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By: CARLOS MALESPIN
Editor/Content Strategist

DIGITAL CONTENT

Who pays when new energy demand strains the gas system?

New recommendations from the National Petroleum Council are putting renewed attention on how electricity markets pay for dependable natural gas supplies as data centers and power generation increase pressure on existing infrastructure.

At the latest LDC Gas Forum in New Orleans, O&G insiders examined the council's recently completed studies on gas-electric coordination and permitting reform. The findings call for changes to market structures that would better compensate generators for securing reliable fuel supplies, alongside longer-term infrastructure planning. As new industrial and computing demand draws on the same pipelines and storage facilities serving homes and businesses, regulators face growing questions about who should finance additional capacity and how to prevent those costs from falling disproportionately on existing ratepayers.

Kenneth Yagelski of Southern Company Gas, who led the council's gas-electric coordination study, said the traditional utility model was built around a predictable winter peak. Local distribution companies contracted years in advance for pipeline transportation and storage, leaving unused capacity available to others during much of the year. That cushion is shrinking as new customers draw on the same system more frequently.

The critical difference for Yagelski is the ever-shrinking margin for error.

He warned that pipelines are now experiencing operational pressure beyond the coldest days, making it harder to rely on spare capacity when conditions change. Yet the customers driving new demand do not necessarily have the same obligation to secure firm gas service as regulated utilities.

For power generators, the financial mismatch is especially stark. Yagelski said local distribution companies can recover prudent long-term supply costs because they have a legal obligation to serve customers. Generators in organized electricity markets, by contrast, often make decisions against much shorter commercial commitments. The general concern is that electricity markets do not consistently reward generators for securing dependable gas transportation, even when customers depend on their plants during periods of high demand. The distinction matters when a generating plant is considered reliable despite lacking firm transportation all the way to its fuel source. During periods of high demand, interruptible gas service may not be available when electricity customers need it most.

Amy Cradic of New Jersey Resources said utilities must also reconsider how they allocate the costs of serving major new loads. The expansion cannot depend on shifting infrastructure expenses onto households or small businesses already connected to the system. She called for clearer assessments of whether sufficient resources and delivery capacity exist

before new demand is added. That means explaining not only how customers will receive energy but how the supporting infrastructure will be financed.

Matthew Aegen of the American Gas Association noted that the largest beneficiaries of new projects should shoulder a corresponding share of the costs. But he cautioned that a pipeline or other investment built for a data center can also strengthen the wider network, making a simple assignment of expenses difficult.

"I think a lot of this relates to making sure that those who benefit the most, pay the most," Aegen commented.

The panel's discussion exposed a central tension: New industrial and computing demand can justify investment that benefits an entire region, but regulators need to distinguish those shared gains from costs attributable to individual projects. Without that distinction, expansion could undermine the affordability that utilities are required to protect.

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