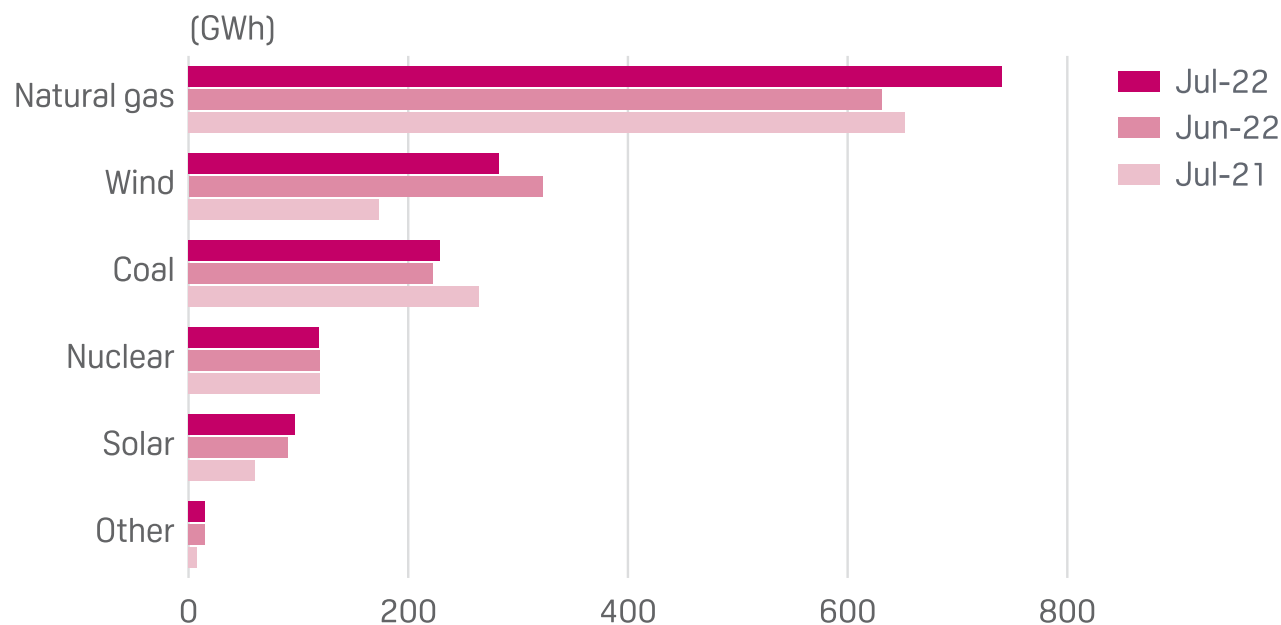


*Assumes heat rate similar to September 2021.

Sources: ERCOT, S&P Global Commodity Insights

ERCOT 's **gas** fleet produced about 740.8 GWh/day in July, up from June's 631.1 GWh/d and July 2021's 652 GWh/d. These equaled a 50% share of **ERCOT** power output in July, up from June's 45% but down from July 2021's 51.1%. The fleet burned about 6 Bcf/d in July, up from June's 5.1 Bcf/d and July 2021's 5 Bcf/d, Platts Analytics data shows.

ERCOT AVERAGE DAILY GENERATION MIX COMPARISON



Source: ERCOT

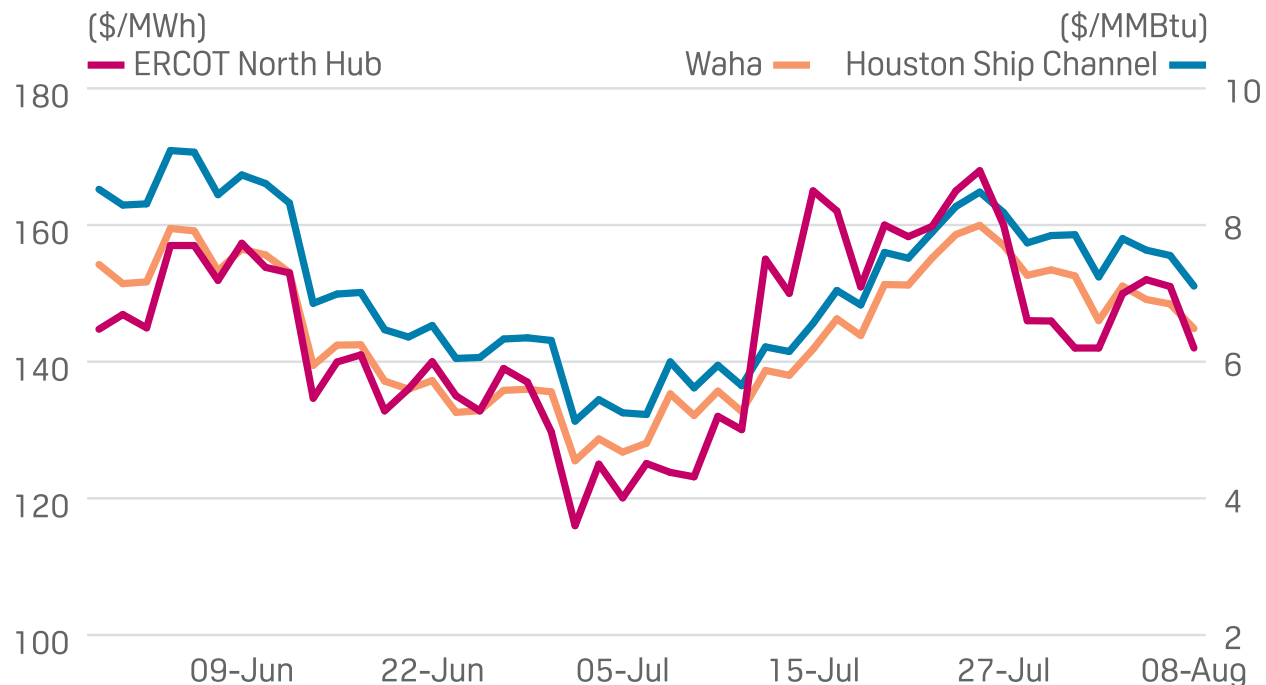
Despite the **ERCOT wind** fleet's month-to-month decrease to 282.4 GWh/d in July from June's 322.2 GWh/d, that was up from July 2021's 173.2 GWh/d, according to **ERCOT** data. **Wind** had the second-largest share, at 19%, down from June's 23% but up from July 2021's 13.6%.

In third place, the **ERCOT coal** fleet's output was up to 228.7 GWh/d in July from June's 222.3 GWh/d but down from July 2021's 264.3 GWh/d. **Coal** power's share was down on the month and year to 15.4% in July from June's 15.9% and July 2021's 20.7%.

Forward markets

September **gas** forwards would tend to weaken September power forwards month to month, but both **gas** and power forwards averaged significantly higher than what their September 2021 counterparts averaged in July 2021, S&P Global data shows.

ERCOT AREA SEPTEMBER ON-PEAK POWER AND GAS FORWARDS



Source: S&P Global Commodity Insights

ERCOT North Hub September on-peak forwards averaged about \$146.25/MWh in July, up from less than \$142/MWh in June but up by more than 160% from the \$56.25/MWh that September 2021 forwards averaged in July 2021.

Houston Ship Channel September **gas** averaged \$6.773/MMBtu in July, down 7.5% from \$7.325/MMBtu in June but up by 80% from the \$3.762/MMBtu that September 2021 **gas** averaged in July 2021.

Waha September **gas** averaged \$6.337/MMBtu in July, down 1.2% from \$6.416/MMBtu in June but up almost 76% from the \$3.602/MMBtu that September 2021 **gas** averaged in July 2021.

The National Weather Service forecast for August, September and October, issued July 21, calls for increased chances – 40% to 60% -- for above-normal temperatures for all of **Texas**.

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