

### NORDIC ELECTRICITY MARKET

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#### WEATHER FORECASTS SLIGHTLY DRIER AND COOLER

Forecast to week 5:	
ENOFUTBLQ2-20	↗ Bullish (>0%)
ENOYR-21	↗ Bullish (>0%)
NP System	↗ Bullish (>0%)
NEDEC20	↘ Bearish (<0%)

#### FORECAST TO WEEK 5

#### ELECTRICITY DERIVATIVES

##### Front quarter

Temperatures have taken a downturn and precipitation rates have also fallen compared with previous weeks. For the current week and the early part of next week, however, the weather type will remain milder and also rainier than normal for the time of year. For the period after the first days of next week, the weather forecasts indicate a chance of the weather type turning dry. At the same time temperatures are falling close to the normal level. There is, however, still considerable uncertainty involved in the weather picture, and the drying may only be temporary. Following a strong bearish trend, we can see potential for an upward corrective move in quarterly products due to the possible turn in the weather type.

##### Annual products

The possible turn to a dry weather type and the bullish quarterly products are also providing support for the front-year product. However, fuel prices are still very weak and the clearly bearish stock indices may maintain weak fuel prices during the current week. The broad European weather type is also still mild and windy. We expect the front-year product to climb slightly and the further-ahead products to be moving at levels close to last week's closing levels.

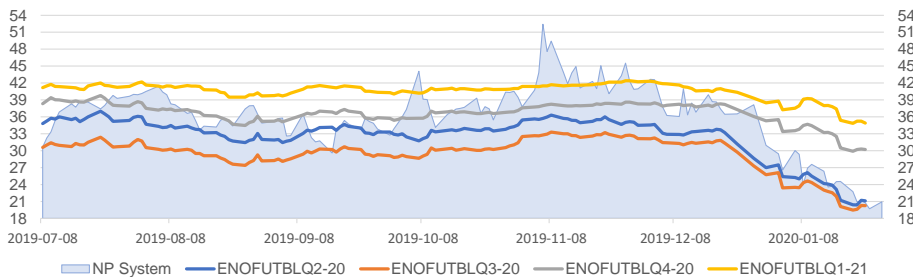
#### SPOT MARKET

Nordic wind power production has fallen close to the normal level. On Tuesday, wind power production will weaken to a level below normal, but for the rest of the week the output will be close to the normal level. Temperatures have taken a downturn, but the conditions will still be considerably milder than normal for the coming days. Precipitation rates have fallen and at the same time flow rates are falling. Flow rates will, however, remain above normal. The slightly drier weather forecasts will lend support to spot prices, but the still high hydro balance will curb spot price increases. We expect the system price to rise slightly at the weekly level and to settle at an average of €21.5/MWh. In Finland, the forest industry strike will reduce electricity demand but, on the other hand, electricity production will also decrease. Finnish wind power production will be weaker than normal on Monday but close to the normal level after Monday. We expect the Finnish area price to rise slightly at the weekly level and to settle at an average of €27.5/MWh.

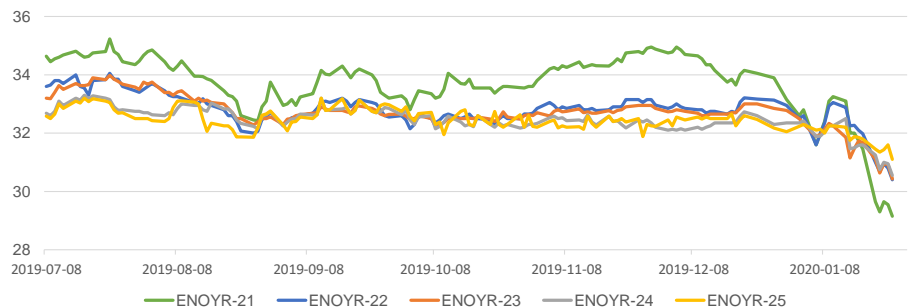
#### EMISSIONS

The broad European weather picture is still mild and windy and the emission allowance demand outlook is subdued. Downward pressure on emission allowance prices is also exerted by the very weak German electricity market and the bearish stock indices. We expect a fall in emission allowance prices.

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	24.1.2020	21.10	-8.9%	-2.05
ENOFUTBLQ3-20	24.1.2020	20.25	-7.5%	-1.65
ENOFUTBLQ4-20	24.1.2020	30.20	-7.2%	-2.35
ENOFUTBLQ1-21	24.1.2020	34.90	-6.7%	-2.50
ENOYR-21	24.1.2020	29.15	-7.3%	-2.30
ENOYR-22	24.1.2020	30.40	-4.9%	-1.58
ENOYR-23	24.1.2020	30.43	-3.9%	-1.25
ENOYR-24	24.1.2020	30.55	-3.3%	-1.05
ENOYR-25	24.1.2020	31.10	-2.2%	-0.70
NEDEC20	24.1.2020	24.45	-3.9%	-1.00
NEDEC20	24.1.2020	24.45	-3.9%	-1.00

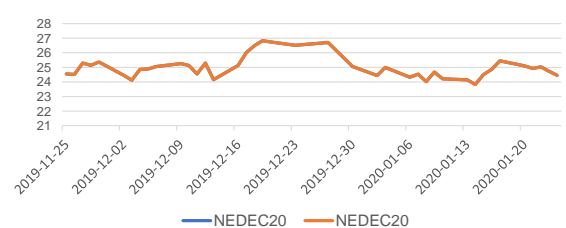
#### EPAD settlements

24.1.2020 (€/MWh)	2021	2022	2023
SYHEL	6.60	3.83	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	26.1.2020	20.82	-13.7%	-3.30
NP Area FI	26.1.2020	25.57	-5.0%	-1.35
NP Area SE1	26.1.2020	20.49	-13.2%	-3.11
NP Area SE2	26.1.2020	20.49	-13.2%	-3.11
NP Area SE3	26.1.2020	20.73	-14.1%	-3.41
NP Area SE4	26.1.2020	20.73	-14.1%	-3.41

#### Carbon EUR/CO2 t



COMMENTS ON WEEK 4

**ELECTRICITY DERIVATIVES**

**Front quarter**

Last week, quarterly products continued on a steep downward trajectory in the early part of the week. Weather forecasts still remained very wet and considerably milder than normal for the time of year. Quarterly products fell to new lows. Towards the end of the week, quarterly products recovered slightly as weather forecasts showed precipitation rates and temperatures normalizing after the beginning of February. The forecasts did not, however, indicate dry or cold conditions, and the upward correction ended up being very moderate.

**Annual products**

Annual products continued on a clear downward trajectory last week. The front-year product fell in the wake of the weak quarterly products and the high hydro balance. The persistently weak coal and natural gas prices strengthened the downward pressure. Downward pressure on the front-year product was strengthened by the weak technical picture as the product fell below the €31/MWh support level and, consequently, the product's long sideways trend turned bearish.

**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 system price dropped at the weekly level. Finnish wind power production was high in the first days of the week but dropped momentarily on Thursday. On Thursday, the Finnish area price settled clearly higher than the system price, but at the weekly level the gap between the Finnish area price and the system price was moderate.

**EMISSIONS**

Emission allowance prices took a downturn last week as the broad European weather picture still remained mild and windy. The prevailing weather type maintained a low demand outlook for emission allowances. Fuel prices also remained weak and the downtrend of the German electricity market continued.

Indicator	ENOFUTBLQ2-20	ENOYR-21
Coal-fired production	47 %	28 %
Coal price	53 %	31 %
Gas price (NBP)	52 %	25 %
German price level	47 %	51 %
Spot	66 %	50 %
Crude oil Brent	9 %	0 %
Water reservoirs	64 %	66 %
EUR/USD FX rate	4 %	0 %
Temperature	8 %	5 %
Precipitation	16 %	13 %

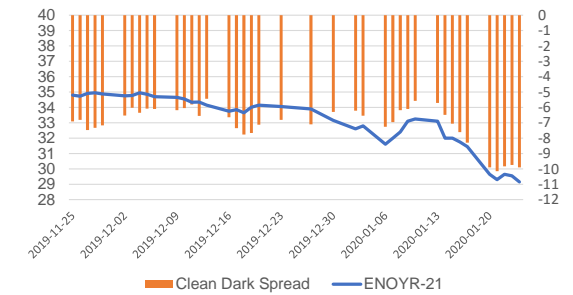
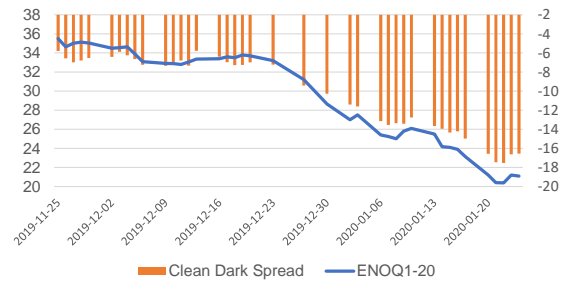
**Definition**  
The above figures measure the ability of market determinants to describe the price changes occurred in last 6 months. The affect is measured as Coefficient of Determination\*. Each variable is evaluated independently. We use a color scale to demonstrate efficacy, green (strong), yellow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

Forecast history	4	Chg	3	Chg
ENOFUTBLQ2-20	↘	-8.9%	↘	-11.3%
ENOYR-21	↘	-7.3%	↘	-5.4%
NP System	↗	-13.7%	↘	-11.0%
NEDEC20	↻	-3.9%	↘	5.1%

DETERMINANTS AFFECTING THE MARKET ON WEEK 5

**RESTRICTIONS IN PRODUCTION AND TRANSMISSION CAPACITY**

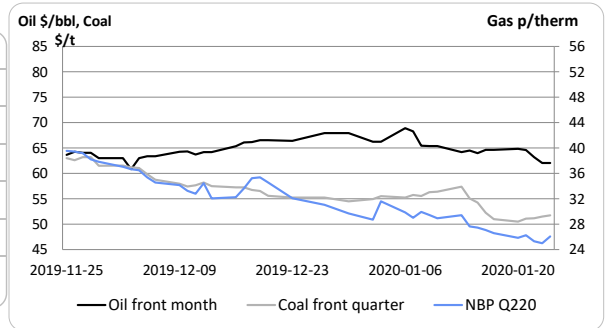
- Nordic nuclear power plants are currently operating at a capacity utilization rate of 100%
- RU-FI transmission profile varies due to capacity payments, average imports from Russia last week were 43% of the maximum



**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	24.60
NP Area FI - NP System	5.50	3.10	6.40	8.70	5.54	3.78	2.81	5.10	2.29
NP Area SE1 - NP System	0.50	1.10	1.80	0.20	2.04	1.43	0.24	-1.00	-0.96
NP Area SE2 - NP System	0.60	1.10	1.80	1.00	2.04	1.43	0.24	-1.00	-0.96
NP Area SE3 - NP System	1.10	1.40	2.00	1.00	2.33	1.83	0.55	-0.58	-0.46
NP Area SE4 - NP System	3.00	1.80	2.30	1.90	2.62	2.77	2.37	0.86	2.47

\*Average for period between 1.1.2020-27.1.2020.



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Source for data: intStream, Tilastokeskus

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