

News : Fate of Massachusetts LNG import terminal a growing concern for gas utilities

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- Time of the essence for Constellation
- Pipeline constraints an issue

Though an initial bout of elevated winter gas prices is in the rear-view mirror for New England, the road ahead for the region to meet its fuel needs remains murky due to the uncertainty surrounding an LNG import and gas storage terminal in Everett, Massachusetts, gas utilities and market observers said.

The future of the LNG facility is hanging on negotiations taking place among regional gas utilities and facility owner Constellation, which has indicated that the Everett terminal could close at the end of May if an agreement is not in place. The gas-fired generation units at the Mystic power plant that have been among the LNG facility's biggest customers are due to retire May 31.

Constellation spokesperson Mark Rodgers said time is of the essence in a recent email, and utility parent companies National Grid and Eversource Energy said the Everett terminal remains an important resource that is needed to meet gas supply and reliability needs.

Constellation has been negotiating with counterparties over supply contracts to provide gas and cover the LNG facility costs, but no agreement has been reached.

The talks with Constellation are confidential "and any agreements would be filed with the Massachusetts Department of Public Utilities for approval" in due course, William Hinkle, spokesperson for Eversource, said in a Jan. 26 email.

National Grid and other utilities acknowledged pipeline infrastructure constraints into New England, while declining to directly address the status of negotiations with Constellation or the future of the Everett facility. "We believe that LNG facilities are critical to maintaining reliable electric and natural gas service for New England customers for the next several years," National Grid spokesperson John Lamontagne said in a Jan. 29 statement.

"That said, the region cannot and should not rely on imported LNG as a critical supply element," Lamontagne continued. "We need to transition to cleaner and more stable sources of supply" that balance renewable resources, energy storage, more energy efficiency and increased pipeline capacity.

However, gas utilities indicated a more urgent need for continued service from the Everett LNG facility in filings with the Massachusetts DPU and the Federal Energy Regulatory Commission.

If the Everett terminal, which has 3.4 Bcf of storage capacity and regasification for imported LNG cargoes, closes but gas demand "does not decline as soon as some anticipate, there is no plausible solution that could be implemented in a timely manner to meet that demand," National Grid said in a FERC filing.

Solutions

Berkshire Gas, owned by Avangrid, echoed this drastic scenario in a DPU filing, saying: "Should the Everett facility cease to operate in the future, Berkshire would be supply-deficient on design day," as other infrastructure options are limited and would take too long to gain approval to substitute for gas supplies from the LNG terminal.

"It is impossible to calculate precisely what the impact could be, but indications are it would be severe," Berkshire Gas said, referencing prices of more than \$100/MMBtu on pipelines serving New England in early February 2023 and asserting a likely dramatic increase in reliability risk.

A New England gas demand outlook from S&P Global Commodity Insights shows January demand declining by about 175 MMcf/d in 2030 under normal weather, compared with the January average during 2019-2023, said Matthew Piatek, director of gas, power and climate solutions at S&P Global.

However, "there's still significant daily volatility" that can strain gas transportation networks into the region, Piatek cautioned. Given pipeline and underground gas storage limitations, constraints can emerge on high demand days and "we can see significant price spikes at key demand-driven pricing points," Piatek said.

"There are significant challenges to building any new pipeline infrastructure in New England, although a very low-intensity expansion would improve prospects if Everett LNG closed at some point, Piatek said, noting that past pipeline expansions to try and deliver gas from the Appalachian supply region have been canceled for various reasons.

Algonquin Gas Transmission is examining results from an open season held in the fall of 2023 for a possible expansion, dubbed Project Maple, that would expand pipeline capacity into New England.

Eversource Gas Co. of Massachusetts, in a November filing at the DPU on its long-term gas supply plan, said that pipeline expansions face a difficult road to completion and warned that electricity interruptions could affect electric compressors on Tennessee Gas Pipeline, which delivers gas to the utility.

Eversource did not include details on future supplies from the Everett facility in that document, but noted that it serves as a critical resource due to its location near the end of pipeline networks that are getting increasingly constrained on peak gas demand days.

"Electric generation facilities are now the largest consumers of natural gas, larger than the natural gas [local distribution company] community" in the region, Eversource said. The increased use of gas at high volumes by generation facilities differs from typical home heating use and "has resulted at times in very low instantaneous pipeline pressures. This threatens the overall viability of the natural gas system," the utility told the DPU.

With the higher gas-fired generation use and changing gas supply dynamics, Tennessee Gas Pipeline "has been actively restricting their pipeline through every existing compressor station in Massachusetts, something never experienced before," Eversource said.

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