NEW YORK MARKET UPDATE WEBINAR

After the call summary

Compiled: June 18, 2025

Important highlights at a glance

The following is an overview of some important elements of the New York Market Update presentation on June 10, 2025.

Regulatory Update

Offshore wind: construction on the Empire Wind Project (est. 2.1 GW to be online in the late 2020s) is expected to resume now that the construction ban placed on it by the Trump administration has been lifted. Initial news reports suggest that talks may resume on the Constitution Pipeline, in exchange for lifting the wind construction ban. The 124-mile pipeline would move gas from the PA Marcellus shale region to New York and New England.

Tier 4 RECs:

- In December 2024, the New York State Energy Research and Development Authority (NYSERDA) and Clean Path New York agreed to terminate the 175-mile Clean Path Transmission Project, which was slated to come online in 2027 and help facilitate Local Law 97 requirements by bringing renewable energy to NYC. The project could get back on track if the Public Service Commission (PSC) is pressured to make Clean Path a priority project.
- The fully buried Champlain Hudson Power Express® (CHPE) transmission line is permitted and expected to be fully operational in spring of 2026, delivering 1,250 MW of low-cost renewable power (hydro) directly into the New York Metro area.

Cap & Invest Program: To incentivize consumers, businesses, and other entities to transition to lower carbon alternatives, the Department of Energy Conservation (DEC) and NYSERDA are designing a program that sets an annual cap on the amount of GHG pollution that is allowed to be emitted in the state. As currently proposed, large-scale GHG emissions sources and distributors of heating and transportation fuels will be required to purchase or obtain allowances for the emissions associated with their activities.

State budget: $1 billion has been allocated for the Sustainable Future Program, including greenhouse gas emissions reduction, clean transportation, renewable energy projects, and green infrastructure.

Federal regulatory matters:

- The legality of reciprocal tariffs is working its way through the court system. As of now there are no tariffs on energy imports but that could change.
- Trade decisions coming out of the Trump administration are continuing to tighten the supply chain for renewables, which could impact how many projects move forward.
- The House of Representatives passed legislation that effectively eliminates federal tax credits for renewable energy, storage, and other energy technologies. The bill has moved on to the Senate and changes to the bill's language are expected.

Weather Update

Historical: Summer 2024 was the second warmest on record nationally and an above-average summer for New York.

Summer 2025 outlook: NRG's meteorology team is expecting a broadly above-average summer. The primary drivers of this are neutral El Niño Southern Oscillation (ENSO) conditions and severe drought across the South Plains and the Southwest. *The impact of above-normal temps could be energy price volatility and upside risk.*

Gas Fundamentals

Demand:

- A colder winter brought heightened demand and volatility in Jan./Feb., but a warmer March brought an early end to the winter heating season.
- The commissioning of the Plaquemines LNG facility is bringing LNG exports to new record highs (17 Bcf/day).
- Upcoming summer weather will play a key role in the supply/demand balance, since there could be high power burn demand and potential for elevated pricing for the remainder of the year.

Supply:

- **Storage:** Current natural gas storage is 12% below one year ago and 5 % above the 5-year average. Aggressive cold during January and February built a strong deficit with respect to the 5-year average. An unseasonably warm March brought on an early injection season, eroding the deficit back into a surplus.
- **Production:** 2025 YTD production has been strong, with a rolling 30-day average at 105.6 Bcf/day. A new record of 107.1 Bcf/day was set on May 16.

Gas Pricing Trends

- While the previous two (warmer-than-average) winters had little impact on long-term prices, this past winter—with more traditional cold conditions—has shifted market fundamentals and the supply/demand balance.
- There's been a sharp increase in near-term natural gas prices for the balance of 2025 and into 2026, while Calendars 2027 and above are backwardated.
- Basis costs (over a 3-year period: May 2022-May 2025) are trading in a higher range than NYMEX in Iroquois Zone 2 but in a lower range in Eastern Gas South (aka Dominion South) and Transco Zone 6 (NY and non-NY).

Sample natural gas buying strategy for current pricing environment:

NYMEX Plus Basis:
Since NYMEX (commodity) and basis are traded separately, managing both strategically is key to reducing risk and unlocking savings opportunities. This can be done with a NYMEX Plus pricing plan.

Market conditions: Near-term NYMEX prices have increased; regional basis prices have been less volatile.

Strategy: lower price/mitigate risk – balancing stability with opportunity.

- Lock in your basis for 36+ months and purchase an initial NYMEX hedge (layer) to take advantage of backwardation.
- Set price targets for additional NYMEX hedges so that when the market reaches your target, you can execute.

Tip: Pay close attention to the actual trading ranges. The appearance of volatility may be all in the axis points of a graph.

Power Fundamentals

Supply/Demand balance:

- Supply is tightening due to gas-fired retirements as the state moves toward intermittent renewables.
- Based on a reliability assessment, there are concerns. If peaking units go offline at the same time (Gowanus and Narrows), Zone J could hypothetically be deficient on a peak summer day. These challenges have also pushed NYISO capacity prices up.

Power Pricing Trends

- Historical index prices have remained relatively quiet over the last two years as a result of mild weather, with the exception of some sustained volatility during the strong 2024/25 winter.
- In May 2024, forward pricing spiked, largely driven by future data center expansion and the demand that comes with it. Forward pricing since then has eased and the market is backwardated.
- Forward prices are currently $9-10/MWh below the highs of spring 2024.
- In general, gas retirements and the increase in intermittent renewables are putting upward pressure on capacity prices. However, in the last six months there's been a softening in forward capacity prices due to adjustments in how the NYISO calculates capacity supply.

Sample electricity buying strategy for current pricing environment:

Careful management of your 'controllable costs'
It's important to remember that your commodity costs and your capacity costs (two of the five major components that comprise your energy supply price), are controllable through a managed product strategy.

Commodity: Instead of locking in your electricity price for your full load requirements on a given day, consider layering your purchases over time and for portions of your total requirements. This allows a full customization of your purchases to your specific risk tolerance.

Capacity: Instead of locking this cost in, if you pass it through, you have the opportunity to reduce what you're paying through load management activities. Peak load management can help you lower your capacity obligation and therefore lower your costs.

Other load management opps: demand response (DR) programs can help you monetize your energy reductions and can tie in with what you're already doing with peak load management.

Strategy Tips

- Focus on manageable cost components and take advantage of product structures that give you the flexibility to independently manage them, in an effort to lower these costs.
- For commodity: layering purchases over time or for portions of your requirements can better align your risk to market reward.

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