



LEI Semi-Annual Regional Market Update and 10-Year Energy and Capacity Price Forecast

New England

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717 Atlantic Avenue, Suite 1A
Boston, Massachusetts 02111
Tel: (617) 933-7200
Fax: (617) 933-7201

390 Bay Street, Suite 1702
Toronto, Ontario M5H 2Y2
Tel: (416) 643-6610
Fax: (416) 643-6611

www.londoneconomicspress.com

Description of Report

London Economics International LLC (LEI) provides semi-annual regional market updates and 10-year energy price forecasts for major markets in North America and around the world. In addition to providing price projections, the reports highlight major developments in each of the regions as well as the underlying structural dynamics. LEI also provides more detailed regional market price forecasts tailored to a client's individual needs, including longer time horizons and forecasting of plant-specific revenues or the impact of structural or market design changes.

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Executive summary



This report presents the results of the 10-year price forecast (2023-2032) for New England’s wholesale electricity and capacity markets. Wholesale electricity prices for the ISO-NE Internal Hub are forecasted to decline from \$74.6/MWh in 2023 to \$71.8/MWh in 2032 on an annual average (around the clock) basis. The most significant wholesale energy market price drivers in New England include the price of natural gas, decarbonization of the supply mix, and the supply and demand balance of generation resources in the system.

Over the next 10 years, LEI expects the price of Algonquin Citygate to fall from \$7.8/MMBtu in 2023 to \$6.8/MMBtu by 2032, assuming normal weather conditions. Other key drivers of the New England market include energy efficiency (“EE”) and distributed generation (“DG”) from solar, both of which are expected to continue growing, dampening peak load growth and total energy consumption. Meanwhile, in CELT 2022, ISO-NE forecasted a higher rate of electric vehicle (“EV”) adoption as compared to CELT 2021 and estimated that the increasing installation of space heating and uptake in EVs will drive up peak demand and energy market prices.

In terms of resource capacity, despite the announcement of major coal and nuclear retirements since 2015, recent Forward Capacity Auctions (“FCAs”) have been observed to follow a downward trend. In March 2022, FCA #16 resulted in a capacity clearing price of \$2.591/kW-month for the delivery period of 2025 to 2026 for the rest of pool (“ROP”) zone, \$2.531/kW-month for the northern New England/Maine (“NNE/ME”) zone, and \$2.639/kW-month for the southeast New England (“SENE”) zone. LEI expects capacity prices to remain at a low price range of \$2/kW-month prior to FCA #19. The downward trend before FCA #19 is driven by sufficient resources being procured in recent FCAs and moderate growth on the demand side. The upward trajectory after FCA #19 is expected due to fossil fuel-fired generation retirements. Lastly, LEI’s model expects the New England states to be able to meet their decarbonization targets, with an increasing share of non-carbon emitting resources serving load.

Highlights

- Over the modeling timeframe, the wholesale electricity price forecast decreases slightly by a compounded annual growth rate (“CAGR”) of 0.38%, while natural gas prices fall at a CAGR of 1.32% (both in nominal dollar terms). Energy prices grow faster than gas prices because of the retirement of the fossil-fueled resources.
- Forecasted capacity auction prices increase from current levels of \$2-3/kW-month in FCA #16 (2025/2026) before heading back up to over \$5 kW-month in FCA #19. The trends reflect fossil-fueled retirements and new import additions from Quebec.
- During 2023-2032, 3,500 MW of new offshore wind, 1,085 MW of onshore wind, 3,019 MW of utility scale solar PV, 2,538 MW of energy storage, and 1,090 MW of new import capacity are expected to come into service. LEI does not expect any generic gas-fired entry over the modeling timeframe.

Table of contents

1	MARKET OVERVIEW AND RECENT DEVELOPMENTS	4
1.1	GENERATION AND CAPACITY	5
1.2	KEY ISSUES IN NEW ENGLAND	6
1.3	MAJOR MARKET DEVELOPMENTS IN ISO-NE	11
2	MODELING ASSUMPTIONS	22
2.1	MARKET TOPOLOGY	22
2.2	FUEL PRICE PROJECTIONS	23
2.2.1	<i>Natural gas</i>	24
2.2.2	<i>Oil</i>	25
2.2.3	<i>Coal</i>	26
2.3	CARBON ALLOWANCE COSTS	27
2.4	DEMAND FORECASTS	28
2.5	IMPORT AND EXPORT FLOWS	30
2.6	COST OF NEW ENTRY	31
2.7	EXISTING SUPPLY	32
2.7.1	<i>New entry</i>	32
2.7.2	<i>Retirements</i>	35
2.7.3	<i>Supply and demand mix</i>	36
3	10-YEAR PRICE FORECAST	39
3.1	ENERGY MARKET PRICES	39
3.2	CAPACITY MARKET PRICES	40
4	APPENDIX A: OVERVIEW OF FORECASTING METHODOLOGY	43
4.1	OVERVIEW OF THE ENERGY MARKET FORECASTING MODEL	43
4.2	OVERVIEW OF THE CAPACITY MARKET FORECASTING MODEL	44
5	APPENDIX B: INTRODUCTION TO LEI AND ITS WORK IN ISO-NE	47

List of figures

FIGURE 1. INSTALLED CAPACITY AND GENERATION BY FUEL AT THE END OF 2021	5
FIGURE 2. INSTALLED CAPACITY AND GENERATION BY SUPPLIERS AT THE END OF 2021	6
FIGURE 3. CURRENT STATE DECARBONIZATION POLICIES AND ASPIRATIONAL GOALS IN NEW ENGLAND.....	10
FIGURE 4. STATE RPS FOR CLASS I OR RENEWABLE ENERGY	10
FIGURE 5. STATE PROCUREMENT INITIATIVES FOR LARGE-SCALE CLEAN ENERGY RESOURCES	15
FIGURE 6. SUMMARY OF RECENT DEVELOPMENTS AND POTENTIAL PRICE IMPACTS.....	21
FIGURE 7. REGIONAL TRANSMISSION INTERFACE LIMITS.....	23
FIGURE 8. MODELED FUEL PRICES.....	24
FIGURE 9. MODELED NATURAL GAS PRICES	25
FIGURE 10. MODELED OIL PRICES	26
FIGURE 11. MODELED COAL PRICES	26
FIGURE 12. MODELED ALLOWANCE PRICE	27
FIGURE 13. ISO-NE NET SUMMER AND WINTER PEAK DEMAND FORECASTS (INCLUDING IMPACT OF EE, BEHIND THE METER SOLAR PV, EV, AND SPACE HEATING).....	28
FIGURE 14. ISO-NE NET ENERGY CONSUMPTION FORECAST (INCLUDING IMPACT OF EE, BEHIND THE METER PV, EV, AND SPACE HEATING).....	29
FIGURE 15. FORECASTED PEAK DEMAND (MW)	30
FIGURE 16. FORECASTED CONSUMPTION (GWH)	30
FIGURE 17. PROJECTED NET IMPORTS INTO NEW ENGLAND (GWH)	31
FIGURE 18. GROSS CONE BY TECHNOLOGY (\$/KW-MONTH)	32
FIGURE 19. STATE CLEAN ENERGY PROCUREMENTS INCLUDED IN LEI'S FORECAST.....	33
FIGURE 20. ISO-NE FORECASTED BEHIND-THE-METER PV NAMEPLATE CAPACITY IN CELT 2017-2022	33
FIGURE 21. NEW ENTRANTS INCLUDED IN LEI'S FORECAST (NAMEPLATE, MW).....	34
FIGURE 22. RETIREMENTS INCLUDED IN LEI'S ANALYSIS (NAMEPLATE CAPACITY, MW).....	36
FIGURE 23. REGION-WIDE SUPPLY AND DEMAND BALANCE.....	37
FIGURE 24. INDICATIVE INTERNAL SUPPLY CURVE OF NEW ENGLAND RESOURCES FOR 2028	38
FIGURE 25. FORECAST OF ANNUAL AVERAGE ENERGY MARKET PRICES, 2023 THROUGH 2032.....	39
FIGURE 26. HISTORICAL AND FORECAST MARKET HEAT RATES, 2018 THROUGH 2032.....	40
FIGURE 27. HISTORICAL AND FORECASTED CAPACITY MARKET PRICES, 2023 THROUGH 2032 (\$/KW-MONTH)....	42
FIGURE 28. POOLMOD'S TWO-STAGE PROCESS.....	43
FIGURE 29. ILLUSTRATIVE EXAMPLE OF THE MRI DEMAND CURVE FOR FCA #14	44
FIGURE 30. ILLUSTRATION OF SENE DEMAND CURVES FOR FCA #14.....	46
FIGURE 31. ILLUSTRATION OF NNE DEMAND CURVES FOR FCA #14.....	46