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Executive Chamber
State Capitol, Room 245
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National Grid appreciates this opportunity to submit comments on the Draft Scope of the 2009 New York State Energy Plan. We applaud the Administration's leadership in establishing the State Energy Planning Board and welcome the opportunity to work in partnership with you, sharing our experience and expertise, on this most timely and necessary effort.

New York has the opportunity to establish stronger, clearer and more coordinated energy and environmental policies, with a well-defined plan for implementation to ensure the provision and delivery of reliable, affordable, technologically advanced and environmentally sustainable energy to its citizens, businesses and industries. At the same time that we have become increasingly aware of the environmental imperative to address climate change, the state, and the nation, are facing some of the highest and most volatile energy prices that we have ever seen, along with rising materials and fuels costs. To address these challenges successfully, New York will need financially secure utilities and other market participants. New York's utilities will have a positive role to play in responding to and managing climate change.

The power of action is needed now to address these challenges given the lead time necessary to undertake the infrastructure improvements and investments necessary to meet the future needs of our citizens and customers. New York has a great opportunity to position itself for a more environmentally friendly, cost effective and reliable energy future by establishing strong policies to transform its energy systems to meet the needs of the 21st century, and then by taking specific and measurable actions in a coordinated and integrated manner among agencies and market participants based on these policies. To achieve this energy future it is imperative that New York takes a stand to create an environment where many different businesses will choose to invest and create jobs. A favorable investment climate is needed to provide citizens with reliable, efficient and cost-effective energy resources that have a minimal impact on the environment, and to provide highly technical businesses with the quality of power they need.

As a New York investor-owned utility, National Grid stands ready to lead, working with you in developing and implementing innovative policies to help deliver this vision of an economic and environmentally sustainable energy future for our citizens and customers. We believe the New York State Energy Plan must mandate that clean, lowest cost, best fit investments should be setting the priority by:

- Placing increased energy efficiency targets and demand side management first. Only by using less energy, can customers respond to increased prices in the short term. Utilities, in coordination with state agencies and third parties, should be charged with pursuing cost-effective energy efficiency programs on an accelerated schedule to meet the 15 by 15 targets set by the Administration. The state, industry and academia should collaborate on new technologies to enhance the tools available for conserving and managing energy. As part of this effort, industry can partner with schools and colleges to increase interest in math and science and related technical areas so that the state can be a major player in creating a workforce for the future who can work in a transformed energy industry and the many new industries that will emerge as climate change and technologies advance.
- Structuring mechanisms to facilitate more renewable resources. This will require setting an aggressive goal and timeline to fast track such development, leveraging investment from utilities

and others in a regulatory environment that supports building, connecting and financing these clean generation resources.

- Creating a leading regulatory model to develop and enhance conventional resources, ensuring that the transmission and distribution infrastructure needed to support all necessary generation is built to the benefit of customers, and supporting demand side resources for greater efficiency as well as improved reliability.

More specifically:

Expand the size and scope of New York's energy efficiency and demand side response programs to reduce energy usage by at least 15% by 2015. As the Administration and the Public Service Commission have already recognized, energy efficiency and demand response can be the least-cost resources to meet the energy needs of citizens, business and industry reliably and to address the challenge of climate change. Energy efficiency and demand resources not only make energy bills more manageable for customers, over the long term they can defer the need to invest in new generation or delivery infrastructure and in the nearer term can displace older inefficient and less clean generation which reduces carbon emissions. With its "15 by 15" goal, New York has recognized the value of aggressive deployment of energy efficiency, including utility, state, and third party programs, as well as building and appliance standards. In California, a similar effort has kept electricity use per capita flat while it had been rising in other states. Residential and low-income energy efficiency programs help customers to manage their energy costs. Small and large commercial and industrial efficiency programs can help make businesses more competitive and attract them to invest in the state. Recent action by the Public Service Commission has recognized the key role that local utilities will need to play in delivering the amount of energy efficiency investment needed to reduce demand and thus mitigate prices and carbon emissions, and to accelerate the adoption of energy efficiency measures by all customers. As the Public Service Commission has also begun to recognize, financial incentives and updated ratemaking practices (e.g., decoupling) will be needed to ensure that energy efficiency opportunities are maximized and that utilities make energy efficiency a core part of their business.

Expand access to and investment in clean generation resources and fuels. New York has also set forth an ambitious goal for the development of renewable energy resources. Utilities like National Grid stand in a unique position to leverage scale economies to help foster renewable and distributed generation (DG), including gas-fired combined heat and power, particularly to accelerate commercialization of emerging technologies and address market barriers facing customer adoption. Deployment of cleaner fuels (such as natural gas) should be encouraged for end-use applications (e.g., switching heating to gas from fuel oil) and as a transition fuel in small generation to reduce New York's carbon footprint where infrastructure can be economically extended. Utilities should have the financial protections and incentives to enable increased adoption of cleaner resources. Utility investment in transmission infrastructure to bring renewable and cleaner (e.g., non-emitting resources such as nuclear) generation to market should also be supported. Without this necessary link, customers will not be able to reap the full benefits of investment in renewable and other locationally constrained generation resources. In partnership with others' expanded research and development efforts, utilities can ensure accelerated implementation and penetration of new technologies that will further reduce our carbon footprint.

Encourage investment to enhance reliability, modernize systems and ensure that New York is a great place to invest and work. Existing infrastructure is aging and increasingly challenged to meet the current and future needs of New Yorkers as new technologies and ways of doing business demand more and more intelligent energy and environmentally friendly infrastructure and resources. Billions of dollars of investment are needed now. The investment is needed to provide access to cleaner and more competitively priced energy, increase reliability, retire old and less environmentally friendly generation, and bring new generation on line and more gas supplies to market. It is also needed for upgrades and reinforcements to improve the reliability, economics, including mitigating congestion, and environmental impact of the existing system. Accelerated

penetration of new technologies will make New York a leader in energy policy and provide a 21st century infrastructure with communications and controls. We and the market should work toward technology investment that will improve the efficiency of the grid and strive to reduce costs. New technologies will also provide customers more information and choices to better manage and reduce their usage and carbon footprint. An investment friendly and stable regulatory climate (including a streamlined siting process) is critical to encouraging the necessary investment in gas and electric infrastructure (and seeing it built) to support a robust, growing New York economy. There should be an 'open regulatory architecture' that allows for upgrades and improvements to the infrastructure that funds the use of appropriate best available technology at the time.

Help customers manage their energy bills. Regulatory policy should provide the financial protections and incentives that would enable utilities to play a more active role in managing an energy supply portfolio for the benefit of customers. These arrangements, which would be structured to be consistent with a competitive wholesale market, could include purchase power contracts of different durations and possibly self-owned generation. Ensuring low cost NYPA hydropower continues to be available to support economic development and assist vulnerable customers will be a crucial element in keeping NY energy prices competitive. Distribution utilities can help to mitigate rising costs for customers through aggressive implementation of energy efficiency and demand side reduction programs.

Ensure that New York's market and regulatory structure is workable, transparent and facilitates investment to meet the needs of the future. Uncertainty about market rules and structure and the regulatory framework, particularly as we begin to recognize the need to address the cost of carbon emissions in energy policy, challenges traditional investment mechanisms related to type and location of new generation and the related infrastructure to bring new supply and fuels sources to market, particularly in the hybrid competitive and regulated market that exists in New York. A comprehensive planning process such as the one being initiated by the SEP Board that will establish an integrated energy and environmental policy framework for both regulated and competitive investment is needed for the successful implementation of key initiatives to ensure adequate resources are available as demand dictates in a cost effective and environmentally sustainable manner. Sound market rules and price signals are needed that are transparent and consistent over time to elicit market-based investment in generation resources. Regulatory certainty is needed to facilitate regulated investment in delivery infrastructure. And market rules and regulatory policy both need to support the timely provision of information to customers so that they can make reasonable and intelligent decisions about their energy use.

Create a regulatory environment and market rules that will support the economic viability of utilities and New York's other market participants. New York needs to be viewed as a great place to work and invest now and for the long term. All of the goals outlined above will require financially viable companies able to attract capital at reasonable cost and willing to invest the billions of dollars that will be necessary to transform New York's energy infrastructure. Therefore, New York needs stable energy regulation and clear and consistent market rules that will encourage and reward necessary infrastructure investment by utilities and others. Economically viable utilities and other market participants are essential to support New York's future of economic development and job creation in an environmentally friendly manner.

The Draft Scope has identified the many interdependent challenges and opportunities for New York State and the time is right for a comprehensive assessment of where we are and where we want to be in 10 to 20 years time to make New York State a leader in energy and related environmental policy and implementation. The Energy Planning Board must recognize the interdependencies among the various objectives and initiatives in order to achieve a holistic energy policy. National Grid, with the necessary support from the Public Service Commission, is committed to invest in New York and play a leading role in advancing strong energy policy and ensuring a reliable and environmentally friendly infrastructure. As a key participant in New York's energy market, National Grid looks forward to working with the State Energy Planning Board and its Energy Coordinating Working Group by providing policy leadership and information and analysis on many of the issue areas you have identified. National Grid stands ready to help in any way we can to respond successfully to the complex energy and environmental and related economic challenges New York faces.

Best regards,

A handwritten signature in black ink that reads "Thomas B. King". The signature is written in a cursive, slightly slanted style.

Tom King
President

cc. Thomas Congdon, Executive Director, Energy Coordinating Working Group