

News : US EIA expects higher on-peak wholesale power prices across US this winter

By Maya Weber
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- **PJM , SPP** seen up by more than 60%
- **EIA** lifts near-term **gas** production estimates

Every **US** region is likely to see higher peak wholesale **electricity** prices this winter, the **US Energy Information Administration** said Dec. 6, highlighting expectations that prices in the Mid-**Atlantic** and Central regions could surpass winter 2021-22 levels by more than 60%.

In a statement accompanying **EIA** 's December Short-Term Energy Outlook, the agency also said **New England** , in particular, could experience peaks as high as \$215/MWh in January -- or three times peak rates for other **US** regions -- amid limited pipeline capacity and global demand for **LNG** well above average this winter.

Prices at ISO **New England** Internal hub are forecast to average \$90.10/MWh in the fourth quarter and \$173.79/MWh in Q1 2023, according to the outlook, up from \$78.67/MWh in Q4 and \$155.64/MWh in Q1-2023 estimated in the November forecast.

Elevated wholesale prices are also forecast in **New York Independent System Operator** and **PJM Interconnection** markets for the winter months (54% and 62% higher than the prior winter, respectively).

But the outlook cautioned that "if significant market stressors occur, such as periods of extreme cold weather or fuel supply problems, wholesale prices could be significantly higher than forecast."

Prices **NYISO Hudson Valley zone** were forecast to average \$89.75/MWh in Q4 and \$133.34/MWh in Q1, up from \$87.13/MWh, and \$118.43/MWh in the prior month's forecast, respectively.

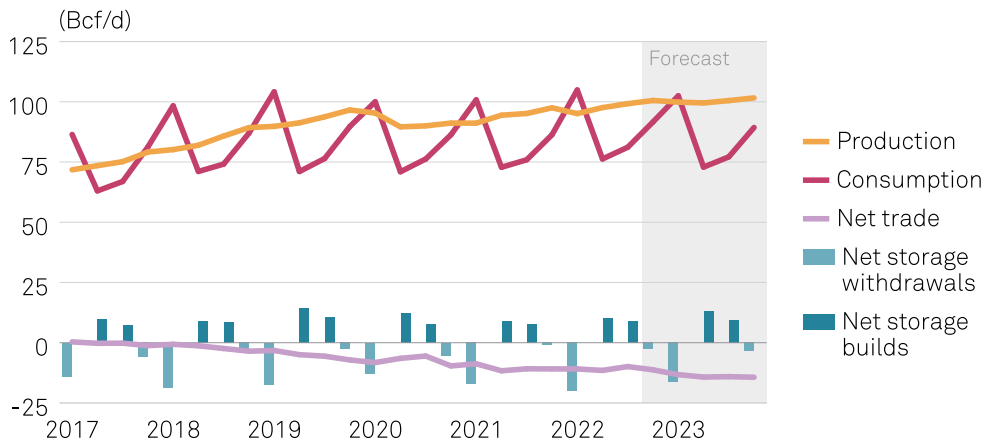
Overall, **EIA** said wholesale **power prices** will range from 33% higher in **California** to more than 60% higher in **PJM** and **Southwest Power Pool** .

Rising production

On the **natural gas** side, the agency bumped up its forecasts of **US** production for the near term and kept its spot **gas** prices forecasts mostly steady.

The agency raised its Q4 total marketed production forecast by 470 MMcf/d to 109.44 Bcf/d and lifted by 930 MMcf/d to 108.6 Bcf/d its **gas** marketed production estimate for the **US** in the first quarter of 2023.

US natural gas supply and demand



Source: US EIA's December Short-Term Energy Outlook

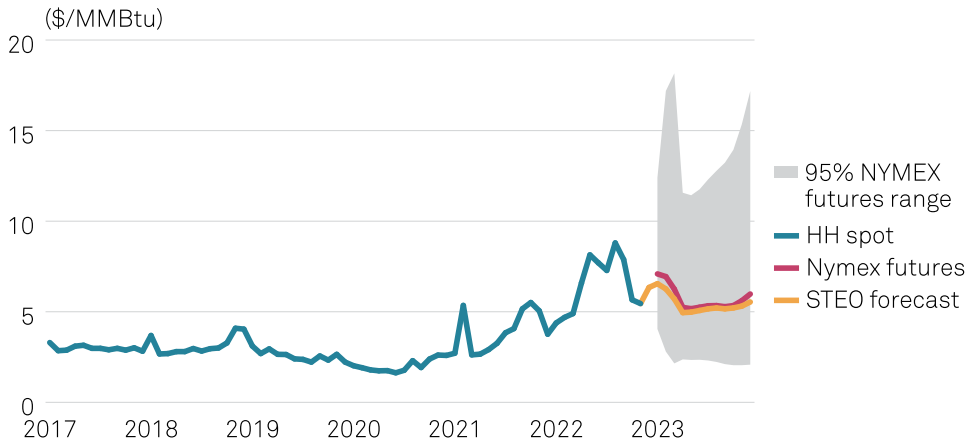
Average **dry gas** production could top 100 Bcf/d for the first time in the coming year, the agency said.

"Growth in **natural gas** production has been limited in the **Permian Basin of Texas** and **New Mexico** because of pipeline constraints," the agency said in its statement. "**EIA** now forecasts that those constraints will be resolved more quickly than previously forecast."

While production in the first half of the 2023 is limited by pipeline constraints and declining **gas** prices, it said pipeline infrastructure expansions are expected to come online in the second half of the year.

For the full year 2023, the agency raised its total marketed **gas** production estimate by 730 MMcf/d to an average of 109.18 Bcf/d.

Henry Hub natural gas price an NYMEX confidence intervals



Source: US EIA's Short-Term Energy Outlook, CME Group, Renitiv an LSEG Business

Turning to **gas** prices, **EIA** lowered its Q1-2023 forecast for **Henry Hub natural gas** spot prices by 4 cents to \$6.17/MMBtu, while the Q4-2022 forecast stayed flat at \$5.82/MMBtu.

The agency projected **Henry Hub natural gas** prices would average \$5.43/MMBtu for full-year 2023, down 3 cents from the previous month's estimates of \$5.46/MMBtu in 2022.

The **natural gas** consumption forecast rose by 490 MMcf/d to 91.63 Bcf/d in Q4, but **EIA** lowered its estimate by 440 MMcf/d to 102.46 Bcf/d for Q1-2023.

Looking ahead to 2023, the outlook expected **gas** exports to increase, mostly driven by **LNG**.

"When Freeport **LNG** resumes, we forecast **US LNG** exports will establish a new record close to 12.5 Bcf/d in March 2023," **EIA** said, anticipating **LNG** exports would reach 12.7 Bcf/d by the end of 2023.

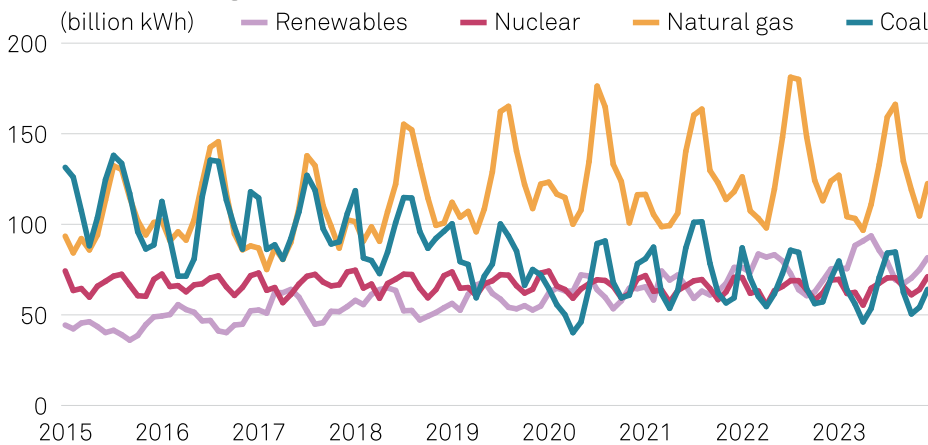
Gas pipeline exports are also likely to hit record highs of between 9 Bcf/d and 10 Bcf/d through upcoming winter months, **EIA** said.

Despite lower spot **gas** prices expected in 2023, compared with 2022 averages, **EIA** expected the share of power generation supplied by **gas** would dip to 37% in 2023, from 39% in 2022, as **renewables** continue to gain ground.

Texas is likely to see the greatest shift in its generation mix, **EIA** said.

"We expect that the share of **electric power** generation from **wind** in **ERCOT** will grow from 25% in 2022 to 29% in 2023 and that the **solar** share will grow from 5% to 8%," it said.

US electricity generation



Source: EIA Short-Term Energy Outlook

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