



Market Alert Summary

Energy Procurement Solutions

CBRE Perspective

It's all about winter: The last several years, fall has been a season where prices have seen extreme spikes, like 2018, 2019 and 2021. In those years, October and November had some of the highest prices for their respective years. This fall will be the same if the weather remains unpredictable and winter forecasts are calling for colder weather. CBRE's Energy Procurement Solutions team has been monitoring prices across a broad spectrum of asset types and geographic regions.

- Prices are volatile, making it difficult to find price opportunities and secure them in a timely manner
- Being ready to sign quickly is important in obtaining a desirable price
- Daily average price swings are extreme, swinging 10% within the day
- Future prices are 8% to 15% premium over actual monthly averages
- Natural gas prices have relaxed due to rising production but winter fears and increasing exports have them still elevated
- Wild cards are the economy and demand destruction

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Electricity Value Summary

Regional electricity price assessments and market perspective

Historical percentile, historical average, and weighted average provides indicators of where current prices are in terms of value, expected, or high price position.

- Historical average (7 years) and weighted average (40%, 30%, 20%, 10%)

Region	Perspective	Price position	Historical percentile	Historical average	Weighted average	Risk / reward ratio
ISO - NE	Neutral	Above	99th	Above	Above	1:4
NYC	Neutral	Above	99th	Above	Above	1:3
PJM East	Neutral	Above	98th	Above	Above	1:3
PJM West	Neutral	Above	98th	Above	Above	1:3
ERCOT	Neutral	Above	98th	Above	Above	1:2
CA - ISO	Neutral	Above	98th	Above	Above	1:3

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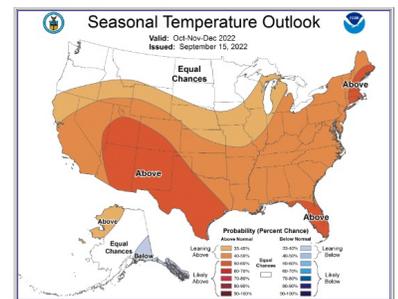
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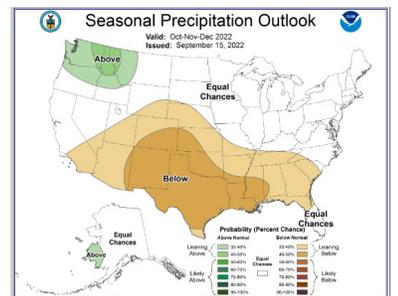
Weather

Fall – mild season? NOAA has most of the nation with a better chance of above normal temperatures and the northwest has an equal chance of below or above normal temperatures and below normal precipitation for the southcentral region and above normal for the northwest.

Temperature



Precipitation





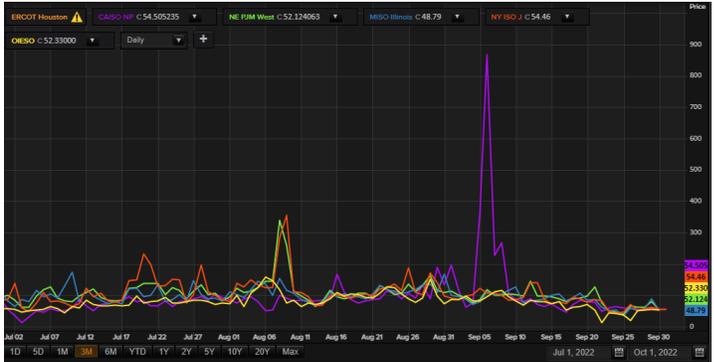
Market Alert Electricity

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Electricity

Winter weather concerns have prices at all-time highs

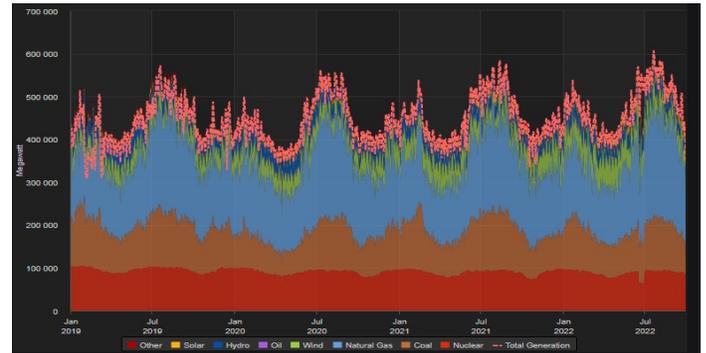
- **Demand:** Manufacturing demand above pre-COVID levels, and residential and commercial use strong over summer due to weather in many regions
- **Supply:** Natural gas is the largest fuel source for generation and production has rebounded final, plus delayed renewable projects are starting to get traction
- **Weather:** Colder than normal fall, which will have the market even more worried about winter, but mild temperatures will help the natural gas storage balance



Daily Prices



Natural Gas Production



Power Generation

Region Summary

Forward 12-month supply commodity costs have jumped since this time last year.

Region	12-Month % Increase	Commentary
ISO - NE	107%	Heading into winter, competition between heating and power generation for natural gas plus infrastructure constraints have price at all-time highs, plus LNG is the back-up.
NYC	150%	Like NE, competition between heating and power generation for natural gas and infrastructure constraints require most natural gas to come from more expensive TX sources.
PJM East	105%	Prices are higher due to increases in fuel cost, demand, and regulatory changes.
PJM West	92%	Prices are higher due to increases in fuel cost and higher demand.
ERCOT	35%	ERCOT transmission and generation concerns remain as winter approaches and price spikes are still likely. Even with higher prices, fixed price is recommended. Ancillary charges are on the rise.
CA - ISO	42%	Generation remains a concern as the drought has prices elevated and reversing the trend will take more mild temperatures and some rain.



Market Alert Natural Gas

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Natural Gas

Winter weather forecasts and actual temperatures will be the key driver over the next several months. Prices have come down from \$8.00 per MMBtu to the mid-\$5.00 range with moderate weather and rising production. Natural gas production levels have increased and are finally above pre-COVID levels.

Demand:

- Gas-fired generation for power is at an all time high
- Industrial demand below the 30-year average

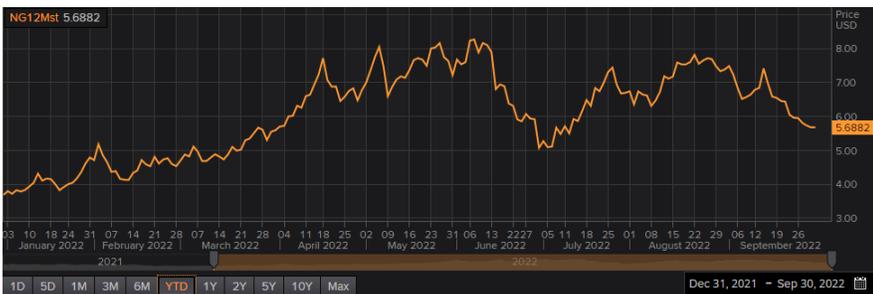
Supply:

- Production is hovering near 99 Bcf beating pre-COVID highs, finally
- Additional supply offsetting power generation and LNG exports

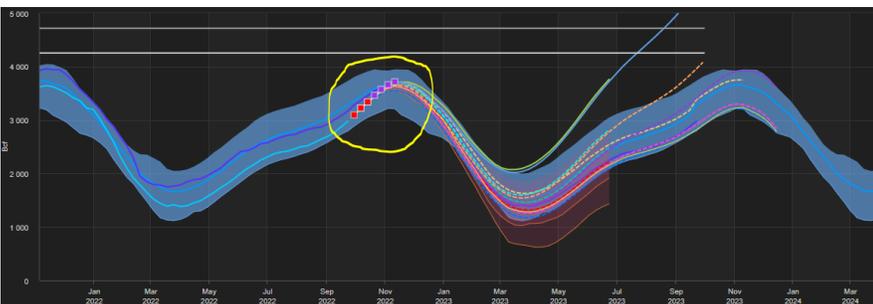
Storage:

- National storage is behind last year and the five-year average
- Projections for injections are to reach five-year average by start of winter

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NYMEX 12-month strip back down heading into Fall



Storage levels below five-year average and projections are to reach the five-year average at end of injection season, but most projections are below the five-year average by end of winter

Value Summary

Natural gas is **above** all value parameters.

- Based on historical percentiles, averages and risk/reward ratio, natural gas pricing is elevated
- It will be difficult to beat contracts from 2020/2021 and utilities with programmed hedging policies
 - 12-month rolling average is above current 12-month strip price
 - There is an equal chance of prices decreasing by 30% as increasing by 30% using recent price volatility

Value Parameters

Current	\$5.69	
Average	\$3.50	X
12M Rolling Average	\$6.54	✓
Weighted LR Average	\$4.32	X
Percentile	98%	X

Risk to Reward

One to three

