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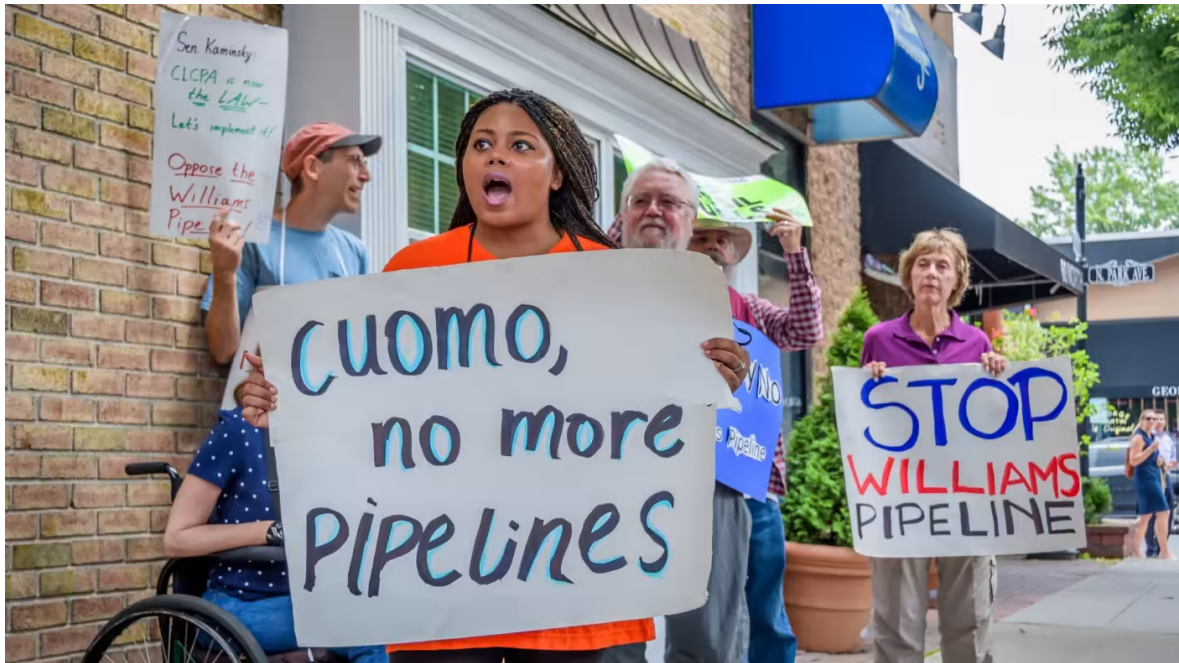
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National Grid PLC

National Grid and NY governor tussle over energy supplies

UK utility refusing to connect new gas customers after state denied a permit for a supply pipeline



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Gregory Meyer in New York and **Nathalie Thomas** in Edinburgh SEPTEMBER 9 2019

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When Rae Arora's property company began building a block of 115 flats in Brooklyn, the blueprint called for the blue flames of natural gas for heat, hot water and the burners in kitchen stoves.

Plans have changed since then because of a tussle between National Grid, the UK-based energy utility, and Andrew Cuomo, governor of New York. Instead of gas, electricity will be now used for heating in the building, backstopped by a diesel-fuelled generator, Mr Arora said.

National Grid owns a utility that distributes gas to parts of New York City and neighbouring Long Island. In May, the utility refused all new gas service after the Cuomo administration turned down a permit for an additional supply pipeline.

The drama intensified last month when Mr Cuomo said his administration had received reports that National Grid was improperly denying service, including to existing customers who temporarily needed to turn off their connections. The governor suggested National Grid could lose its right to operate in the state.

National Grid, which is under intense scrutiny in its home market after a [major blackout last month](#), contends it needs the pipeline to meet a 10 per cent increase in gas demand over the next decade as New York's economy grows and building owners abandon oil as a source of heat. A coalition of environmental groups have pressured Mr Cuomo to block it.

The dispute encapsulates thorny questions policymakers face as shale drilling unleashes US gas output while climate scientists urge a sharp reduction in fossil fuel use. Natural gas produces less carbon dioxide than oil or coal when it is burnt, but it still accounts for 43 per cent of New York state's emissions from combustion – more than petrol, according to a [government report](#).

US gas production has risen 60 per cent in the past decade to an estimated 91bn cubic feet per day. The most prolific gasfield lies a few hundred miles west of New York City in the Marcellus Shale of Pennsylvania, offering a convenient source of energy.

Gas is now cheaper than heating oil, adjusted for energy value. Under former Mayor Michael Bloomberg, New York City encouraged a [shift to gas](#) in part because it causes less pollution.

But increasingly dire warnings about the climate have amplified calls for a halt to [new pipelines](#). The Cuomo administration earlier this decade rejected the Constitution gas pipeline proposed to run through upstate New York.

“The science is very clear globally that we need to stop building fossil fuel infrastructure. It's a climate disaster,” said Kim Fraczek, director of Sane Energy Project, a campaign group in New York.



Blaming interstate pipeline supply constraints, the New York utility Con Edison in March suspended new gas connections for most of suburban Westchester county.

Mr Cuomo's department of public service said it is investigating both Con Edison and National Grid "to determine whether they took appropriate actions to balance the need for reliability with customer impacts in declaring a moratorium on new natural gas hookups." In August it expanded the investigation into National Grid after businesses complained of improper refusals.

The Northeast Supply Enhancement pipeline project, or NESE, would increase gas volumes by 400m cu ft/d to National Grid customers in the New York City boroughs of Brooklyn and Queens and on Long Island. The market already consumes about 2.8bn cu ft/d on average.

The pipeline company Williams would build the \$926.5m pipeline more than 20 miles under water from a hub in New Jersey to a link off the coast of Queens.

A study commissioned by National Grid found that using NESE would reduce net greenhouse gas emissions between 2020 and 2030. The [Environmental Defense Fund](#), a non-governmental group, said the study was the first of its kind for a US pipeline project, though it added a more complete assessment would have looked beyond 10 years.

NESE has received approval from the Federal Energy Regulatory Commission, a US body. But New York and New Jersey have both rejected crucial water quality permits for the project. Williams has since submitted amended applications to the states, but an answer may not come until mid-2020.

The conflict in New York comes as National Grid faces two inquiries, one by the UK government and the second by Britain's energy market regulator, into its management of Britain's electricity system, following [a blackout](#) that affected more than 1m homes and businesses, as well as rail travel, particularly in London and south-east England.

The regulator has warned National Grid of fines if it was found to have breached its licence conditions.

In the US, regulated businesses such as gas utilities earned half of National Grid's £3.4bn in adjusted operating profit in fiscal 2019.



John Bruckner, president of National Grid's New York business, said current pipeline capacity was not sufficient to grow beyond the company's 1.8m customers in New York City and Long Island. Since the freeze began, 2,600 applications for new gas service covering 20,000 commercial, residential and apartment units have been halted.

Mr Bruckner said of Mr Cuomo's criticisms, "The governor is certainly looking out for his constituents in New York, as he should." But he disputed the claim that National Grid was unfairly renegeing on service commitments.

For Mr Arora, the stand-off has altered plans for five properties under development. He said his company has re-engineered them to provide electric heat now and gas if it becomes available in future. The cost of the necessary equipment has increased by 30-40 per cent, he said.

"Most people who are sane agree we want to move the state towards green energy. Most people agree on that," he said. "But how we do it, and who we punish along the way, I think is going to determine whether we get there sooner rather than later. And this is the wrong way to do it."

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