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Continental Power Buoyed by Fear of Heatwave and Cooling Water Restrictions

PR Newswire
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- Natural Gas Prices Supported by Dutch Quota and Higher Storage Injections

LONDON, July 10, 2015 /PRNewswire/ -- German and French day-ahead electricity prices rebounded sharply in late June with rising temperatures boosting demand and posing a challenge to thermal plant efficiency, according to data released by Platts, a leading global provider of energy, petrochemicals, metals and agriculture information.

European power prices, according to the Platts Continental Power Index (CONTI)*, climbed 17% in June to €32.02 per megawatt hour (MWh) compared to the May level of €27.37/MWh. The Index was fractionally higher from a year ago, up 0.6%, from the June 2014 average €31.82/MWh.

Platts' regional analysis of European power and gas markets in June showed:

-- Germany: Day-ahead prices in June averaged €30.18/MWh, up 19% versus May, when the monthly average had hit a 12-year low. Year over year, day-ahead prices were down 3%. Combined wind and solar output in June was up 20% from a year ago at 8.8 terawatt hours (TWh). German offshore wind capacity additions this year are forecasted to be 2 GW.

-- France: Day-ahead power prices averaged €31.59/MWh in June, up 22% from May and up 8% from June 2014. Fears of a heatwave late June served to drive the prompt market up because of potential restrictions at river-cooled reactors.

-- U.K.: Day-ahead power prices averaged £41.27/MWh in June, up 1% from May and up 13% from June 2014. Wind output more than doubled year over year, but power prices were higher as gas-firing picked up and coal-firing waned.

-- U.K. day-ahead gas prices at the National Balancing Point (NBP) fell 2% month over month in June to an average of 43.37 pence per therm (p/th). On a year-over-year basis, however, prices were up 10%.

-- Netherlands: On the Dutch TTF, continental Europe's most liquid natural gas hub, day-ahead gas prices in June averaged €20.53/MWh. That was stable on levels seen in May but up 18% from a year ago. Lower production quotas at the giant Groningen gas field provided price support last month versus June 2014.

"The recurring risk over the summer is that river temperatures rise above regulation levels, forcing river-cooled thermal power stations to ramp down or cease operation completely," said Platts editor Henry Edwardes-Evans. "Higher ambient temperatures reduce the efficiency of thermal plant anyway, lowering output per unit and inflating the marginal cost of production."

For France the risk is notable along the Rhone and Loire rivers because a number of inland reactors rely on these rivers for cooling purposes. Further bullish factors could be higher summer power prices in Italy and Spain and the introduction of flow-based market coupling in the Central and West European region, with increased exports to Belgium due to continuing nuclear outages there, Edwardes-Evans said.

In the natural gas market, U.K. and continental European prices held onto recent strength in June and into early July, with spot prices supported by stronger net storage injections. Those injections were driven by significantly lower post-winter stocks year on year and tighter production quotas at the Groningen gas field.

Dutch economic affairs minister Henk Kamp decided June 23 to lower the 2015 full-year Groningen output quota to 30 billion cubic meters (Bcm) from 39.4 Bcm.

Near-term TTF prices are likely to continue to fluctuate in a €20-€21/MWh range in July, market participants told Platts. Contracts are seen torn between the bullish impact of lower Groningen limits and the bearish impact of a potential rise in Russian flow nominations as crude oil weakness feeds through into lower oil-indexed gas contract prices for the new third quarter.

Platts Continental Europe and U.K. Day-Ahead Monthly Averages

	Jun-15	May-15	Jun-14
CONTI (EUR/MWh)	32.02	27.37	31.82
TTF (EUR/MWh)	20.53	20.55	17.35
U.K. Power (BPS/MWh)	41.27	40.82	36.68
U.K. Gas (pence/therm)	43.37	44.04	39.50

Source: Platts

NOTE: All figures are monthly averages of daily day-ahead contract prices as assessed by Platts.

For more information on electric power or the methodology used by Platts in its power assessments, visit the Platts website www.platts.com.

** The Platts CONTI is a demand-weighted baseload average of day-ahead contracts assessed in Germany, Switzerland, France, Belgium and the Netherlands. The Platts U.K. assessments reflect day-ahead contracts assessed for firm delivery of power on the high voltage network of England, Wales and Scotland, and at the National Balancing Point (NBP) for gas. The Platts assessments reflect prices as determined between buyer and seller in the open physical markets.*

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