

### NORDIC ELECTRICITY MARKET

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#### WET AND MILD WEATHER TYPE STILL CONTINUES

##### Forecast to week 3:

ENOFUTBLQ2-20	📉 Bearish (<0%)
ENOYR-21	📉 Bearish (<0%)
NP System	📈 Bullish (>0%)
NEDEC20	↔️ Sideways (± 0,5%)

#### FORECAST TO WEEK 3

### ELECTRICITY DERIVATIVES

#### Front quarter

The mild and rainy weather type is still continuing and the hydro balance is rising to a very high level. Forecasts for the second half of next week show tentative signs of a high-pressure impact, which may also result in precipitation rates falling close to the normal level, with temperatures also dropping close to normal. So far, however, any turn in the weather type for dry or cold conditions appears very unlikely. As the hydro balance is rising high and the weather type is still mild and rainy on the whole, we expect quarterly products to remain bearish.

#### Annual products

Downward pressure on the front-year product is also created by quarterly products remaining weak and hydro balance rising high. The price of coal has, however, taken an upturn and the closest support levels of emission allowance prices have held, too. For the time being, the broad European weather picture is very mild and windy, but next week will see at least a temporary drop in temperatures and a fall in wind power production. There is no sustained period of clearly cooler-than-normal conditions in sight for the time being, however. Therefore we expect the demand outlook of fuels and emission allowances to remain quite subdued. We expect a slight fall in annual product prices.

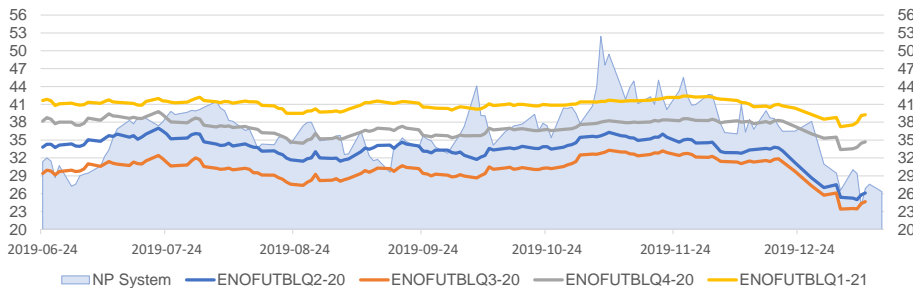
### SPOT MARKET

Nordic wind power production will continue to be very abundant and the weather will be clearly milder than normal for the time of year. Electricity demand is at a low level considering the time of year. Precipitation will also be heavy and flow rates higher than normal. Nordic wind power output will be very abundant particularly on Tuesday and Wednesday but will drop close to the normal level at the weekend. We expect the system price to rise slightly at the weekly level and to settle at an average of €27.0/MWh. Finnish wind power production will be abundant until Thursday and then drop close to the normal level. At the weekly level we expect the Finnish area price to settle at a level close to that seen last week.

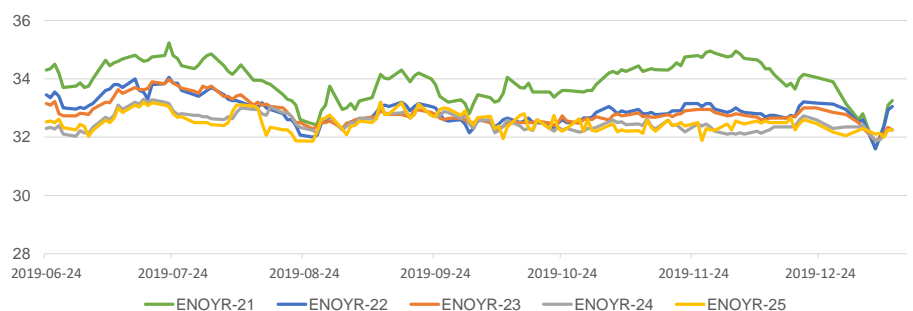
### EMISSIONS

Auction supply will increase compared with last week and the broad European weather picture will be very mild during the current week. During next week, however, temperatures will fall and wind conditions weaken, which will dampen the downward pressure created by the prevailing weather and larger auction volumes. We expect emission allowance prices to be seeking direction at levels close to the current level.

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



Years EUR/MWh



#### Market signals

	spot	Q2-20	YR-21
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)
ENOFUTBLQ2-20	10.1.2020	26.10	-5.1%	-1.40
ENOFUTBLQ3-20	10.1.2020	24.65	-5.6%	-1.45
ENOFUTBLQ4-20	10.1.2020	34.70	-2.3%	-0.80
ENOFUTBLQ1-21	10.1.2020	39.25	1.2%	0.45
ENOYR-21	10.1.2020	33.25	1.4%	0.45
ENOYR-22	10.1.2020	33.05	1.4%	0.45
ENOYR-23	10.1.2020	32.25	-0.2%	-0.07
ENOYR-24	10.1.2020	32.25	-0.5%	-0.17
ENOYR-25	10.1.2020	32.25	-0.2%	-0.05
NEDEC20	10.1.2020	24.21	-3.2%	-0.79
NEDEC20	10.1.2020	24.21	-3.2%	-0.79

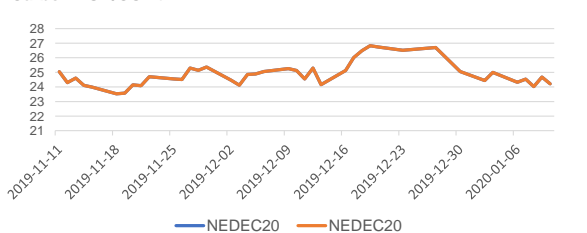
#### EPAD settlements

10.1.2020 (€/MWh)	2021	2022	2023
SYHEL	6.08	3.66	3.70
SE1-NP System	-1.50	-2.25	-2.25
SE2 - NP System	-1.50	-2.25	-2.25
SE3 - NP System	1.25	1.35	1.35
SE4 - NP System	2.60	2.60	2.60

#### Week's spot price change

Price area (€/MWh)	Date	Value	% chg	Chg (EUR)
NP System	12.1.2020	26.66	-8.6%	-2.51
NP Area FI	12.1.2020	27.49	6.4%	1.64
NP Area SE1	12.1.2020	25.78	-0.2%	-0.06
NP Area SE2	12.1.2020	25.78	-0.2%	-0.06
NP Area SE3	12.1.2020	26.96	4.3%	1.11
NP Area SE4	12.1.2020	26.96	4.3%	1.11

#### Carbon EUR/CO2 t



### COMMENTS ON WEEK 2

#### ELECTRICITY DERIVATIVES

##### Front quarter

In the first days of last week, quarterly products continued to plummet due to the continuation of the very mild and rainy weather picture. The downward pressure eased off in the second half of the week and quarterly products recovered a little. Underlying the corrective move were tentative signs of slightly drier weather towards the end of January. Despite the corrective move, quarterly products were clearly on a downward trajectory at the weekly level.

##### Annual products

In the first days of last week, annual products declined strongly in the wake of quarterly products and wet weather forecasts. Emission allowance prices were falling, too. Tensions in the Middle East caused major swings in oil price, but the price movements of oil were reflected very moderately in coal and natural gas prices. The broad European weather picture still remained mild, keeping fuel demand outlooks persistently subdued. There was, however, a slight increase in coal price towards the end of the week. After the first days of the week, annual product prices took an upturn and ended up on a slight upward trajectory at the weekly level.

#### SPOT MARKET

Nordic wind power production was very abundant last week and the weather was clearly milder than normal for the time of year. The weather was also clearly rainier than normal, and flow rates were above normal. The rainy weather forecasts also exerted downward pressure on spot prices. The system price dropped at the weekly level. Finnish wind power production was abundant, but electricity imports from Russia to Finland dropped as the New Year holiday period ended on Wednesday. The Finnish area price rose at the weekly level but settled at a level close to the system price.

#### EMISSIONS

Emission allowance prices fell last week. Downward pressure on the prices was exerted by the resumption of auctions. In addition, the broad European weather picture was still very mild and windy. The increased supply and the scant demand outlook pushed emission allowance prices down. Auction demand was also weak.

### DETERMINANTS AFFECTING THE MARKET ON WEEK 3

#### RESTRICTIONS IN PRODUCTION AND TRANSMISSION CAPACITY

- Nordic nuclear power plants are currently operating at a capacity utilization rate of 100%
- RU-FI transmission profile varies due to capacity payments, average imports from Russia last week were 79% of the maximum

#### AVERAGE SPOT PRICE AND EPAD

Price area (€/MWh)	2012	2013	2014	2015	2016	2017	2018	2019	2020*
NP System	31.20	38.10	29.60	21.00	26.91	29.41	43.99	38.94	27.31
NP Area FI - NP System	5.50	3.10	6.40	8.70	5.54	3.78	2.81	5.10	-1.16
NP Area SE1 - NP System	0.50	1.10	1.80	0.20	2.04	1.43	0.24	-1.00	-1.65
NP Area SE2 - NP System	0.60	1.10	1.80	1.00	2.04	1.43	0.24	-1.00	-1.65
NP Area SE3 - NP System	1.10	1.40	2.00	1.00	2.33	1.83	0.55	-0.58	-0.75
NP Area SE4 - NP System	3.00	1.80	2.30	1.90	2.62	2.77	2.37	0.86	0.52

\*Average for period between 1.1.2020-13.1.2020.

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Source for data: intStream, Tilastokeskus

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Indicator	ENOFUTBLQ2-20	ENOYR-21
Coal-fired production	28 %	13 %
Coal price	25 %	5 %
Gas price (NBP)	20 %	2 %
German price level	21 %	38 %
Spot	33 %	19 %
Crude oil Brent	0 %	7 %
Water reservoirs	1 %	8 %
EUR/USD FX rate	0 %	5 %
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	2	Chg	1	Chg
ENOFUTBLQ2-20	↘	-5.1%	↘	-11.9%
ENOYR-21	↘	1.4%	↘	-3.2%
NP System	↘	-8.6%	↘	-30.4%
NEDEC20	↘	-3.2%	↘	-6.4%

