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650-MW Killingly gas-fired plant in Connecticut receives last major permit

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The **Connecticut** Siting Council approved the 650-MW Killingly **natural gas** -fired power plant, which has a firm fuel supply agreement to receive **gas** from the Algonquin **Gas** Transmission interstate pipeline, the plant's developer said Friday.

Firm **gas** supply will be provided by the AGT pipeline through an upgraded connection by Yankee **Gas** , Jennifer Logue, spokeswoman with NTE Energy, said in an email Friday.

The **Connecticut** Siting Council Thursday approved NTE Energy's application for a Certificate of Environmental Compatibility and Public Need, which is the last major permit required. There are "a couple of minor permits remaining that are in process," Logue said.

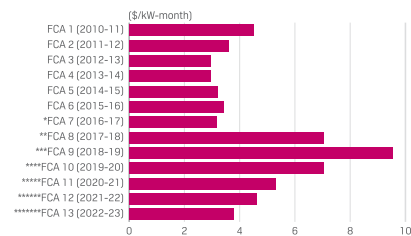
With the receipt of the certificate, construction could begin as early as this fall, NTE CEO Seth Shortlidge said in a statement. Construction will begin once the project's financing has been finalized, the company said, and the expected completion date is March 2022.

The dual-fuel combined-cycle power plant, sited in northeastern **Connecticut** , will use ultra-low **sulfur diesel** as a backup fuel.

Capacity auction

The Killingly plant's full capacity cleared ISO **New England** 's most recent capacity market auction, which resulted in the lowest prices in six years. The auction held in February secured capacity to meet anticipated power demand in 2022-2023, which cleared at a price of \$3.80 per kilowatt-month.

ISO-NE FORWARD CAPACITY MARKET AUCTION CLEARING PRICES



* In FCA 7, new capacity in the NEMA/Boston zone cleared at \$14.88/kW-month, while existing capacity received \$6.56/kW-month.
 ** In FCA 8, the auction cleared at \$15/kW-month for new capacity in all zones and existing capacity in NEMA/Boston; existing capacity in all other zones will receive \$7.025/kW-month.
 *** In FCA 9, new capacity in SEMA/RI will receive \$17.73/kW-month, while existing capacity will receive \$11.08/kW-month.
 **** In FCA 10, New York AC Ties closed in Round 4 at \$6.26/kW-month and New Brunswick closed in Round 5 at \$4/kW-month.
 ***** In FCA 11, all three capacity zones and imports from New York and Quebec closed in Round 5 at \$5.30/kW-month and imports from New Brunswick closed in Round 6 at \$3.38/kW-month.
 ***** In FCA 12, all three capacity zones and \$24 MW of imports from New York and 57 MW from Quebec closed in round 4 at \$4.63/kW-month. Imports over two other interconnections from neighboring regions, Quebec and New Brunswick, continued into a fifth round, which closed at \$3.70/kW-month for 442 MW from Quebec and \$3.16/kW-month for 194 MW from New Brunswick.
 ***** In FCA 13, 4,040 MW of energy-efficiency and demand-reduction measures, including 654 MW of new – the equivalent of a large power plant – in the primary auction, 1,188 MW of total imports in the primary auction from New York, Quebec, Canada and New Brunswick, Canada
 Source: ISO New England

Killingly Energy's clearing in the primary auction, along with an increase in the volume of **renewable** technology resources, "was a large contributing factor to why the auction price cleared much lower than expectations," S&P Global Platts Analytics said in a research note.

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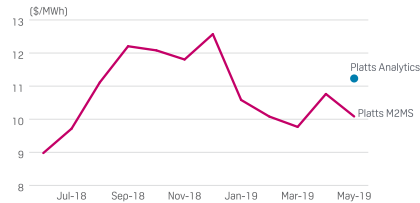
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Geopolitical Region:
Connecticut; ISO New England; New England

"In clearing at \$3.80/kW-m in FCA 13, Killingly Energy Center would presumably need healthy operating margins to recover costs," Kieran Kemmerer, power market analyst with Platts Analytics, said in an email Friday.

Platts Analytics forecasts round-the-clock spark spreads at **Mass Hub** in 2022 upwards of \$11/MWh (assuming a 6,500 Btu/kWh heat rate). However, forward spark spreads as indicated by Platts M2MS Forwards are currently averaging just \$10/MWh in 2022, after nearing \$13/MWh in December 2018, Kemmerer said.

MASS HUB - AGT 2022 SPARK SPREADS (6.5K)



Source: S&P Global Platts Analytics

"Platts Analytics' forecast for the price of **natural gas** at Algonquin drives the ~10% difference in spark spreads between our estimates and those indicated by the market. Still, the lower heat rate of newer CCGTs gives them a distinct advantage: increasing the assumed heat rate to 7,500 Btu/kWh compresses spark spreads roughly \$4/MWh," he said.

The **gas**-fired plant is being developed at a time when **ISO-NE** is analyzing its increasing reliance on **gas**-fired power amid potential winter supply constraints. In 2000, **natural gas** fueled just 15% of the region's power, but in 2018 **gas** fueled 49% of **ISO-NE**'s **generation**, according to the grid operator.

During recent winters, regional **gas** utilities have been using most, if not all, of the capacity on the pipelines that carry **gas** into **New England**, according to **ISO-NE**. This leaves very little to no pipeline capacity for power generators without firm supply contracts.

It appears that having a firm supply agreement could help the Killingly plant avoid that problem.

There are currently almost 34,000 MW of capacity from **Connecticut** the **ISO-NE** interconnection queue, of which roughly 1,300 MW is attributed to **gas**-fired resources, including Killingly. There are about 2,100 MW of **solar** and **wind power** in the queue.

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