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The Williams NESE Gas Pipeline Is Not Better the Second Time Around:

The NESE Project Is Still a Bad Bargain for New York

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Key Findings

Downstate New Yorkers would be on the hook for construction costs—likely higher than projected—and developer profits if the Northeast Supply Enhancement (NESE) gas pipeline is built.

The NESE would provide no direct permanent jobs in New York, only about 9% of the construction jobs would be sited in New York, and NESE profits would largely go out of state to a Tulsa-based company.

The assertion that NESE would reduce electricity bills is questionable, and for the downstate New Yorkers paying for the pipeline, its costs would substantially offset any such benefit.

Downstate New York does not face an urgent need for more gas—the 2025 forecast indicates a supply-demand gap would not be imminent before 2041/42, and additional strategies can reduce such gas demand.

Executive Summary

National Grid, a gas utility, contends downstate New Yorkers (New York City and Long Island) should pay for construction of a new interstate pipeline. The proposed Northeast Supply Enhancement Project (NESE) gas pipeline would ship fracked natural gas from Pennsylvania to Downstate New York for combustion in homes, businesses, and Long Island power plants. The Institute for Energy Economics and Financial Analysis (IEEFA) has examined the project and concludes the pipeline is unnecessary.

- Ratepayers would be on the hook for NESE's construction costs and for the return-on-equity (ROE)—the profit federal regulation allows for such a capital expenditure. National Grid reports the pipeline would cost an estimated $1.064 billion, but the rate of construction inflation suggests the estimate should be $1.25 billion, and other factors may raise costs. National Grid already expects to pay nearly two and a half times more (2028 present value) over 15 years under a negotiated agreement, presumably to cover construction and operation plus the ROE. The utility's long-term gas strategy does not disclose what would happen if construction costs rise.

- Ratepayers would also be on the hook for the cost of new infrastructure National Grid would build to manage the NESE gas, and the ROE authorized for the utility's profit by New York's Public Service Commission (PSC).

- The NESE pipeline would not provide direct permanent jobs in New York—only in New Jersey—according to project documents. Only about 9% of the direct construction jobs would be located in New York. And much of the work in New York would involve installing underwater piping across the harbor, which requires specialized skills.

- The profits from NESE would largely go out of state. Consumer bill payments to National Grid would support the utility's payments to the developer, Williams Company, headquartered in Tulsa, Oklahoma. In contrast, under the non-pipeline approach set out in National Grid's current plan, ratepayer money primarily funds local installation and maintenance of locally-sited renewable energy or local energy efficiency services.

- National Grid asserts the NESE would reduce electricity prices statewide in winter by abating congestion at gas gathering points, but this claim does not appear well-justified by available data. Even if easing gas system congestion did reduce New York's electricity prices, the effects may be short-lived given New York policies designed to lower natural gas demand. Also, if investments in gas infrastructure divert capital from comparatively cheap renewable energy, consumers could see higher long-run electricity prices. Regardless, consumers in Downstate New York would reap only a fraction of any statewide electricity price benefit, while bearing all of NESE's substantial cost.

- The NESE's adverse impacts are not necessary. National Grid is not facing an urgent, pending, unmet demand. The PSC's consultant observes if existing trends continue, a supply-demand gap would not likely occur before 2041/42. Additionally, more flexible non-pipeline methods exist to manage and reduce peak demand. And as new demand arises, it encounters a market in which customer choice for space heating, water heating, and cooking is not limited to gas combustion.

- Although National Grid argues the pipeline would support new data centers, ratepayers should not bear that burden, and data centers raise a plethora of economic and environmental concerns.

Strategic planning for energy efficiency and demand management to meet peak demand in Downstate New York is reasonable, but capital construction of major new gas infrastructure is not.

Background

This is the second attempt by National Grid to require downstate New York ratepayers to pay for the NESE pipeline.

National Grid is proposing to sponsor construction of an interstate pipeline—the proposed Northeast Supply Enhancement Project, or "NESE" pipeline—to send up to 400,000 dekatherms (400 MDth[1]) of fracked gas from Pennsylvania to New York.[2] The pipeline system would start in Pennsylvania, travel through New Jersey, cross Raritan Bay and Lower New York Bay waters, and terminate in the waters near the Rockaway Peninsula. National Grid would market the gas in its downstate New York territory—managed by subsidiaries KeySpan Gas East (KEDLI) for Long Island and Brooklyn Union Gas (KEDNY) for Brooklyn, Staten Island, and part of Queens.

[1] One MDth is 1,000 Dekatherms.
[2] Williams estimates that 400,000 dekatherms could serve roughly 2.3 million homes. Williams. Northeast Supply Enhancement Project: Essential Infrastructure for Easing Regional Energy Constraints. Accessed August 29, 2025 (hereafter, Williams NESE Factsheet).

Figure 1: Map of the NESE Pipeline Project[3]

Source: FERC

The New York State Department of Environmental Conservation (DEC) rejected National Grid's first effort to obtain a water quality certification for the NESE project in May 2019.[4] The utility responded by unilaterally declaring a moratorium on all new development in its downstate service area.[5]

The New York State Public Service Commission (PSC) brought an enforcement action against National Grid challenging its unauthorized conduct in declaring the moratorium.[6] The action resulted in a settlement agreement and a PSC order that vacated the utility's moratorium on new gas service connections.[7] Under the settlement agreement, the utility was required to evaluate the long-term gas capacity need in its downstate New York territory—National Grid's KeySpan Gas East (KEDLI) and

[3] Williams/Transco. Map of the NESE pipeline project, in Federal Energy Regulatory Commission (FERC). Final Environmental Impact Statement. January 2019 (hereafter, FEIS), Vol. 1, Figure 1-1. p. 1-2.
[4] NYS Department of Environmental Conservation. Notice of Denial of Water Quality Certification, Northeast Supply Enhancement Project, DEC ID 2-9902-00109/00004. May 15, 2019.
[5] National Grid. Implementation and Contingency Plan. Oct 21, 2019, PSC Docket 19-G-0678, p. 2. Both PSC and FERC documents are organized by case docket. The link to search for the docket is provided. Individual documents within the docket can be found by scrolling to the date of submission.
[6] Under New York's Public Service Law ("PSL"), § 65-a, if a utility cannot provide increased service due to a gas shortage, the PSC can authorize it to cease providing new or incremental service, but in a way that avoids undue hardship. If adequate supply exists, utilities must provide service to residential customers upon application. PSL §31(1) and Transportation Corporations Law §12.
[7] PSC. Order adopting and approving settlement. Proceeding on motion of the Commission to investigate denials of service requests by National Grid USA, the Brooklyn Union Gas Company d/b/a National Grid NY and Keyspan Gas East Corporation d/b/a National Grid. PSC docket no. 19-G-0678. November 26, 2019.

Brooklyn Union Gas (KEDNY) service areas—and investigate options to address it. The PSC expanded the planning mandate in 2020 to cover all natural gas utilities in the state, declaring:

> *The current approach to gas system planning poses risks of incomplete alignment with CLCPA [the state climate statute], sub-optimal consideration of alternatives and timeframe, increased risk and cost to consumers, and unsatisfactory provision of services and solutions for those same consumers. To align with these policies and to recognize the emergence of potentially viable alternatives to gas infrastructure, gas planning must explicitly take into account the likely useful life of all alternatives, and of the resulting cost and risk implications.*[8]

National Grid's initial proposed long-term strategy plan, issued in February 2020 for public comment,[9] presented the NESE pipeline as the utility's primary capacity strategy. After a robust public comment period and PSC scrutiny, the final report, issued June 2020, offered both the NESE option and a non-pipeline option. National Grid submitted an updated plan on May 19, 2025, continuing to focus on the non-pipeline alternative.[10]

But on July 2, 2025, National Grid submitted an addendum arguing for resuscitation of the NESE pipeline project,[11] together with a consultant's report on National Grid's view of the project's economic benefits (known as the Levitan Consultant Report).[12] The developer had previously received federal approval for the project and recently petitioned for supplemental certification to revive the project.[13] The Federal Energy Regulatory Commission (FERC) reissued the certificate.[14]

Although the Transcontinental Gas Pipe Line Company, LLC (Transco) is the official applicant for the NESE project, the company is a wholly owned subsidiary of the Williams Companies, Inc. (Williams). Williams has reported to the Securities Exchange Commission that Transco has no employees, and that operations, management and certain administrative services are provided by Williams for the company.[15]

[8] PSC. Order Instituting Proceeding on Motion of the Commission in Regard to Gas Planning Procedures. Case No. 20-G-0131, March 19, 2020, pp. 6-7.
[9] National Grid. Natural Gas Long-Term Capacity Report for Brooklyn, Queens, Staten Island and Long Island. February 2020 (hereafter, National Grid 2020 Long-Term Capacity Report).
[10] National Grid. Final Gas System Long-Term Plan. PSC docket no. 24-G-0248. May 19, 2025 (hereafter, National Grid Final Gas System Long Term Plan).
[11] National Grid. Final Gas System Long-Term Plan Addendum. PSC docket no. 24-6-0248. July 2, 2025 (hereafter, National Grid Long Term Plan Addendum).
[12] Levitan & Associates, Inc. Assessment of Economic Benefits in NYSIO's Wholesale Electricity Market Attributable to Transco's Northeast Supply Enhancement Project. Prepared for National Grid. June 27, 2025 (hereafter, Levitan Consultant Report).
[13] Williams/Transco, LLC. Petition for Supplemental Certificate for the Northeast Supply Enhancement Project. FERC Docket No. CP20-49-001. May 31, 2025.
[14] FERC. Order issuing certificate. In re Transcontinental Gas Pipe Line Company LLC. 192 FERC ¶ 61,184, FERC Docket Nos. CP17-101-007 and CP20-49-001. August 28, 2025 (hereafter, FERC order reissuing NESE certificate CP17-101-007).
[15] Williams. Form 10-K Annual Report 2024. February 25, 2025, p. 25.

Downstate New York Ratepayers Would Be on the Hook for the Costs of the NESE and Related Infrastructure, Which May Be Higher Than Projected

Ratepayers would ultimately be on the hook not only for the NESE's capital costs, operation and maintenance costs, and gas throughput (provided on an at-cost, no profit pass-through basis), but also for the return-on-equity (ROE)—the profit that federal regulation allows Williams/Transco to earn in connection with its capital expenditures.[16] FERC's original order granting Williams/Transco a certificate to operate the NESE awarded their requested ROE of 15.34%,[17] and the reissued certificate makes no change in the provisions regarding rate-setting.[18]

National Grid reports Williams's preliminary estimate of the cost to build the NESE is about $1.064 billion.[19] But this figure does not appear to be consistent with the previous cost estimate for the project. Williams estimated in 2017 the NESE pipeline project would likely cost $926.6 million.[20] Based on construction inflation, a reasonable cost estimate—if the 2017 estimate was accurate—may more likely be in the neighborhood of $1.25 billion.[21] Such an estimate is based on conditions up to July 2025; it does not include the potential impact of trade or economic disruptions that could affect pipeline construction costs in coming years.

Cost escalation is a common phenomenon in large construction projects. Williams acknowledges, "Williams, Transco, and NWP may not always have sufficient and accurate information to identify and value potential opportunities and risks or the investment evaluation process may be incomplete or flawed."[22] The company goes on to state:

> *Additional risks associated with construction may include the inability to obtain rights-of-way, skilled labor, equipment, materials, permits, and other required inputs in a timely manner such that projects are completed, on time or at all, and the risk that construction cost overruns, including due to inflation or the imposition of tariffs on foreign-made materials and goods (including steel and steel pipes) necessary to conduct business, could cause total project costs to exceed budgeted costs.*[23]

[16] See Williams Form 10-K Annual Report 2024, pp. 18 and 20.
[17] FERC. Order Issuing Certificate. In re Transcontinental Gas Pipe Line Company LLC. 167 FERC ¶ 61.110. FERC Docket no. CP17-101-000. May 3, 2019, pp. 6 and 9. Note: FERC has since issued a new policy on calculating the return on equity. FERC. Order on Remand. Association of Businesses Advocating Tariff Equity, et al. v. Midcontinent Independent System Operator, et al., 189 FERC ¶61,036. FERC Docket EL15-45-015. October 17, 2024.
[18] FERC. Order reissuing NESE certificate CP17-101-007, p. 25.
[19] National Grid Long Term Plan Addendum, p. 11.
[20] Williams/Transco. Application for Certificate of Public Convenience and Necessity for Northeast Supply Enhancement Project. FERC Docket No. CP17-101. March 27, 2017 (hereafter, Williams original 2017 application to FERC CP17-101), p. 6 and Exhibit K. The projected price tag includes construction costs for the NESE pipeline itself and two compressor stations.
[21] IEEFA calculation based on construction cost trends for the North Atlantic region as set forth in Whitman, Requardt, and Associates. Handy Whitman Index of Public Utility Construction Costs. 2025 (proprietary).
[22] Williams Form 10-K Annual Report 2024, p. 34.
[23] *Ibid*., pp 34-35.

As an example, the cost to build the Mountain Valley Pipeline (MVP), a 330-mile-long gas pipeline extending from West Virginia to Virginia, leaped from $3.5 billion in 2014 to $7.85 billion in 2024,[24,25] roughly $2.7 billion higher than a calculation based on construction inflation alone would have projected.[26]

Although National Grid's long-term gas plan addendum does not explain what would happen if NESE construction costs are higher than predicted, it appears Williams may have the opportunity to ensure its construction costs would be covered. Williams's original application to FERC explains:

> *For the firm transportation service under the Project, the Project Shippers [National Grid's KEDNY and KEDLI] were given the option to pay either (i) the total maximum recourse reservation rate and all electric power unit rates, commodity rates and surcharges, and to be responsible for compressor fuel and line loss make-up retention, all as applicable under Rate Schedule FT of Transco's FERC Gas Tariff, as the same may be revised from time to time, or (ii) a negotiated rate. Each Project Shipper has elected to pay a negotiated rate. Accordingly, at least one day prior to commencement of firm transportation service under the Project, Transco will file a summary of the Rate Schedule FT service agreements with the Project Shippers reflecting the negotiated rates.*[27,28]

The negotiated rates may not need to be finalized until after construction, when actual construction costs will be known.

National Grid reported in 2020 it expected to pay $193 million per year for 15 years—a total of $2.9 billion—pursuant to a negotiated agreement with Transco,[29] which presumably would approximately cover the pipeline costs plus the ROE.

National Grid now asserts the expected pipeline costs, based on a 2028 present value calculation, would range from $2.2 billion to $2.5 billion.[30] This figure appears to be based on the Williams cost estimate of about $1.064 billion, noted above, but given that the actual construction cost is likely to be higher, ratepayers may bear a higher burden than estimated.

Ratepayers would also shoulder the costs of new infrastructure construction National Grid would undertake to manage the large volume of NESE gas it would receive, including new gas distribution

[24] EQT. EQT and NextEra Energy Announce Southeast Pipeline Project. June 12, 2014.
[25] Dow Jones (published in Market Screener). Mountain Valley Pipeline Cost Now Estimated at $7.85 Billion – OPIS. April 30, 2024. Also see: Reuters. U.S. Mountain Valley natural gas pipeline begins operations. June 14, 2024.
[26] A projection based on construction cost inflation would have indicated a $5.1 billion price tag for the MVP in 2024.
[27] Williams original 2017 application to FERC CP17-101, pp. 7-8. Also see FERC. Alternatives to traditional cost-of-service ratemaking for natural gas pipelines and regulation of negotiated transportation services of natural gas pipelines. 61 Fed. Reg. 4633, 4644. January 31, 1996. ("A pipeline may make the conforming change to its tariff to indicate that the rate may be a negotiated rate, either at the time it requests to put a particular negotiated rate into effect or at some earlier time").
[28] The precedent agreements signed for the NESE project contain confidential information, including termination rights and other provisions, that are being treated as confidential commercial information, exempt from disclosure. See Ibid., p. 7, note 4.
[29] National Grid 2020 Long-Term Capacity Report Technical Appendix, April 4, 2020, p. 13, Table 10. Also see National Grid 2020 Long-Term Capacity Report, p. 61.
[30] National Grid Long-Term Plan Addendum, p. 32.

pipes to connect the NESE gas to individual customers. National Grid proposes to build a regulator station that would move NESE gas to its Brooklyn-Queens Interconnect pipeline at a higher pressure to manage the increased gas volume and improve efficiency.[31] Also, the utility plans to modify its Lake Success Metering Facility to manage the NESE gas, sometime within the first five years of operation.[32] National Grid provided a present value cost for infrastructure upgrades of $69 million.[33]

National Grid estimates the impact of the NESE project and the utility's own plan for distribution infrastructure to manage the gas would increase the average residential customer bill by $7.44 per month on Long Island and $7.61 per month in Brooklyn, Staten Island, and the parts of Queens in National Grid's service area.[34]

In addition, the ratepayers would bear the cost of the gas. National Grid cannot reap a profit from the gas itself, but the pass-through gas prices are volatile.[35]

NESE's Profits Would Mostly Go Out-of-State: Ratepayers' Money Would Be Better Invested Within the State for Local Energy and Efficiency Projects

The pipeline would provide profits for its Oklahoma-based developer, the Williams Companies, Inc., through payment of negotiated rates presumably sufficient to cover the pipeline's costs plus a return-on-equity, as noted above. Although National Grid asserts the project would benefit the state economically, ratepayers' money would be better invested in New York-based energy projects.

The portion of ratepayers' utility bills that would support National Grid payments to the Williams Company for the NESE would mostly go out of state. The Williams headquarters are sited in Tulsa, Oklahoma, and its other major offices are located in Houston, Pittsburgh, and Salt Lake City.[36]

In contrast, under the non-pipeline-scenario set forth in National Grid's existing strategy, ratepayer money primarily supports businesses that install and maintain locally sited renewable energy or provide local energy efficiency jobs. In its 2023 report, National Grid noted:

> *Cost-effective energy efficiency improvements can have positive macroeconomic impacts, boosting economic activity and often leading to increased employment. Energy efficiency reduces the amount of energy needed to deliver services, such as mobility, lighting, heating*

[31] *Ibid.*, p. 36. Also see: PA Knowledge, Ltd. Report on National Grid's Final Gas System Long-Term Plan Addendum. Prepared for NYS Department of Public Service, PSC Docket no. 24-G-0248. August 6, 2025 (hereafter, PA Consultant Report for the PSC 24-G-0248), p. 26.
[32] National Grid Long-Term Plan Addendum, p. 36. Also see PA Consultant Report for the PSC 24-G-0248, p. 26.
[33] National Grid Long-Term Plan Addendum, p. 32.
[34] *Ibid.*, p. 35.
[35] Williams notes that the volatility of natural gas prices is a business risk. Williams Form 10-K Annual Report 2024, p 30.
[36] *Ibid.*, p. 4.

> *and cooling. Lowering the cost of energy services frees up resources for households, business and governments.*[37]

Williams does not project the creation of any permanent new jobs in New York directly by the pipeline, and the Final Environmental Impact Statement for the project notes, "The offshore portion of the Raritan Bay Loop [New York] would require no permanent employees for operation."[38]

Williams asserts in a factsheet the project would create 3,186 direct temporary jobs in construction.[39] The Final Environmental Impact Statement, however, presents the 3,186 figure as a sum of 1,298 direct jobs and 1,889 indirect jobs.[40] Whichever is correct, only about 9% of the jobs would be located in New York, as roughly 76% would be located in New Jersey and the remainder in Pennsylvania. The jobs are measured as job-years,[41] and the construction period might last up to two years.[42] Most of the construction in New York will involve underwater pipeline placement. The extent to which the New York-based jobs would be taken by New York residents versus out-of-state construction workers, engineers/technical experts, and management is unclear.[43]

National Grid's Addendum does not specify how many additional temporary New York-based jobs would be provided by National Grid if its plan to build a regulator station and modify a metering station in response to the NESE gas influx are approved.

National Grid Is Not Facing an Urgent Unmet Need for More Gas

Although the demand for gas in Downstate New York can peak on extremely cold winter days and exceed the capacity of the existing pipeline serving the area, National Grid manages to meet that peak demand by accessing other supplies. The company reported to the PSC in 2018 that "National Grid already has a system in place of supplemental gas sources and demand reduction strategies to address peak demand," and that such a peak "only lasts for a few hours."[44]

IEEFA's 2020 report on the original NESE project application suggested National Grid's growth projections at the time were unrealistic because economic recovery from COVID was likely to be slow and changes in work practices as well as adoption of energy alternatives would affect the use of

[37] National Grid. Natural Gas Long-Term Capacity—Third Supplemental Report for Brooklyn, Queens, Staten Island and Long Island. August 2021, p. 22.
[38] FEIS, Part 1, p. 4-256.
[39] Williams NESE Factsheet.
[40] FEIS, Part 1, p. 4-276, Table 4.8.9-1.
[41] *Ibid*.
[42] Williams NESE Factsheet.
[43] The FEIS does not discuss hiring for the underwater portion of the pipeline, cites Transco as estimating that 35% of the on-land pipeline workers and 70% of the compressor station construction workers would be non-local hires. FEIS, Part 1, p. 4-260.
[44] National Grid. Gas Demand Response REV Demonstration Project in New York City and Long Island: Q4 2017 Report. PSC Docket 16-G-0508. January 31, 2018, p. 1. Also see: National Grid. Natural Gas Demand Response Program for Firm Customers. Accessed August 29, 2025.

natural gas.[45] The latest numbers confirm the concern. Noting the 2025 forecast is preliminary and subject to further refinement, PSC's consultant PA Knowledge, Ltd., nevertheless reports:

> *PA finds that the 2025 Forecast is noticeably lower than the 2024 Forecast. As a result of PA's analysis of the 2025 Forecast we observe that the unprecedented disruptions of COVID-19 and the speed of economic recovery was overly optimistic within the 2024 Forecast and observes significantly lower 2023 and 2024 actuals across all forecasted customer segments for both KEDNY and KEDLI.*[46]

The PA Consultant Report for the PSC concluded, "As a result, the Company's 2025 forecast now suggest a slower rate of demand growth and may delay the projected supply-demand gap until 2041/42."[47]

The urgency of pursuing the pipeline does not make sense. If the project is fast-tracked as Williams advocates, the company projects the NESE pipeline would be in service by the fourth quarter of 2027,[48] well over a decade before a need would be likely to appear —even without additional effective preventive measures or aggressive clean energy market trends.

The PA Consultant Report noted with regard to the non-NESE strategic planning option:

> *This scenario satisfies 2025 Forecast Reference Case Design Day demand without incremental infrastructure investment, limiting the degree to which additional costs are passed on to customers. This scenario also reduces the risk that any incremental infrastructure becomes a stranded cost—especially if future updates to the Design Day demand forecast continue to exhibit downward revisions.*[49]

Today, National Grid still does not claim its existing peak demand management plan and supply systems have ever failed or are about to fail. Rather, its revised plan assumes it should accommodate higher levels of gas burning, and the greater amount of gas burning should be made possible by building a massive, costly pipeline at the expense of ratepaying residents and businesses.

[45] IEEFA. Proposed NESE Gas Pipeline in New York: A bad bargain for ratepayers and taxpayers. April 2020, pp. 25-27.
[46] PA Consultant Report for the PSC 24-G-0248, pp. 10-11.
[47] *Ibid*.
[48] Williams NESE Factsheet.
[49] PA Consultant Report for the PSC 24-G-0248, p. 19.

National Grid's Projections of Increased Demand Are Out of Step With Economic and Energy Trends

National Grid's forecast projecting when a potential supply-demand imbalance in Downstate New York could occur has leaped from the 2024 forecast of winter 2027/28 to the 2025 preliminary forecast of 2041/42.[50] The PA Consultant Report for the PSC finds the 2025 forecast more credible, explaining:

> *In PA's opinion, the 2024 Forecast reflected levels that showed deviations from the trend that were both high and rising, whereas the 2025 Forecast, on the other hand, is far more consistent with the historical trend. In PA's opinion, incorporating insights drawn from observable trends is prudent and the changes made by the Company in this 2025 Forecast make for a more reasonable forecast.*[51]

The PA Consultant asserts the forces currently dampening demand are likely to increase in strength:

> *Covid-related impacts aside, there are several forces at work that are leading to gas usage not behaving like it did historically, reflecting causing a structural change in the market. Despite changes in the political environment, we think that electrification, demographic changes, local and state-level initiatives to encourage a shift away from fossil-fuel usage are all likely to produce impacts that might move slowly in the near-term but are projected to accelerate in the future and warrant an examination of a 20-year horizon for the forecasted demand.*[52]

The approach is supported by the New York Climate Leadership and Protection Act,[53] New York City's Local Law 97,[54] and other state and local emission reduction statutes.

Williams has cited natural gas price volatility as a business risk for demand, stating:

> *Price volatility has had, and could continue to have, an adverse effect on Williams' business, results of operations, financial conditions, and cash flows… Higher natural gas prices over the long term could result in a decline in the demand for natural gas and, therefore, in Transco's and NWP's long-term transportation and storage contracts or throughput on their systems.*[55]

[50] See National Grid Long-Term Plan Addendum, p. 13. Also see PA Consultant Report for the PSC 24-G-0248, p. 28.
[51] PA Consultant Report for the PSC 24-G-0248, p. 28.
[52] *Ibid*., p. 43.
[53] New York Climate Leadership and Protection Act, Chapter 106 of the Laws of 2019, eff. January 1, 2020 (A.8429/S.6599). For a useful summary, see: SUNY. Climate Leadership and Community Protection Act (CLCPA). Accessed August 27, 2024.
[54] New York City Local Law 97 of 2019.
[55] Williams Form 10-K Annual Report 2024, p. 33.

Lower prices, in turn, could result in a decline in the production of natural gas, Williams noted, creating a risk of reduced throughput.[56] Williams reported to the SEC:

> *Significant prolonged changes in natural gas prices could affect supply and demand for Transco and NWP [another subsidiary] and cause a reduction in or termination of their long-term transportation and storage contracts or throughput on their systems.*[57]

The PA Consultant Report notes:

> *If NESE is placed in-service and design day demand trends downward, the value of the additional capacity (and portfolio flexibility) is reduced. Without incremental design day demand, it is possible that the investment in NESE will be a stranded cost that National Grid's customers are responsible for.*[58]

Although the PSC's consultant,[59] and National Grid itself,[60] suggest NESE's excess capacity could be used to increase gas burning at gas-fired power plants to address electric reliability challenges, the premise assumes electricity production growth should be powered by fossil fuel combustion rather than clean energy sources, energy efficiency, and demand management. Certainly, if the NESE is built, it greatly increases the likelihood of increased gas combustion in the power plants.

The PA Consultant Report cautions that the "risk inherent with placing NESE in-service is that gas service customers may be responsible for subsidizing natural gas infrastructure that benefits generators."[61] Although PA suggests the risk could be "mitigated" by allocating costs to the power plant owners that would benefit from the NESE gas,[62] the shift in use may occur after the ratepaying customers have already paid for much or all the pipeline costs. In that event, the customers would have already paid for the utility's ill-advised planning.

Such an eventuality would be consistent with the phenomenon known as "the lock-in effect" of fossil fuel infrastructure. The term "carbon lock-in," introduced by Gregory Unruh in 1999,[63] refers to the situation in which the economy is locked into fossil fuel technologies by past investments, policy decisions, and construction of energy infrastructure.[64,65] Studies have analyzed the future carbon emissions that existing energy infrastructure can generate, making transition to cleaner energy more difficult.[66] The problem of carbon lock-in is magnified, year by year, as new infrastructure comes

[56] *Ibid*., pp. 33 and 37.
[57] *Ibid*., p. 30.
[58] PA Consultant Report for the PSC 24-G-0248, p. 22.
[59] *Ibid*.
[60] National Grid. Long-Term Plan Addendum, pp. 20-21.
[61] PA Consultant Report for the PSC 24-G-0248, p. 22.
[62] *Ibid*.
[63] G. Unruh. Understanding carbon lock-in. Energy Policy. 28(12);817-830. October 2000.
[64] *Ibid*.
[65] P Erickson, et al. Assessing carbon lock-in. Environmental Research Letters. 10:084023. 2015, p. 1.
[66] S. Davis, et al. Future CO2 emissions and climate change from existing energy infrastructure. Science. 329 (5997):13330-13333. 2010.

online,[67] and researchers have noted owners of such assets "have strong incentives to favor policies that maintain lock-in."[68]

The Levitan Consultant Report argues NESE's excess gas will boost supply for gas-fired power plants on Long Island. It notes the U.S. Department of Energy has listed Brookhaven National Laboratory as a potential site for developing a data center, and suggests the Caithness Long Island Energy Center could host a new 750MW gas turbine power plant to fuel it.[69,70] Data centers raise environmental and cost issues. IEEFA has examined the likelihood that electric utilities are overbuilding fossil fuel infrastructure to meet anticipated demand growth from data centers. Our research identified industry concerns that many requests for power likely are duplicative and the utility industry is planning for about 50% more data center demand than the tech industry is projecting.[71] Ratepayers are at risk of subsidizing unneeded electric infrastructure for data centers.[72] Also, a new gas turbine plant likely would not come online for five to seven years.[73] During that time, renewable energy and energy efficiency would have continued to chip away at gas demand. Such a gas-fired plant would likely have a diminished useful life.

National Grid's Assertion That NESE Would Reduce Electricity Costs Statewide Is Questionable

National Grid's consultant Levitan argues that gas pipeline constraints have boosted consumers' gas and power bills and increased reliance on high-emission fuels such as fuel oil.[74] Levitan states:

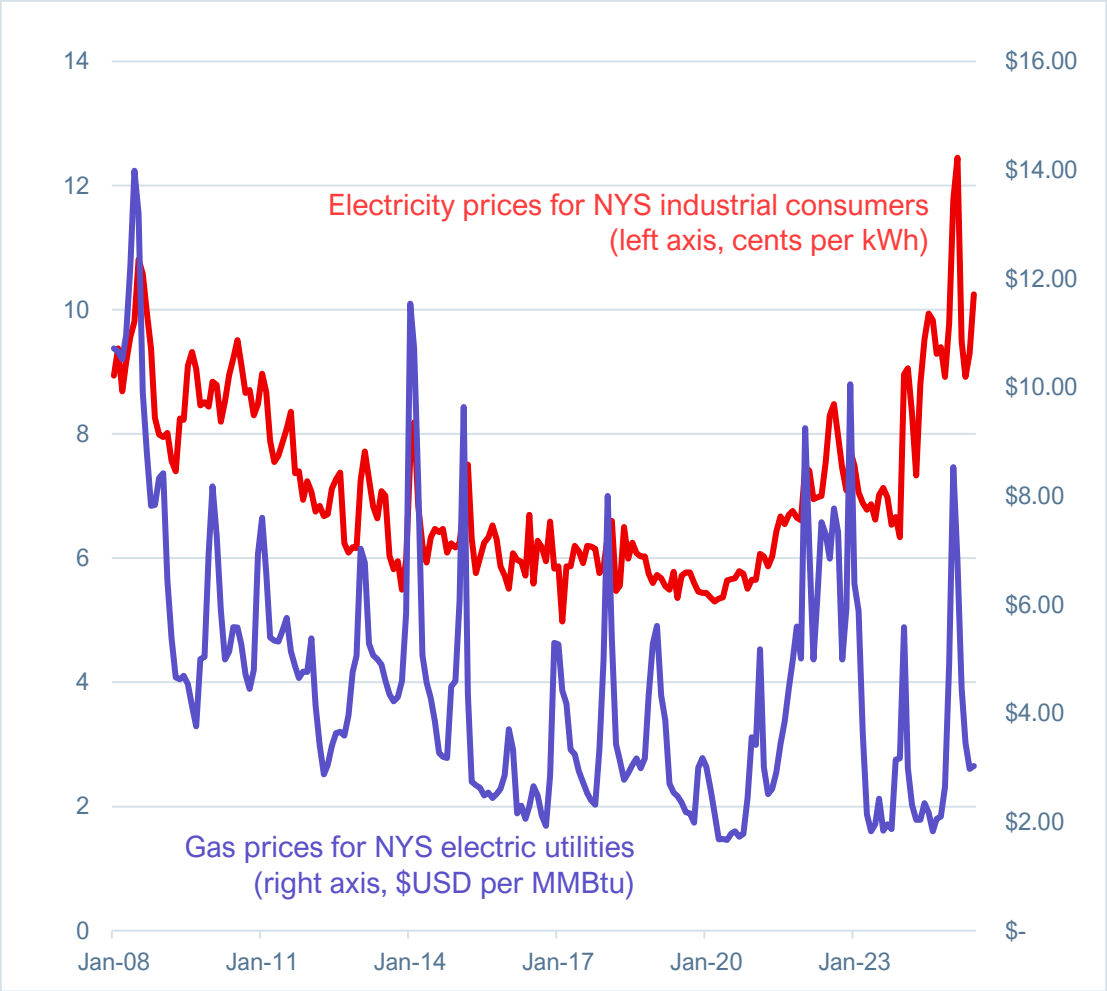
> *The leading price indices include Transco Zone 6-New York ("Transco Zone 6-NY"), Iroquois Zone 2 and Texas Eastern M-3 ("TETCO M3").* **These gas price indices drive wholesale electric energy prices throughout the year***, especially during the peak heating season. They are also strongly correlated with changes in other delivered natural gas prices of relevance throughout New York State.*[75] [*Emphasis added*.]

Building a new gas pipeline, Levitan reasons, would ease gas system constraints and lower electricity costs statewide.[76]

[67] See, e.g., S. Davis and R. Socolow. A growing commitment to future CO2 emissions. Environmental Research Letters. 9(8):1104-1114. November 3, 2014. Also see: A. Revkin. Accounting for the expanding carbon shadow from coal-burning plants. New York Times. August 28, 2014.
[68] K. Seto, et al. Carbon lock-in: types, causes and policy implications. Annual Review of Environment and Resources. 41:425-52. 2016, p. 428.
[69] Levitan Consultant Report, p.11.
[70] U.S. Department of Energy. Request for Information on AI Infrastructure on DOE lands. 90 Fed. Reg. 1492. April 7, 2025.
[71] IEEFA. Risk of AI-driven, overbuilt infrastructure is real. June 3, 2025. Also see: Wall Street Journal. Data centers that don't exist are already haunting the grid. September 1, 2025.
[72] IEEFA. Data Centers Drive Buildout of Gas Power Plants and Pipelines in the Southeast. January 2025.
[73] See S&P Global. US gas-fired turbine wait times as much as seven years; costs up sharply. May 20, 2025.
[74] Levitan Consultant Report, pp. 14-18.
[75] *Ibid*., p. 1.
[76] *Ibid*., p. 2.

If it were true that gas prices at nearby wholesale gas hubs "drive" electricity prices in New York "throughout the year," as Levitan claims, then we would expect to see wholesale prices of gas and electricity in the state move in lockstep. Yet they don't: U.S. Energy Information Administration (EIA) data reveals a weak correlation between the prices that New York electric utilities pay for gas and the prices that industrial consumers (a proxy for wholesale prices) pay for electricity. (See Figures 2 and 3.)[77]

Figure 2: Industrial Electricity Prices (cents/kW-hr) vs. NYS Gas Prices ($$/MMBtu)[78]



Source: IEEFA, based on U.S. Energy Information Administration data.

[77] EIA. Average cost of fossil of fossil fuels for electricity generation (per Btu) for natural gas, monthly, and Electricity Data Browser: Average retail price of electricity, monthly. Accessed September 1, 2025.
[78] *Ibid*.

Figure 3: Monthly Change in NY Gas Prices (x-axis) vs. NY Industrial Electricity Prices (y-axis)[79]

Source: IEEFA, based on U.S. Energy Information Administration data.

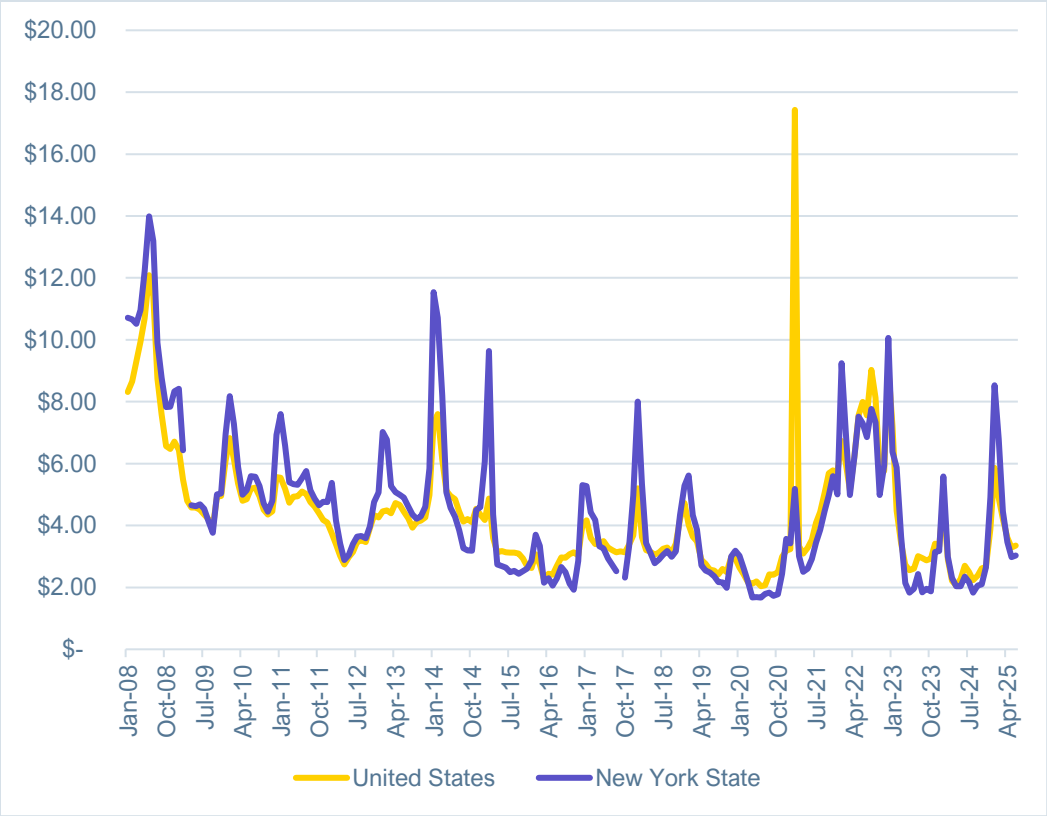
Figure 3 reveals that only 15% of the month-to-month variation in electricity prices paid by industrial consumers in New York State can be explained by month-to-month variations in gas prices paid by the state's electricity utilities.[80] And this weak correlation does not prove causation: Prices for gas and electricity may be driven by outside events, such as cold snaps, that can boost demand for both electricity and gas at the same time.

If the correlation between gas prices and electricity prices in New York is tenuous, the correlation between gas system congestion and electricity prices is even more speculative. Gas prices in New York State truly are "driven" by national gas price trends, with local factors playing a far lesser role. (See Figure 4.) After excluding one anomalous month in which gas prices skyrocketed nationally but not in New York, national price trends explained roughly 70% of the variation in gas prices paid by New York's electric utilities.[81] While local gas system congestion likely has some effect on gas prices

[79] *Ibid*.
[80] Statistically, the R-squared value of the correlation between month-to-month percent changes in industrial electricity and natural gas prices equaled 15%.
[81] IEEFA analysis, based on EIA. Average cost of fossil fuels for electricity generation (per Btu) for natural gas, monthly.

for New York's electric utilities, local gas system congestion plays a far less consequential role than national gas pricing trends.

Figure 4: Average Cost of Gas for Electricity Generation, Monthly ($USD per Million BTU)



Source: U.S. Energy Information Administration.

In short, there is substantial reason to doubt Levitan's claims that gas prices "drive" power prices in New York state, and even more reason to doubt that reducing pipeline congestion would significantly lower the prices paid by electricity consumers in the state.

But even if Levitan's claims are true, and building a new pipeline would relieve congestion and bring New York state gas prices closer in line with national pricing, New York consumers may still pay higher utility bills than they would without a new pipeline. Overbuilt gas system capacity may invite new gas demand at the expense of alternatives, such as conservation, efficiency, and renewables, that have lower overall costs. Any savings on wintertime gas costs may be offset by higher year-round expenses—not only to pay for the pipeline itself, but also due to system misallocations of capital that reduce investments in energy efficiency and renewable energy. In addition, higher demand for gas could increase New York consumers' exposure to higher and more volatile natural

gas prices, particularly as U.S. gas markets become increasingly intertwined with highly unpredictable global gas markets.[82]

The downstate New York consumers paying for the pipeline could only reap a fraction of any electricity price benefit, which would largely be offset by NESE's cost. Although National Grid claims NESE would help lower electricity bills in the state by as much as $6 billion, this would be with only "$2.75 billion in savings flowing directly to downstate residents (Zones J-K)."[83] As the expected pipeline costs, including National Grid infrastructure improvements to accommodate it, are estimated at a range of $2.16 to $2.59 billion,[84] the financial benefit for downstate ratepayers is not evident even under National Grid's optimistic predictions.[85] The newly proffered purpose of serving the needs of power generators and upstate ratepayers creates a conflict by holding captive downstate New York ratepayers accountable for such capacity.

And if such a price impact occurred, it likely would not last long. Williams does not expect the pipeline to be in service until at least the fourth quarter of 2027—which, as a practical matter, assumes the project is fast-tracked through permitting and essentially no construction delays occur.[86] New York State's climate law (CLCPA) requires all electricity generation in the State to be emission-free just a dozen years later, by 2040.[87] Approaching or achieving that goal contemplates a gradual scale-down of dependence on natural gas. With that scaling down, pressure at gathering points will eventually abate. National Grid should not be allowed to claim a price impact without producing a reasonable analysis of how long the effect might last, subject to public scrutiny.

The PA Consultant Report for the PSC ranks the uncertainty of the assumption that the NESE project would reduce wholesale electric energy prices as "High."[88] PA comments:

> *PA finds the modest growth forecast utilized in the LAI [Levitan] Study may underestimate the pace and scale of electrification-driven demand and, given rapidly evolving load drivers can outpace conservative planning projections, this may underestimate the near-and mid-term pressures on winter peaks… LAI's model's assumptions present a simplified and overly optimistic view of long-term system development. From a market fundamentals perspective, several of these assumptions underestimate realistic demand growth, challenges related to renewable energy, and dynamics of unit retirements.*[89]

[82] IEEFA. U.S. Residential Gas Consumers Bear Brunt of LNG Exports. March 2024.
[83] National Grid. Long-Term Plan Addendum, p. 10.
[84] PA Consultant Report for the PSC 24-G-0248, p. 46.
[85] National Grid also projects a savings of $0.52 billion from reduced use of compressed natural gas (see *Ibid*., Table 6-1, p. 46.) Electrification of homes and businesses, however, may shift this use pattern.
[86] Williams NESE Factsheet.
[87] New York Public Service Law, §66-p(2).
[88] PA Consultant Report for the PSC 24-G-0248, Table 1-1p. 9.
[89] *Ibid*., p. 52.

In particular, PA observes Levitan's estimate of only 2.7 gigawatts (GW) of new solar power added by 2035 and only 6 GW by 2050 "seems quite conservative" and "risks over-valuing the cost of energy production."[90]

PA suggests even though statewide winter peak electricity demand may be higher than Levitan estimates, with conservative load forecasts and robust renewable energy growth, regions outside major markets may see excess power plant capacity and declining electricity prices. PA asserts "a combination of low demand, strong renewable energy sources, and static thermal capacity could result in an extended capacity market and reduced prices," rendering older thermal units uneconomic.[91]

PA urges a sensitivity analysis is needed to help evaluate dynamics such as localized shortages, economic retirements and capacity price impacts.[92]

The public should be granted more time to review the analysis.

Conclusion

NESE was properly rejected in 2020, and reasons for rejecting it in 2025 are even more compelling. New York can chart a better, and more cost-effective energy future without the NESE project. Such a course of action would also more reliably create local jobs and keep ratepayer money within the state, building New York's economy.

[90] *Ibid*., p. 50.
[91] *Ibid*., p. 51.
[92] *Ibid*., p. 52.

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

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Suzanne Mattei, an attorney (Yale Law School) and consultant with Lookout Hill Public Policy Associates, has over 30 years of experience in environmental policy. As Regional Director for the NYS Department of Environmental Conservation for four years, Mattei led permitting and enforcement in New York City. Her widely cited recent report on a proposed fracked gas pipeline in New York found flaws in proponents' arguments. As NYC Executive for the Sierra Club, her research exposed federal mismanagement of the 9/11 response; her testimony to Congress helped lead to passage of the James Zadroga Act, providing healthcare to Ground Zero workers. In the New York City Comptroller's office, Mattei's research documented the financial benefits of recycling in comparison with waste incineration.

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