

NORDIC ELECTRICITY MARKET

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MARKETS KEPT NERVOUS BY TRADE TENSIONS AND CONCERNS ABOUT GLOBAL ECONOMIC DEVELOPMENT

Forecast to week 35:

ENOFUTBLQ4-19	📉 Bearish (<0%)
ENOYR-20	📉 Bearish (<0%)
NP System	📈 Bullish (>0%)
NEDEC9	📉 Bearish (<0%)

FORECAST TO WEEK 35

ELECTRICITY DERIVATIVES

Front quarter

The weather will be dry for the first days of the week, but the weather type will turn wetter than normal after Wednesday. At the same time temperatures will take a downturn. The weather will get cooler and temperatures will fall close to the normal for the time of year during the first week of September. As a general rule, the weather type will remain slightly wetter than normal and the hydro balance is continuing its rise. We expect quarterly product prices to fall. However, the hydro balance is still below the normal level, which is curbing the downward pressure.

Annual products

General uncertainty and tensions between the U.S. and China have increased again. The uncertainty maintains concerns about global economic growth slowing and about a potential future recession. The general weak market sentiment and weak technical picture may maintain a continued downtrend for fuel prices and annual products. The situation is, however, sensitive and any comments about potential hopefulness concerning the trade war may also rapidly turn the general sentiment more positive. However, we regard a downtrend still more likely as any more sustained hopefulness would require concrete measures to ease the tensions.

SPOT MARKET

Nordic wind power production will be weak for the first days of the week. After that, wind power production will begin to increase and, after Thursday, will rise to an above-normal level. The weather is quite warm for the time of year. There will be a temperature downturn after Wednesday, but the weather will remain warmer than normal for the rest of the week, too. Nuclear power production will decrease as the Ringhals 4 and Oskarshamn 3 units will be down for scheduled maintenance. We expect the system price to rise at the weekly level and to settle at an average of €36.0/MWh. In Finland, wind power production will decline to a very low level on Tuesday but, after that, Finnish wind power production will rise to a level slightly above normal. However, we still expect the Finnish area price to settle clearly higher than the system price. We expect the Finnish area price to settle at an average of €48.0/MWh.

EMISSIONS

Emission allowance prices have dropped below the closest support levels. Emission allowance prices are technically weak and the general nervous mood may maintain the bearish mode. On Monday, however, there was an upturn supported by the scant auction supply. Support may also be provided by the €24.7/t support level. In line with the weak technical picture and the German electricity market, we regard a downtrend more likely than anything bullish for the time being, however.

Market signals

	spot	Q4-19	YR-20
Hydrologic balance	↓	↓	↓
Precipitation forecast	↓	↓	↓
Temperature forecast	→	→	→
Spot	↔	↑	→
Production and transmission exch.	→	→	→
Emissions allowance	↓	↓	↓
Coal price	↓	↓	↓
German prices	→	→	→
Technical analysis	↔	↓	↓

Product	Date	Value	% chg	Chg (EUR)
ENOFUTBLQ4-19	23.8.2019	37.70	-2.7%	-1.05
ENOFUTBLQ1-20	23.8.2019	41.50	-2.0%	-0.85
ENOFUTBLQ2-20	23.8.2019	31.97	-5.3%	-1.78
ENOFUTBLQ3-20	23.8.2019	27.95	-5.3%	-1.55
ENOYR-20	23.8.2019	34.00	-4.1%	-1.45
ENOYR-21	23.8.2019	32.60	-3.6%	-1.21
ENOYR-22	23.8.2019	32.07	-2.7%	-0.88
ENOYR-23	23.8.2019	32.50	-1.7%	-0.55
ENOYR-24	23.8.2019	32.33	-2.1%	-0.70
NEDEC9	23.8.2019	25.08	-3.4%	-0.87
NEDEC20	23.8.2019	25.35	-3.3%	-0.86

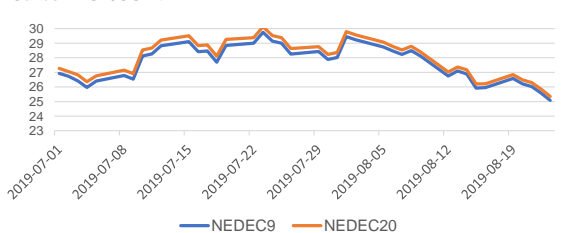
EPAD settlements

23.8.2019 (€/MWh)	2020	2021	2022	2023
SYHEL	6.53	3.80	3.45	3.70
SE1-NP System	-1.25	-1.50	-2.25	-2.25
SE2 - NP System	-1.25	-1.50	-2.25	-2.25
SE3 - NP System	1.45	1.25	1.35	1.35
SE4 - NP System	2.85	2.60	2.60	2.60

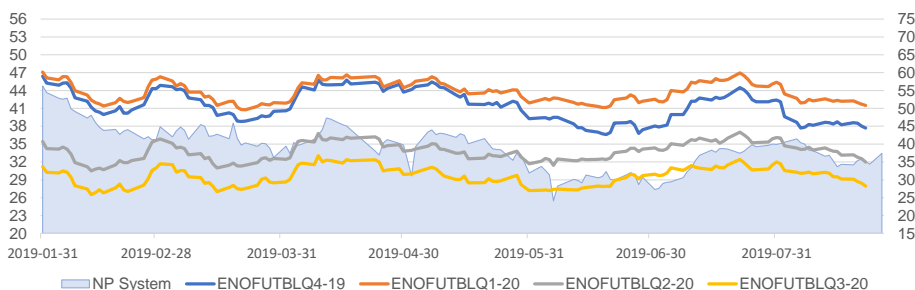
Week's spot price change

Price area (€/MWh)	Date	Value	% chg	Chg (EUR)
NP System	25.8.2019	34.41	0.0%	-0.01
NP Area FI	25.8.2019	47.85	1.8%	0.83
NP Area SE1	25.8.2019	34.88	1.6%	0.56
NP Area SE2	25.8.2019	34.88	1.6%	0.56
NP Area SE3	25.8.2019	34.88	1.6%	0.56
NP Area SE4	25.8.2019	34.88	1.6%	0.56

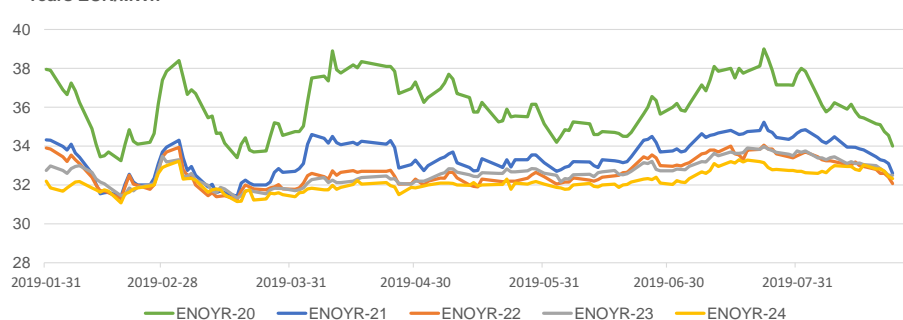
Carbon EUR/CO2 t



Quarters EUR/MWh (left), NP System EUR/MWh (right)



Years EUR/MWh



COMMENTS ON WEEK 34

ELECTRICITY DERIVATIVES

Front quarter

Front-quarter products were bearish last week. After a brief dry period, weather forecasts showed a turn towards wetter-than-normal weather. In addition, fuel and emission allowance prices fell. The drop was, however, moderate as on the whole the forecasts were slightly wetter than normal and the projected hydro balance was still below normal.

Annual products

Annual product prices fell last week. Downward pressure was created for the front-year product by the rising hydro balance and the weak technical picture. The general nervous market sentiment also persisted as concerns about global economic growth slowing and about trade tensions remained core issues. The cautious mood and the still high fuel stock levels maintained downward pressure on fuel prices. The German electricity market remained bearish in the wake of lower fuel prices, which was also reflected in emission allowance prices.

SPOT MARKET

Last week, the system price remained at the weekly level almost at the previous week's level. The scant Nordic wind power production supported spot prices. However, the above-normal flow rates, wetter weather forecasts and rising hydro balance restricted the upward pressure. The Finnish area price rose at the weekly level and therefore the gap between the area price and the system price grew further. In Finland, wind power production dropped to a low level after the first days of the week and nuclear power production was weaker than normal as the Loviisa 2 unit was down for annual maintenance.

EMISSIONS

Emission allowance prices recovered slightly in the first days of last week. The market was supported by the support level of July's lowest trading figures (€25.7/t) and by the scant auction supply. In the wake of the weak German electricity market and the general nervous market sentiment, however, emission allowance prices broke through the support level. The breaking of the support level took the prices to a clear decline and at the weekly level the prices ended up posting a drop of €0.87.

Indicator	ENOFUTBLQ4-19	ENOYR-20
Coal-fired production	75 %	62 %
Coal price	42 %	4 %
Gas price (NBP)	62 %	20 %
German price level	15 %	60 %
Spot	41 %	14 %
Crude oil Brent	49 %	9 %
Water reservoirs	1 %	1 %
EUR/USD FX rate	1 %	1 %
Temperature	8 %	5 %
Precipitation	16 %	13 %

Definition
The above figures measure the ability of market determinants to describe the price changes occurred in last 6 months. The affect is measured as Coefficient of Determination*. Each variable is evaluated independently. We use a color scale to demonstrate efficacy, green (strong), yellow (moderate), red (weak)

Forecast history	34	Chg	33	Chg
ENOFUTBLQ4-19	📉	-2.7%	📉	1.2%
ENOYR-20	🔄	-4.1%	📉	-2.2%
NP System	📈	0.0%	📉	-10.0%
NEDEC9	📈	-3.4%	📉	-7.7%

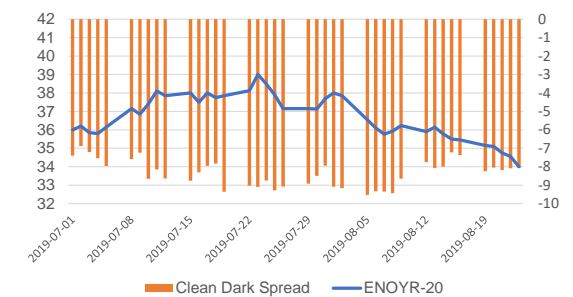
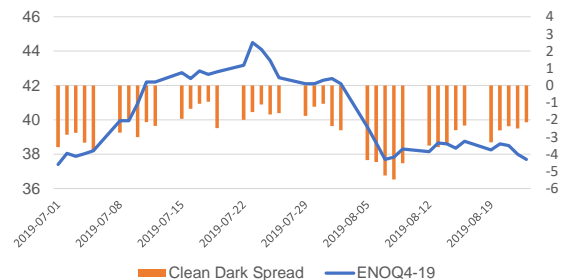
DETERMINANTS AFFECTING THE MARKET ON WEEK 35

RESTRICTIONS IN PRODUCTION AND TRANSMISSION CAPACITY

Ringhals 1 (881 MW), failure 26.-27.8.2019, 350 MW in use
 Loviisa 2 (507 MW), maintenance 18 August - 4 September 2019, 0 MW in use
 Ringhals 4 (1103 MW), maintenance 6 July - 27 August 2019, 680 MW in use, 28.8.-1.10.2019 0 MW in use
 Oskarshamn 3 (1400 MW), maintenance 6 – 30 August 2019, in use 1165 MW, 30.8.-23.9.2019 0 MW in use

NO1-SE3 (2145 MW), maintenance 30 July – 18 October 2019, 1845 MW in use

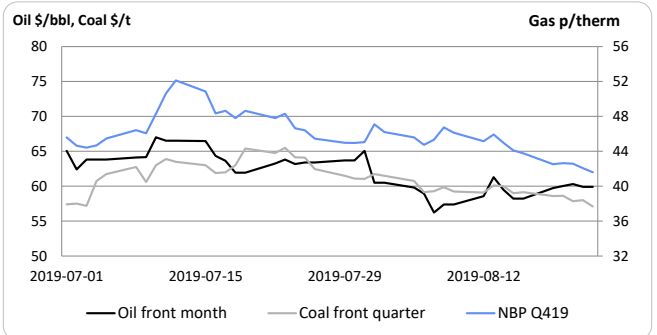
- Nordic nuclear power plants are currently operating at a capacity utilization rate of 86%
- RU-FI transmission profile varies due to capacity payments, average imports from Russia last week were 60% of the maximum



AVERAGE SPOT PRICE AND EPAD

Price area (€/MWh)	2012	2013	2014	2015	2016	2017	2018	2019*
NP System	31.20	38.10	29.60	21.00	26.91	29.41	43.99	39.88
NP Area FI - NP System	5.50	3.10	6.40	8.70	5.54	3.78	2.81	3.45
NP Area SE1 - NP System	0.50	1.10	1.80	0.20	2.04	1.43	0.24	-1.31
NP Area SE2 - NP System	0.60	1.10	1.80	1.00	2.04	1.43	0.24	-1.31
NP Area SE3 - NP System	1.10	1.40	2.00	1.00	2.33	1.83	0.55	-1.12
NP Area SE4 - NP System	3.00	1.80	2.30	1.90	2.62	2.77	2.37	0.07

*Average for period between 1.1.2019-26.8.2019.



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 Source for data: intStream, Tilastokeskus

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