

News : US FERC's winter reliability report highlights gas supply, extreme weather risks

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- Generation shortfall risks during prolonged cold
- Rising exports, lower storage seen driving up **gas** prices

The **US** is expected to have sufficient power generation headed into what is projected to be a relatively mild winter, but **natural gas** supplies remain a concern in the fuel-constrained Northeast, according to the **Federal Energy Regulatory Commission** 's annual winter reliability assessment.

Increased **gas** exports, combined with lower-than-average storage inventories, are expected to put support higher **gas** prices for the winter, the report said, anticipating that high **LNG** prices also could lead to scarce **gas** supplies during peak demand in some areas.

Following the Northern Hemisphere's second-hottest summer on record, the **National Oceanic and Atmospheric Administration** is forecasting higher-than-average temperatures for most of the **US** , except the **Pacific Northwest** and western North Central regions, this winter.

But the ISO **New England** and **Midcontinent Independent System Operator** regions, as well as **Texas** and parts of the Southeast, could struggle with power capacity shortfalls during extreme weather scenarios similar to the winter storm in February 2021, **FERC** staff said during a presentation at the agency's Oct. 20 monthly open meeting.

The mid-February 2021 severe cold event knocked out power for millions of customers the **Electric Reliability Council Of Texas** served and resulted in more than 200 deaths.

"It is good news that in each region of the country, **we** have a sufficient amount of generating capacity to meet effective demand under normal conditions," said Chairman Richard Glick. "But **we** also know, based on the last several years, that extreme weather can occur quite frequently and all over the place in different forms."

New England challenges

Like previous reports, **FERC** 's reliability assessment found that **New England** 's power grid is particularly vulnerable due to the region's limited **gas** pipeline capacity and high levels of **gas** -fired generation.

FERC recently held a forum in Burlington, **Vermont** , where industry experts proposed a range of solutions, including market reforms that further incentivize generation resources to store fuel on-site ahead of extreme weather forecasts.

During the Oct. 20 meeting, Glick called the **New England** region's reliance on **LNG** imports "unsustainable."

"It's just crazy to be so reliant on **LNG** imports," Glick said, citing a spike in **natural gas** prices.

Natural gas futures prices near **Boston** for winter 2022-2023 were \$23.57/MMBtu, a 38% increase from last winter, **FERC** staff noted.

Outside of **New England** , **gas** pipeline constraints may occur in Southern **California** and the desert Southwest, according to the report, which also cited an outage reducing capacity on the El Paso **Natural Gas** system. **California gas** supplies also could be affected as TC Energy's Baja XPress Project enables new exports to **Mexico** , the report said.

Glick also repeated calls for more interconnection ties between the siloed **Texas** power grid, which is largely exempt from **FERC** regulation, and the rest of the **US** transmission system. **ERCOT** was forced to implement massive power outages during the 2021 winter storm, but the neighboring **MISO** and **Southwest Power Pool** regions avoided widespread blackouts by importing power from the **PJM Interconnection** , Glick noted.

"**We** need to spend a lot more time talking with **Texas** and others about building extra transfer capacity so that, when things are cold [and] when **Texas** really needs power, they can wheel power in from other regions," Glick told reporters following the Oct. 20 meeting.

Global gas market impacts

Turning to the **natural gas** markets, Kelly Shannon with **FERC** 's Office of Energy Policy and Innovation noted that **gas** futures prices this winter exceed the final prices of last winter at nearly every major **US** trading hub.

Global markets are likely to affect **US gas** markets and prices, according to **FERC** staff, while domestic consumption is expected to see relatively little growth.

"**US LNG** export demand is forecasted to remain high this winter, due to strong forecasted profit for exporting to both **European** and **Asian** markets," Shannon said. Net exports are forecasted to be 24% above last winter's levels, driving most of the rise in **gas** demand, along with a 3.5% rise in residential-commercial use.

"High global **LNG** prices are likely to continue to incent **US LNG** exports, even in a very cold winter scenario in which spot prices climb well above recent averages," she said.

Glick said it is important for **FERC** to keep an eye on the higher **gas** prices, which also supports higher **electricity** prices, but he noted the commission lacks authority to control the **gas** prices.

"**We** do have authority over market manipulation, and **we** need to make sure that people don't take advantage of the situation," he said while adding he did not contest the "geostrategic significance" of **gas** exports.

The focus on **gas** prices sparked a brief debate among **FERC** members.

Commissioner James Danly worried **FERC** had failed to address some systemic problems contributing to higher prices by slowing reviews of **gas** pipeline infrastructure.

Uncertainties about when **FERC** will provide a decision on the merits means developers "can't give a timeline to anyone, not their bankers, to their potential counterparties, not to their shippers," he said.

And Commissioner Mark Christie argued that one of the drivers of **gas** demand, which ultimately affects prices, is the “premature retirement” of **coal** - fired generation.

In comments to reporters, Glick pushed back on both those explanations for rising prices, saying the reason is simple supply and demand.

“Demand, in particular, is going up at a very great rate,” he said, pointing to exports as the source of upward pressure.

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