

From: [Jennifer White](#)
To: [Jennifer White](#)
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Natural Gas and Electricity Quarterly Report

Natural Gas Review

Natural gas spot market prices at AECO averaged about 8.13 ¢/m³ (\$2.18/GJ), for the fourth quarter of 2023, down 1.03 ¢/m³ (\$0.28/GJ) from Q3 2023. And the price at DAWN was 8.13¢/m³ (\$2.18/GJ) for the quarter, up 0.23¢/m³ (\$0.06/GJ) from the previous one.

Canadian gas production continued to grow with an average 0.2 Bcf/d on a monthly basis, while weather remained much milder than normal throughout the three-month period. Net gas exports remained relatively flat from month to month, mainly due to the maintenance restrictions on pipelines early in the season to the US west at NGTL West Path and Westcoast's Huntingdon node, overall lower seasonal demand across North America, and strong domestic production and surplus storage south of the border.

As a result, Canadian natural gas storage inventories reached 88% of their capacity at the end of the injection season, and further to 103.4% full by December, after small net injections were seen in both the Eastern and Western regions during November. The record warm December not only decreased Canadian gas demand by 1.6 Bcf/d from the same month of 2022, but also sent spot gas prices at AECO down to the lowest level seen since last October.

After a net injection in the East and a small withdrawal at the West over the last week of December, Canadian natural gas storage wrapped the year at 98.2% full, totaling 260 BCF higher than the same period of the previous year.

US natural gas output from the lower 48 states reached a new all-time high of 104.2 Bcf/d in October, then added another 3.6 Bcf/d to a total of 108.4 Bcf/d in November, featuring the largest two-month production surge since 2017.

With robust domestic production, abundant inventories and lower heating demand, US natural gas futures have been struggled to find bullish support over the past months, and even slipped to a five-month low around \$2.30/MMBtu on December 12th. US gas storage inventories built up to 3,476 BCF at the end of 2023, 553 BCF (18.9%) higher than last year and 399 BCF (13.0%) above the five-year average.

Most recently, the severe cold snap that blasted both Canada and US drove up gas demand for heating and power generation, reduced production from well freeze-offs, and sent spot gas prices to record levels, especially for the days around the Martin Luther King Jr. holiday weekend. However, the much-improved weather forecast for the coming weeks has quickly brought back a more bearish sentiment, and pulled prices back within normal ranges.

Outlook for LAS Natural Gas Program Members

The LAS Natural Gas Program price is currently set at 13.6 ¢/m³ for the Nov 23-Oct 24 year. With the extreme volatility of natural gas prices experienced over the past several years, program members have been well protected in an extremely unpredictable market.

Even with a huge shift lower in the natural gas market over the past year, program prices remain right in line with both utility and forward natural gas market rates. LAS members continue to not only benefit from the budget certainty and price protection that the program's forward purchasing strategy provides, but can also be assured that it is achieved in the most cost effective manner.

To learn more about the LAS Natural Gas Procurement Program please contact Fernanda Lazzaro, Customer Service Representative at flazzaro@amo.on.ca.



Electricity Quarterly Report

Electricity Review

With the arrival of summer's first heatwave, Ontario reached 22,686 MW in 2023 on July 5th, 80 MW above the same period of the previous year. The weather, however, became much cooler and wetter than average as the season progressed into August, and many communities in the province stayed below 30°C for the entire month, resulting in much weaker cooling demand and more moderate spot pricing.

August's power consumption was also 6.1% lower than the same period of 2022, totaling 11.83 Terawatt-hours (TWh), the lowest for the corresponding month in the past four years.

September started with some of 2023's hottest temperatures. The 4-day long heatwave sent Ontario's power demand to a new high of 23,713MW on September 5th, about 1,000 MW more than the peaks of the last two years, and the highest daily settlement since the summer of 2016 at 13.87 ¢/kWh.

Compared to the record setting spot prices seen last summer, all the three-monthly settles of Q3 2023 were much milder, averaging only 3.71 ¢/kWh for the quarter, 46% lower than 6.93¢/kWh of Q3 2022.

Ontario's wholesale market closed the year of 2023 at 2.99 ¢/kWh, down 1.79 ¢/kWh or 37.5% from last year's record-setting price. With an annual GA rate at 7.22 ¢/kWh, the total commodity cost for the year averaged around 10.21 ¢/kWh, 0.8% higher than the cost of 2023.

Small business customers under the Regulated Price Plan (RPP) welcomed the new electricity commodity prices for the next 12 months on Nov 1, 2023. The new Time-of-Use (TOU) pricing is set at 18.2 ¢/kWh, 12.2 ¢/kWh and 8.7 ¢/kWh for on-peak, mid-peak and off-peak periods, and the tiered rates are offered at 10.3 ¢/kWh for the first 750 kWh and 12.5 ¢/kWh for the remaining usage.

These new RPP rates are 17%-21% higher than those published one year ago. However, the pre-tax total bill credit, Ontario Electricity Rebate (OER), has gone up by 7.5% to the new rate of 19.2%.

Without any influential market drivers or activities, the brief periods of volatility on the spot market did not add much upward pressure to the forward curves, and prices for both short-term and long-term contracts remained soft and stable over the past few months. Currently, contracts for the balance of 2024 are traded just above 5.20 ¢/kWh, and offers for calendar years 2025 and 2026 are sitting around 5.97 ¢/kWh and 5.94 ¢/kWh, respectively.

Ontario Electricity Price & Demand Table



Outlook for LAS Electricity Program Members

The latest reliability outlook report from the IESO indicates that Ontario's power system will have sufficient supply for the next 18-months under normal weather conditions.

Ontario's energy demand is expected to grow another 1.2% in 2024, according to IESO's forecast, and be further affected by economic activities, demographic growth, impacts of interest rate changes and inflation readings.

LAS offers an Electricity Program that participates in the energy commodity market to achieve a competitive price for municipalities while avoiding market volatility. For 2024, our program members are currently seeing a price that is

expected to be 4% lower than current time-of-use rates.

To learn more about the Electricity Procurement Program, please contact Fernanda Lazzaro, Customer Service Representative at flazzaro@amo.on.ca.



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155 University Avenue, Suite 800, Toronto, ON M5H 3B7

T: 416.971.9856, Toll-free: 1.877.426.6527 E: las@las.on.ca



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155 University Ave Suite 800 | Toronto , ON M5H 3B7 CA

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