S&P Global Platts: European Power Prices Bounced Back on Nuclear Weakness

Natural Gas Displaced Coal in Near Term German Generation

LONDON, Sept. 15, 2016 /PRNewswire/ -- European power prices rebounded in early September as reduced nuclear availability in France, tightening supply margins in the U.K. and below-par wind output in Germany coincided with a late summer heatwave, according to data released by S&P Global Platts, the leading independent provider of information and benchmark prices for the commodities and energy markets.

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The story had been the reverse in August, with low demand and healthy wind production weighing on day-ahead power prices, while bearish natural gas prices caused several gas-fired power stations in Germany to ramp up, displacing coal on the system.

Continental European power prices, according to Platts Continental Power Index (CONTI)*, fell 1.8% to €28.53 per megawatt hour (MWh) in August compared to July. On a year-over-year basis the index was down 14.4%. In the first 12 days of September, however, the index climbed nearly 14% to average €32.45/MWh.

S&P Global Platts' regional analysis of European power and gas markets showed the following:

Germany: day-ahead baseload power averaged €27.24/MWh in August, flat with July and 14% down year-over-year. Hard coal-fired generation fell 1 terrawatt hour (TWh) from August 2015 while that for gas-fired generation was up 1 TWh. Wind output was up 23% year-over-year at 4.8 TWh as capacity additions continued apace. Total German wind capacity is on track to reach 50 GW by year-end.

France: a massive 5 TWh year-over-year drop in nuclear output in August was offset by gas-fired generation, with day-ahead prices averaging €29.57/MWh for the month. Several reactors were taken offline for safety tests, prompting a tripling in gas-fired power output to just under 2 TWh. Meanwhile France's diminishing number of coal-fired units have been running close to full capacity, with little scope to provide additional flexibility.

U.K. power: day-ahead power prices demonstrated increasing volatility into September as supply margins tightened. At market close September 12 the contract had risen to a three-year high close to £59/MWh, with traders noting reduced gas and coal plant availability ahead of a scheduled outage on the French-UK interconnector later in the month. This was in stark contrast to August, when the day-ahead contract averaged £35.87/MWh, weighed down by weakening UK natural gas prices.

U.K. gas: day-ahead natural gas prices on the U.K.'s National Balancing Point (NBP) trading hub fell 11.5% in August compared with July, and were down over 23% year-over-year. The day-ahead contract was assessed at 23 pence/therm August 31, the lowest assessment since October 2009. Weak demand caused by above-average temperatures and full medium-range storage facilities combined with solid U.K. gas production and steady Norwegian gas receipts. These factors more than countered high export demand from Continental Europe and weaker LNG regasification levels.

Dutch gas: on the TTF, continental Europe's most heavily traded natural gas hub, day-ahead gas prices in August crashed 16% and were nearly 39% down year-over-year, despite a flurry of Norwegian supply outages towards the end of the month. Total demand in August was down 10% or 0.6 billion cubic meters, driven by plunging storage injections and only partially offset by higher exports. Weak fundamentals saw the day-ahead TTF gas price anchor around the northwest European Coal Switching Price of €12/MWh - the theoretical gas price at which portfolio generators would switch from coal- to gas-fired generation.

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

	Aug-16	July-16	Aug-15
CONTI* (EUR/MWh)	28.53	29.05	33.06

TTF (EUR/MWh)	11.96	14.23	19.56
U.K. Power (BPS/MWh)	35.87	37.26	40.40
U.K. Gas (pence/therm)	30.42	34.38	39.66

Source: Platts

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

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

** The S&P Global Platts CONTI is a demand-weighted baseload average of day-ahead contracts assessed in Germany, Switzerland, France, Belgium and the Netherlands. The S&P Global 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 S&P Global Platts assessments reflect prices as determined between buyer and seller in the open physical markets.*

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