

News : New York power prices tied to gas prices for foreseeable future, could rise this winter

By Jared Anderson

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- Power prices tripled from 2021 to 2022
- **Gas** prices could rise this winter: analysts

The **New York Independent System Operator** warned of a wholesale **electricity** cost increase expected this winter due to several economic and geopolitical factors impacting the market cost of natural **gas** used in power generation, according to a Sept. 13 paper.

"Fossil fuel costs have risen dramatically in the past year due to economic factors rooted in the pandemic and amplified by the **Russian** invasion of **Ukraine**," the grid operator said in the paper titled "Impact of National & Global Conditions on **Electricity** Prices in **New York**."

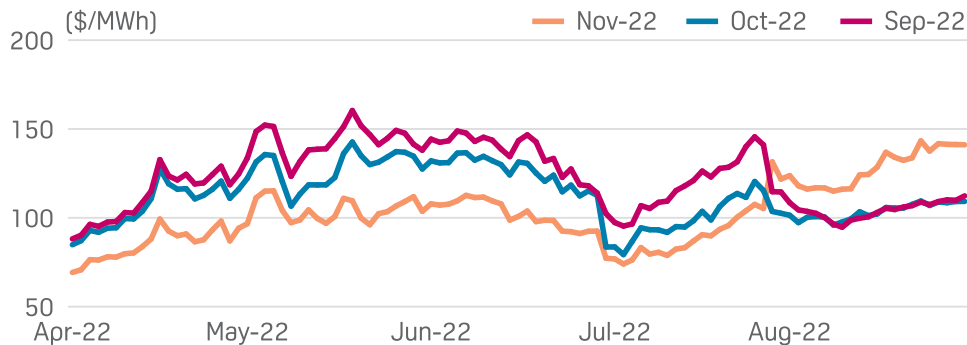
As a result of pandemic-related lockdowns, **New York** observed average daily load, or demand for **electricity**, decline nearly 4% in 2020 compared to 2019, which reduced demand for all forms of energy, causing fossil fuel costs and **electricity** market prices to decline as well, the grid operator said.

However, with the easing of lockdowns, power demand increased more rapidly than the production of commodities like natural **gas**, which is used to generate considerable volumes of power in **New York**.

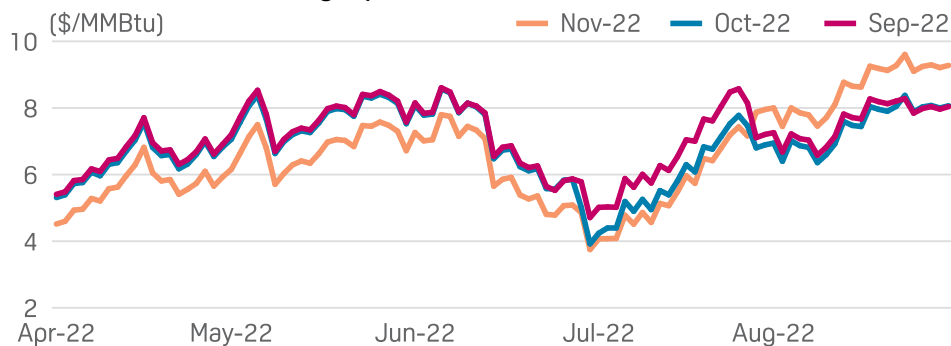
In January, **gas** prices increased 279% on the year because of a combination of domestic factors like inflation and international pressure, the paper said.

NYISO FORWARD POWER, GAS PRICES

NYISO Zone J Peak forward power prices



Platts Transco Zone 6 forward gas prices



Source: Platts M2MS

Higher fuel costs led to higher average wholesale power prices, and in February, the average year-to-date wholesale **electricity** cost was \$118.36/MWh, according to **NYISO** data. That was a 123% increase on the year and through July, the average year-to-date wholesale cost for **electricity** declined to \$90.31/MWh, representing an increase of 115% over costs in July 2021, **NYISO** said.

Electricity prices are closely tied to the price of natural **gas**, which is the primary fuel used for power generation in **New York** State, so whenever **gas** prices rise, the state sees a corresponding increase in **electricity** prices, the paper said.

"Delivered **gas** prices are expected to remain elevated through the remainder of the year and into next year," **Platts Analytics** said in its most recent **North American Electricity** Short-Term Forecast. "**Gas** prices for the winter (November-March) have elevated slightly to an average of \$13.40/MMBtu from \$12.70/MMBtu in our prior outlook" and prices are not expected to moderate until next April, it said.

The average wholesale cost of **electricity** in **New York**'s markets more than tripled from January 2021 to January 2022, from \$40.69/MWh to \$137.49/MWh, **NYISO** said.

Fuel mix changes

New York 's climate law requires the state to move to 70% **renewable electricity** by 2030 and **emissions** -free power by 2040.

"Until there are enough clean energy resources on the grid to replace the reliability services provided by fossil-fueled generation, natural **gas** must continue to play an important role in meeting energy needs in **New York** and maintaining system reliability," the grid operator said.

"**Gas** -fired generation exceeded 10 aGW for August to help meet incremental demand, nearly constant year on year," Platts Analytics said. "This is largely anticipated though as natural **gas** still made up 47% of **NYISO** 's generation stack in 2021 and we anticipate it will grow slightly to 50% for 2022," the analysts said.

Dual-fuel units, which typically run on **gas** with a backup fuel like oil, accounted for 31.7% of the **NYISO** fuel mix in August, down from 32.8% in July and 32.2% in August 2021, according to **NYISO** data. **Gas** -fired power accounted for 29.1% of the **NYISO** generation mix, up from 27.2% in July and 26% in August 2021.

That transition towards natural **gas** contributed to the complete phase-out of **coal** -fired generating capacity from the grid since 2000, **NYISO** said.

The grid operator also said that its studies suggest intermittent and storage resource technologies will not be capable of supplying the grid reliably on their own and will need to be supplemented by "power generation technologies that can meet the objectives of clean energy public policies while being able to be dispatched on demand and capable of operating for timeframes ranging from hours to days or even weeks."

In the future, these capabilities may be provided by clean fuels like **hydrogen** or **renewable** fuels, but while the grid remains in transition, reliability "will likely depend upon fossil fuels" and reflect the costs for those fuels, **NYISO** said.

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