



New England Energy Market Developments

Written by: Todd Bohan, PhD, Regulatory Specialist

It is hard to forget the start of 2018 as the *Cold Snap* that descended upon the region tied or set new record-low temperatures and record high-energy prices. Some portions of the Northeast region had not experienced temperatures that low for that sustained period of time in roughly 100 years. These extreme cold conditions resulted in an increase in the demand for natural gas for heating purposes and at the same time, natural gas was in high demand for use as a fuel to fire electric generation. During this event, ISO-New England was putting the final touches on its *Operational Fuel Security Analysis*, a study aimed at evaluating whether possible future electric generation resource combinations would have enough fuel available to ensure electric system reliability throughout future winters.

The major findings of ISO-New England's study are as follows: (1) New England's limited fuel infrastructure, primarily natural gas and oil, will eventually cause severe electric reliability issues if fuel security is not addressed. (2) During the *Cold Snap* constrained natural-gas pipelines resulted in substantially higher natural gas prices with some areas reaching historic highs and this led to much older and less efficient oil and coal-fired power plants running to keep the lights on with dual-fueled power plants switching over to burn oil during periods when natural gas prices spiked. (3) This raised reliability issues: (a) a high burn rate for oil-fired generators diminishes oil inventory that inevitably needs to be replaced and during extreme weather conditions resupplying that oil inventory can become challenging; and (b) emissions regulations can limit the run-time of oil-fired generators.

ISO-New England has been discussing the need for additional fuel supply infrastructure or measures that will significantly reduce the need for wholesale electricity production or natural gas supply during peak periods. However, several attempts on a regional and individual state basis to find innovative ways to finance new natural gas pipeline investment has not resulted in that investment materializing today or in the near future. Absent any changes, the likely result will be emergency actions by New England's electric grid operator as soon as 2024 to protect the electric system and maintain operations under peak demand conditions.

With environmental concerns at the forefront of policymaking, there has been a paradigm shift toward renewable sources in the generation of electricity and away from others. One major initiative was the Access Northeast natural gas pipeline project that would have included an upgrade of 125 miles of the Algonquin pipeline system to provide over 900,000 dekatherms per day to natural-gas fired electric generation plants. Due to a lack of policy support for a funding mechanism, the project developer suspended its efforts. Another major power project under consideration is the Northern Pass Transmission Project (NPTP) which is a proposal for a 192-mile, high-voltage transmission line to bring 1,090 megawatts of hydroelectric power from Canada to New Hampshire and New England. After years in development planning, the NPTP resulted in 70 days of hearings and the New Hampshire Site Evaluation Committee (the entity charged with review, approval and oversight of the project) recently voting unanimously to end its deliberations and not approve the NPTP. The status of the project is uncertain as the Site Evaluation Committee's written order is forthcoming and the NPTP is undertaking efforts for reconsideration. The bottom line is that these are examples of energy infrastructure proposals in New England that have not come to fruition and the challenges discussed above still remain.

Many factors can affect energy markets including weather-related events and operational factors affecting energy generation and delivery. These events can arise quickly and result in significant market changes that can impact your energy costs. Sprague can help you understand and manage your business in a changing energy marketplace.

For more information on energy, call 855.466.2842 or visit www.spragueenergy.com.