



## NEPOOL REC Market Report October 2018

Report 2.0 October 2018

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### Current Price Conditions

NEPOOL REC prices were remarkably stable in the past month as 2018 MA1 and CT1 RECs have found support at the \$4.00 level for now and have generally traded between \$4.00 and \$5.00. The Q1 trading period just closed on 9/15/18 so there is plenty of time left in the 2018 vintage trading period and it is likely that sellers are hoping that price can rebound later in the trading year. It is hard to envision a strong recovery in 2018 pricing and the fact that the 2017 vintage did not break below \$10 until the Q3 trading period is not encouraging.

The price spread between future vintages has widened in the past year, with 2019 trading in a \$8.00 - \$9.00 range and 2020 between \$14.00 - \$15.00. In particular, 2019 and 2020 had traded fairly flat to each other this time last year, but that spread is being driven by banking limitations under

NEPOOL				
Product	Term	Bid	Ask	Mid
MA Class I REC	2018	\$4.25	\$5.25	\$4.63
MA Class I REC	2019	\$8.00	\$9.00	\$8.50
MA Class I REC	2020	\$14.50	\$15.50	\$15.00
MA Class I REC	2021	\$14.00	\$21.00	\$17.50
CT Class I REC	2018	\$14.00	\$5.25	\$4.63
CT Class I REC	2019	\$8.00	\$9.00	\$8.75
CT Class I REC	2020	\$14.00	\$15.50	\$14.75
CT Class I REC	2021	\$18.50	\$21.50	\$20.00
ME Class I REC	2018	1.50	\$2.50	\$2.00
NH Class I REC	2018	\$4.25	\$5.25	\$4.75
RI New REC	2018	\$4.25	\$5.25	\$4.75
RI New REC	2019	\$8.00	\$9.00	\$8.75
MA Class II REC	2018	\$24.50	\$27.50	\$26.00
MA Class II WTE REC	2018	\$4.25	\$5.25	\$4.75
CT Class II REC	2018	\$1.50	\$3.00	\$2.38
CT Class III REC	2018	\$23.00	\$25.00	\$24.00
ME Class II REC	2018	\$0.75	\$1.30	\$1.03
MA APS REC	2018	\$15.00	\$18.00	\$17.00
RI Existing REC	2018	\$1.00	\$2.00	\$1.50
NH Class II REC	2018	\$5.00	\$20.00	\$12.50
NH Class II REC	2019	\$10.00	\$30.00	\$20.00
NH Class III REC	2018	\$5.00	\$14.00	\$9.50
NH Class IV REC	2018	\$20.00	\$25.00	\$22.50

NEPOOL REC programs which only allow load serving entities to bank forward 30% of their current year's REC requirements for use in the two subsequent compliance years. It is difficult to get a clear current view of how large a bank of surplus RECs exist in NEPOOL as there are significant delays in when the various states report this metric in their annual compliance reports. We do know that in MA, 14.2% of the RECs from 2015 generation were qualified to be Attributes banked forward for use towards Class I compliance in 2016 or 2017 (520,378) as compared to 10.5% banked forward from 2014 (403,876).



2020 is the first year that MA1 requirements begin to increase at the rate of 2% per year (up to 16% from 14% in 2019) and the MA Clean Energy Standard (CES) will increase to 20% in 2020, albeit with the incremental 4% requirement over MA1 being subject to a lower alternative compliance payment (ACP) that is just 50% of the prevailing MA1 ACP.

In general the NEPOOL Class 1 products are tracking each other closely. MA1 and CT1 are typically within \$0.25 - \$0.50 of each other in value, with MA1 recently holding about \$0.25 - \$0.35 premium to CT1. NH1 and RI "new" closely track MA1 pricing but are much less liquid. ME1 REC pricing is currently well below MA1, with most recent transactions for ME1 2018 in the \$2.00 - \$2.50 range due to the biomass generation that is ME1 eligible but not certified for other NEPOOL Class 1 markets.

Market participants are looking forward to the Q2 trading period open on 10/15/18 to review generation statistics for Q2 and gauge active supply.

## Market Developments

### Renewable Fuel Generation Q1 2017 vs. Q1 2018

From Vintage	To Vintage	Fuel Type	Certificates Total	Imported Certificates	ISO-NE Settlement	Behind the Meter
Jan-18	Mar-18	Biogas	1,754	0	5	1,749
Jan-18	Mar-18	Biomass	672,918	47,193	416,871	208,854
Jan-18	Mar-18	Digester gas	20,462	0	5,049	15,413
Jan-18	Mar-18	Fuel cell	78,078	0	42,896	35,182
Jan-18	Mar-18	Landfill gas	298,509	153,548	117,049	27,912
Jan-18	Mar-18	Photovoltaic	506,293	0	19,340	486,953
Jan-18	Mar-18	Wind	1,660,977	586,069	1,044,472	30,436
Jan-18	Mar-18	Wood	597,315	124,901	418,430	53,984
<b>TOTAL</b>			<b>3,836,306</b>	<b>911,711</b>	<b>2,064,112</b>	<b>860,483</b>

From Vintage	To Vintage	Fuel Type	Certificates Total	Imported Certificates	ISO-NE Settlement	Behind the Meter
Jan-17	Mar-17	Biomass	601,258	0	408,641	192,617
Jan-17	Mar-17	Digester gas	20,457	16	3,963	16,478
Jan-17	Mar-17	Fuel cell	73,111	0	41,661	31,450
Jan-17	Mar-17	Landfill gas	313,484	162,670	120,582	30,232
Jan-17	Mar-17	Photovoltaic	398,142	0	12,479	385,663
Jan-17	Mar-17	Wind	1,588,019	571,290	981,303	35,426
Jan-17	Mar-17	Wood	593,952	124,291	425,025	44,636
<b>TOTAL</b>			<b>3,588,423</b>	<b>858,267</b>	<b>1,993,654</b>	<b>736,502</b>

The NEPOOL GIS REC tracking system releases production data in discrete quarterly periods 3.5 months after the quarter of production closes. So the most recent NEPOOL generation attribute production data still dates back to Q1 of this year. Market participants are looking forward to the release of Q2 data on 10/15/18 which should give better insight and answers to the operation of renewable generation in New England this year. Has cost based generation such as biomass and LFG changed considerably? What is the status of imports of qualified renewable generation from adjacent areas such as NY and Quebec? How is the existing solar PV base performing?

### 2017 Retail Sales New England (MWh) vs. 2018 Retail Sales New England (MWh)

2017		2018	
State	Load	State	Load
CT	19,439,248	CT	19,852,858
MA	36,672,372	MA	38,098,375
RI	5,317,197	RI	5,457,987
NH	7,152,858	NH	7,373,573
ME	6,751,902	ME	6,052,504

\*data as of 8/31 of each year  
Data from NE-ISO [2017 & 2018 SMD Reports](#)

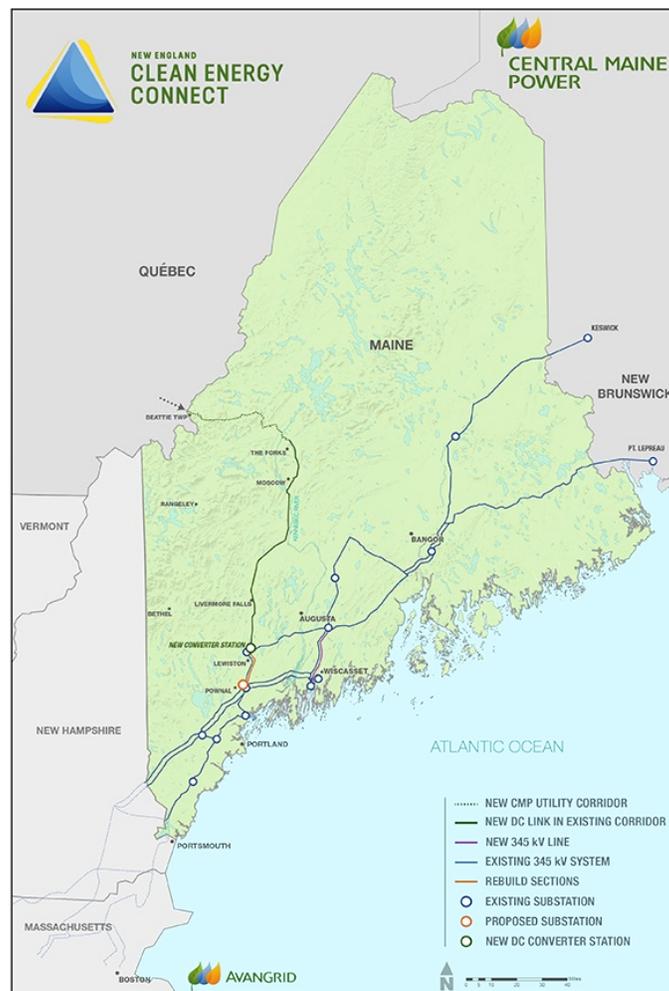
A review of ISO-NE load data for the various New England states for January – August of 2018 versus the same period last year shows some a relatively strong electric load year for most of the region. Note that this load data does not perfectly correlate with load that is subject to RPS compliance in every state due to various exemptions and differing requirements but it should generally point to trends on the demand side.

MA load as reported by ISO-NE is up 3.89% year on year for the period of January through August,

reflecting the importance of demand fundamentals during the peak summer period. CT, NH and RI electric load are also up from 2-3% during the same period. Somewhat of a headscratcher is the fact that ME electric load is still reflecting a decrease of 10% on the current year factoring in the August data.

## Regulatory Developments

- There is currently an ongoing battle surrounding the construction of the [New England Clean Energy Connect](#). The proposal would require cutting 53 miles of new transmission line corridor and widening 92 miles of existing corridors. People believe this would have serious effects on Maine's forests, fish and wildlife. The line would cross more than 100 streams that provide key habitat for brook trout in Maine, which is the last stronghold of brook trout in the United States. The connect would deliver Canadian hydropower and wind to the Northeast US, which is supposed to generate hundreds of millions of dollars in annual savings.



- National Grid has issued a [request for proposals](#) in Rhode Island for 10-15 year contracts for up to 400 MW of nameplate capacity of renewable energy and RECs from newly-developed renewable energy resources with nameplate capacity of at least 20 MW and not exceeding 200 MW each. Proposals are due by October 29, 2018 and winning bids will be selected in May 2019. This RFP comes after Deepwater Wind of Rhode Island was awarded 400 MW of offshore wind in June.
- New Hampshire legislators successfully overturned Governor Sununu's veto of [S.B. 365](#), which requires Eversource and other distribution utilities to pay above-market rates to the state's six biomass (wood-burning) power plants, the cost of which is passed along to consumers in their electric bills. The contract will last for three years, allowing the plants to become more competitive against fuels like natural gas. The "adjusted energy rate" means 80 percent of the rate, expressed in dollars per megawatt-hour.

- Massachusetts has launched their [Solar Massachusetts Renewable Target Program \(SMART\)](#) after receiving approval from the Massachusetts Department of Public Utilities. The program is geared toward solar projects under 5MW and is expected to save ratepayers an estimated 4.7 billion dollars compared to the current solar program. This is the first program of its kind that will offer solar incentives paired with storage.

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**914.323.0257 : [recsinfo@evomarkets.com](mailto:recsinfo@evomarkets.com)**

About Evolution Markets Inc. Evolution Markets Inc. provides strategic financial and industry-leading transactional services to participants in global environmental markets and the clean energy sector. Formed in 2000, the company has become the green markets leader, leveraging its unrivaled experience and knowledge on behalf of participants in the global carbon, U.S. emissions, renewable energy, weather derivative, and over the counter (OTC) coal, power, natural gas, oil, nuclear fuel, biomass, and biofuels markets. Evolution Markets is actively involved in the emerging compliance REC markets in NEPOOL, PJM, NY, CA, Texas, and the Midwest. In addition Evolution Markets also serves the nationwide voluntary REC market. Evolution Markets' Renewable Energy Markets team was voted "Best Broker" for U.S. Renewable Energy Certificate Markets by Environmental Finance magazine from 2003 to 2017.

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