

Q2 2025 Energy Market Analysis

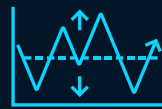
Navigating current natural gas and electricity
market conditions for energy buyers



Natural gas and electricity markets heading into Q2 2025 continue to exhibit volatility.

For businesses with contracts expiring before the end of 2025, **now may be the ideal time to secure fixed rates**—helping you lock in cost certainty and protect against upcoming market shifts.

What's influencing the energy markets...



Price Volatility

Global Supply & Demand

Heading into Q2, global economic activity remains robust, fueling steady energy consumption. At the same time, LNG demand abroad continues to outpace supply in some regions, putting upward pressure on U.S. natural gas prices as exporters capitalize on favorable international spreads.

Regulatory & Policy Shifts

New federal and state emissions-reduction targets set to take effect in early 2025 are accelerating coal retirements and driving additional investments in gas-fired and renewable generation. This transition heightens short-term pricing fluctuations—especially if retirements outpace the deployment of new capacity.



Seasonal Demand Spikes

Transition from Heating to Cooling

Q2 marks the end of the heating season and the onset of warmer weather in many regions. While natural gas demand for heating typically declines, early heat waves can quickly boost electricity demand (and, in turn, gas consumption by power generators).

Extreme Weather Events

Spring and early summer storms, along with potential pre-hurricane-season activity, can disrupt production and distribution. These unseasonably intense weather patterns may trigger unexpected demand spikes or supply constraints, resulting in short-lived but significant price volatility.



Supply Chain Disruptions

Infrastructure Constraints

Several planned pipeline expansions and maintenance projects have been delayed or extended into 2025, reducing the ability to move natural gas from production basins to high-demand load centers. This bottleneck effect can amplify local price disparities when demand rises.

Maintenance & Outages

Q2 is a common period for scheduled maintenance at production fields and generation facilities. Unexpected outages—on top of planned turnarounds—can tighten regional supply and push up spot prices, particularly if they coincide with early summer demand peaks.

Natural Gas Analysis: Henry Hub

The Henry Hub, located in Erath, Louisiana, serves as the primary pricing point for natural gas in the United States. On November 26, 2024, the Henry Hub natural gas futures market experienced a one year high.

Projected Pricing

Industry analysts anticipate that Henry Hub natural gas spot prices will range between \$3.50 and \$4.00 per MMBtu in Q2 2025—higher than typical winter lows but still below the sharpest peaks observed in the last couple of years. This moderate uptick reflects ongoing global Liquefied Natural Gas (LNG) demand and a stable U.S. production outlook.

Driving Factors

LNG Exports: Demand from Europe and Asia remains robust, with U.S. LNG exports from the Gulf Coast expected to stay elevated. As a result, domestic prices could see upward pressure if overseas buyers continue paying premiums for U.S. cargoes.

Storage Levels: Current projections from the EIA suggest that storage levels will be close to their five-year average entering spring 2025. If an early heat wave or unexpected production issue emerges, those inventories could tighten quickly, nudging spot prices higher.

Weather Outlook: Forecasters warn of potential early summer heat surges across the southern states. Such conditions typically boost electricity demand—especially for cooling—leading to increased gas usage at power plants and added price volatility.

Strategies for Energy Buyers

Lock In Contracts: Securing fixed-rate contracts before summer can help businesses avoid cost spikes if weather-driven demand surges or if unforeseen supply disruptions arise.

Consider Seasonal Layering: Combining index-based contracts with targeted, layered purchases for high-demand periods can offer a balanced approach to cost certainty and potential price dips during mild weather stretches.

Regional Analysis: PJM

PJM serves as the regional transmission organization (RTO) for 13 states in the Mid-Atlantic and parts of the Midwest including Delaware, Illinois, Maryland, Michigan, New Jersey, Ohio, Pennsylvania and DC. This region represents one of the largest and most complex electricity markets in the United States.

Market Dynamics & Price Risk

Congestion & Capacity

In Q2, the lingering effects of PJM's most recent capacity auctions are expected to factor into wholesale pricing—particularly in high-demand areas such as Pennsylvania, Maryland, D.C., and New Jersey. Continued transmission congestion in these zones can create localized price spikes, especially during early summer heat as well as severe weather events.

Natural Gas Reliance

The accelerated retirement of coal plants and an increasing share of natural gas-fired generation make PJM particularly sensitive to changes in Henry Hub prices and pipeline capacity. Any bottlenecks or supply constraints could amplify power prices across the region.

Strategies for Energy Buyers

Explore Seasonal Layering or Block

Products: If your usage peaks in the summer or winter, partial block or seasonal layering strategies can mitigate price spikes while still allowing you to benefit if the market softens.

Leverage Demand Response

Programs: Participating in PJM's demand response or peak load management initiatives can lower capacity costs and offer additional savings over your contract's life.

Regional Analysis: ERCOT

ERCOT (Electric Reliability Council of Texas) oversees the electricity market in Texas, operating independently from other grids in the U.S. Its unique structure makes it a high-profile case in competitive market design.

Grid Reliability & Weather

Summer Demand: ERCOT's summer peak demand is projected to increase due to population growth and potential early heat waves.

Energy-Only Market: Without a capacity market, scarcity pricing can lead to substantial real-time price spikes when reserves thin.

Renewable Penetration: Rapid growth in wind and solar generation provides potential cost benefits during peak production hours, but unexpected lulls in output can exacerbate real-time scarcity pricing—particularly during heat waves—highlighting ERCOT's ongoing reliability challenges.

Recent Developments

Reliability Initiatives: Proposed ERCOT rule changes aim to incentivize dispatchable generation to reduce the frequency of scarcity events.

Renewable Growth: Wind and solar capacity additions can moderate prices in some hours but also contribute to volatility if generation drops unexpectedly.

Strategies for Energy Buyers

Managing for Volatility: Fixed or Block-and-Index contracts can help protect against sudden real-time price spikes.

Demand Response: Participating in demand-response programs can provide significant savings during high-price intervals.

Regional Analysis: ISO New England

ISO New England (ISO-NE) manages the electricity grid in the six New England states. Its market dynamics are shaped by the limited access to natural gas pipelines and reliance on imported fuels.

Pipeline Constraints & Winter Legacy

Limited Infrastructure: Even going into the warmer season, constraints persist because of limited pipeline capacity to supply gas-fired generation.

Fuel Mix: ISO-NE's reliance on natural gas, coupled with potential LNG imports, keeps the region exposed to global gas market volatility.

Upcoming Summer Outlook

Reliability Programs: While winter reliability is a major focus, summer peak readiness is also critical if heat waves coincide with pipeline constraints.

Renewables in Progress: Offshore wind projects remain in development; they could eventually alleviate some gas dependency but will not significantly impact Q2 2025.

Strategies for Energy Buyers

Account for Potential Price

Swings: Even post-winter, pipeline or LNG constraints can elevate summer prices if demand surges.

Join Demand Response:

Enrolling in ISO-NE's peak-reduction programs can reduce costs during pipeline constraints or heat waves, stabilizing budgets and adding flexibility.

Regional Analysis: NYISO - New York

NYISO manages the electricity grid and wholesale markets for New York State. The state faces challenges from missing targets for adding clean energy resources, aging infrastructure, and increasing energy demand.

Grid Reliability & Weather

Fossil Fuel Retirements: By Q2 2025, ongoing retirements of gas-fired and remaining coal units continue to outpace new renewable capacity. This imbalance heightens the risk of capacity shortfalls on high-demand days, particularly in downstate load centers.

Infrastructure Upgrades: Although New York is investing in transmission improvements to connect upstate renewables with the NYC area, many projects won't be fully operational by early summer 2025. Transmission bottlenecks may still limit the flow of lower-cost power, potentially driving up local prices.

Recent Developments

Heat Waves: The Northeast could experience early-summer heat surges, pushing real-time electricity demand—and prices—to peaks. NYISO's reliance on natural gas for peak generation underscores the potential for price volatility if gas supply tightens.

Electrification Trends: State-led electrification initiatives in transportation and building sectors are gradually increasing baseline demand. By Q2 2025, more electric vehicles and heat pumps could add extra load, intensifying stress on the grid during extreme weather events.

Strategies for Energy Buyers

Protect Against Price

Volatility: Long-term fixed-rate contracts provide stability amid increasing market variability.

Participate in Demand Response Programs:

Businesses can lower costs by participating in programs that incentivize reduced electricity usage during peak demand periods.

Today's rates are lower than the three-year average in many markets. If your contracts are set to expire in the next eight months here are three questions to consider when deciding when to renew.

How important is cost security?

Securing energy contracts at current rates can protect your business from future price hikes, ensuring more predictable operating costs and more accurate budget planning.

Do I want to avoid price spikes?

Long-term contracts can protect against market uncertainties, including sudden supply disruptions or regulatory changes that could affect your energy prices.

Am I optimizing expenditures?

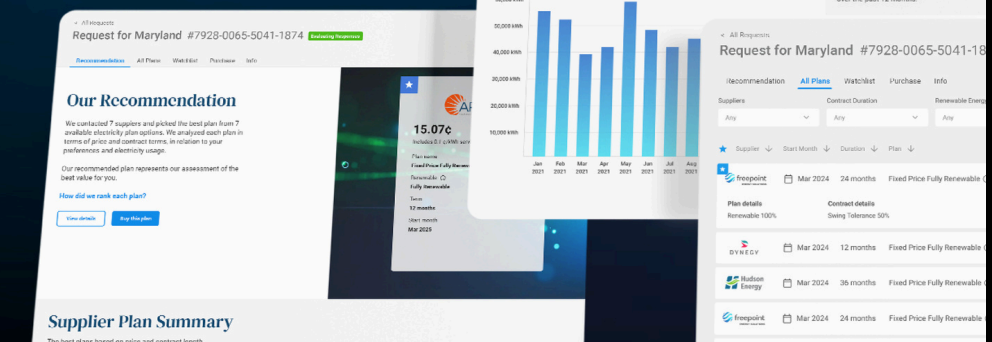
By managing energy costs effectively, your business can allocate resources to other strategic initiatives, gaining an edge over competitors.

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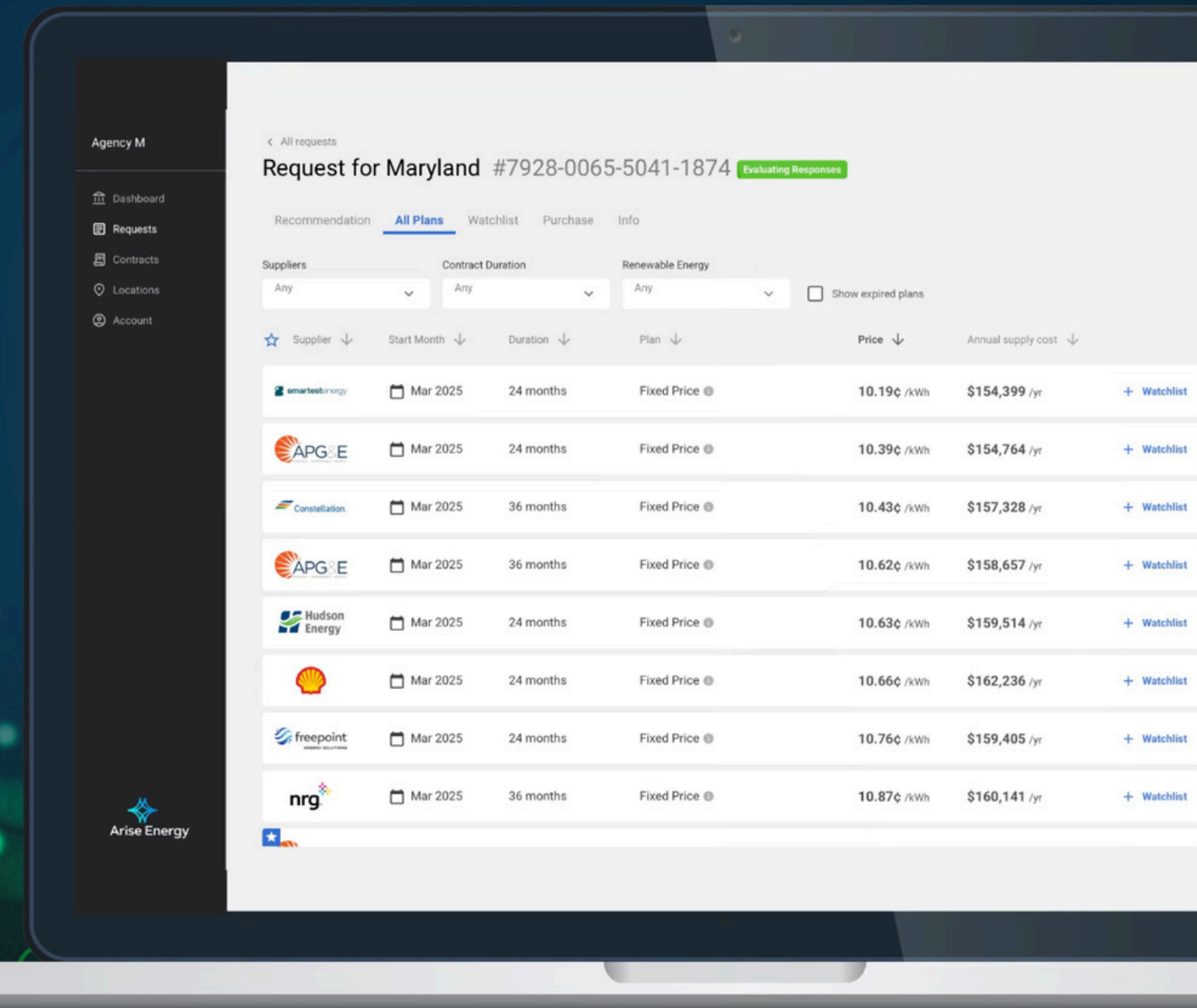
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Request for Maryland #7928-0065-5041-1874 Evaluating Responses

Recommendation **All Plans** Watchlist Purchase Info

Suppliers Any Contract Duration Any Renewable Energy Any ☐ Show expired plans

☆ Supplier ↓	Start Month ↓	Duration ↓	Plan ↓	Price ↓	Annual supply cost ↓	+ Watchlist
 Smartest Energy	Mar 2025	24 months	Fixed Price Ⓢ	10.19¢ /kWh	\$154,399 /yr	+ Watchlist
 APG-E	Mar 2025	24 months	Fixed Price Ⓢ	10.39¢ /kWh	\$154,764 /yr	+ Watchlist
 Constellation	Mar 2025	36 months	Fixed Price Ⓢ	10.43¢ /kWh	\$157,328 /yr	+ Watchlist
 APG-E	Mar 2025	36 months	Fixed Price Ⓢ	10.62¢ /kWh	\$158,657 /yr	+ Watchlist
 Hudson Energy	Mar 2025	24 months	Fixed Price Ⓢ	10.63¢ /kWh	\$159,514 /yr	+ Watchlist
 Shell	Mar 2025	24 months	Fixed Price Ⓢ	10.66¢ /kWh	\$162,236 /yr	+ Watchlist
 freepoint	Mar 2025	24 months	Fixed Price Ⓢ	10.76¢ /kWh	\$159,405 /yr	+ Watchlist
 nrg	Mar 2025	36 months	Fixed Price Ⓢ	10.87¢ /kWh	\$160,141 /yr	+ Watchlist

Arise Energy

Supporting Data and Resources

U.S. Energy Information Administration

- Short-Term Energy Outlook – Monthly forecasts for natural gas, electricity, and liquid fuels.
- Weekly Natural Gas Storage Report – Inventories and regional data offering insights into near-term price drivers.
- Electric Power Monthly – State-by-state generation mix, retail rates, and capacity updates.

Regional ISO/RTO Dashboards

- PJM: <http://www.pjm.com>
- ERCOT: <http://www.ercot.com>
- ISO-NE: <http://www.iso-ne.com>
- NYISO: <http://www.nyiso.com>

Federal Energy Regulatory Commission (FERC)

- FERC: Market Assessments – Regulatory updates and seasonal market outlooks.



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