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April 29, 2011

State Energy Planning Board
NYSERDA
17 Columbia Circle,
Albany, NY 12203-6399

Re: 2013 New York State Energy Plan – Draft Scope

To Whom It May Concern:

Attached please find the Comments of Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. on the Draft Scope for the 2013 New York State Energy Plan.

Very truly yours,

Susan Vercheak

Enclosure

* Admitted Only in New Jersey

**Comments by Consolidated Edison Company of New York, Inc. and
Orange and Rockland Utilities, Inc. on the Draft Scope for the
2013 New York State Energy Plan**

April 29, 2011

Consolidated Edison Company of New York, Inc. (Con Edison) and Orange and Rockland Utilities, Inc. (O&R; collectively, the Companies) appreciate the opportunity to provide comments to the State Energy Planning Board on the proposed scope of the New York State Energy Plan. It is critical for New York State's energy plans to rely on policies and programs that will ensure the goals of continued reliability, efficiency, and environmental awareness of all aspects of the energy infrastructure for the millions of New Yorkers who live and work in New York City and the surrounding region. Prior State Energy Plans (SEPs) have addressed these goals, but to enhance this SEP's effectiveness, the Companies suggest a unifying theme, including planning across sectors (such as energy and transportation) in an integrated fashion, and recognizing all factors that impact utility bills, including taxes and fees. This would improve management of the bill impact of policy implementation for the well being of New Yorkers. Consideration of bill impact is a goal of the Companies and should be the goal of the State as well. An integrated approach would also help clarify the inherent complexity of the SEP, not only to the legislative and regulatory audience (and their stakeholders), but to all New Yorkers who have a vital stake in the goals of the SEP. Lastly, the Companies suggest that utilities be included more directly in the development of the SEP to discuss these important issues and plans, including the

importance of reliability and the need to use energy to achieve a robust economy by promoting a strategy for a bright and clean energy future.

Integration and Convergence

The Companies suggest organizing this SEP on the overall theme of “integration and convergence” of energy supply and use in New York State. To assess the impact of energy use – on the environment, on the economy at large, and on individual New Yorkers – an integrated approach to energy planning must recognize the goals that end users have for energy and then plan to achieve those goals. This will encourage analyses that reflect the response of energy systems such as natural gas, electricity, transportation and heating sectors to changing customer needs. This integration is also likely to result in more cost-effective recommendations than a “sector by sector” or a “fuel by fuel” approach.

Prior State Energy Plans have addressed the requirement for analyses and forecasts of the State’s energy-producing and consuming sectors as stand-alone efforts, with some discussion of how the sectors (and their fuel usage) overlap. Thus, the electricity sector’s needs were analyzed and that sector’s energy requirements were forecasted, including a detailed forecast of the need for new generation and transmission, via a stand-alone “electricity assessment.” Similar assessments were undertaken for other fuels such as petroleum, natural gas, and coal, as well as other ways to satisfy energy needs such as renewable energy and energy efficiency.

The Companies suggest that an integrated approach, driven not by traditional organizational models of the various energy supply sectors but instead starting with end users’ needs for energy, may result in an SEP that meets the energy needs of the State

while recognizing that those needs are likely to change in dramatic fashion over the next decades.

In addition to an integrated view of energy needs, the SEP can recognize that New Yorkers' current modes of consuming energy will converge, often on electrification, but sometimes into other modes that allow the end user to shift cost-effectively between fuels to respond to price signals, environmental policies, and individual needs. Indeed, a major theme of the State's recent Climate Action Plan Interim Report was that a low-carbon economy will necessitate a shift to much greater use of electricity produced using low-carbon technologies.

Consider as an example of integration and convergence the case of electric vehicles (EVs), which are being promoted to diversify the nation's transportation fuel portfolio, address climate change, and lower consumers' transportation fuel bill. Electric vehicles, when adopted in sufficiently large numbers, will have an impact on the petroleum sector (offsetting demand for gasoline), the electric sector (increasing use of electric infrastructure and need for generation capacity), the natural gas sector (likely using more generation capacity fueled by natural gas), and renewable energy (charging electric vehicles at night may match wind generation output). Some electric vehicles allow customers to choose between liquid petroleum fuel or electricity as their primary energy consumption mode, and customers are likely to choose based on price signals, convenience, and their desire to exhibit "green" behavior.

But replacing petroleum as transportation fuel with electricity will result in consumers converging on electricity as their primary mode for consuming energy. Electrification of the transportation sector provides benefits to the environment (because

electric vehicles have lower emissions than petroleum-fueled vehicles), but concentrates risk on the electric system and increases the importance of reliability. Only an integrated approach to state energy planning can properly evaluate the costs and benefits of such a shift in energy usage.

Another example of the importance of an integrated approach is heating customers' switch to cleaner burning natural gas. The SEP should recognize that this change could mean more investment in natural gas infrastructure and more emissions from the natural gas sector, but with an overall benefit to the environment from reduced oil consumption.

Similarly, if a goal of the State Energy Plan is to reduce reliance on expensive (and often imported) oil for New Yorkers, there must be a focus on the transportation sector. This is because the fuel mix in the power generation sector is already dominated by domestically produced fuels, with 98 percent of the energy supply for New York State generation output coming from domestic sources including natural gas, hydro, nuclear, other renewable energy, and coal. Achievement of the goal of reduced reliance on petroleum can only happen by linking the transportation and electric sectors.

In other words, addressing broad issues of climate change, customer-sited generation, or even energy efficiency will yield meaningful results only with strategies that employ a multi-sector, multi-fuel approach. The law requiring the SEP envisions consideration of benefits to New Yorkers, and the SEP should reflect this. Establishing common goals for all aspects of the energy system (*e.g.*, how can New York's energy consumption result in cleaner air or reduced carbon emissions) will help align the various modes of energy production and consumption. Once common goals are

established, the State can examine the cost-effectiveness of achieving those goals (e.g., if the goal is clean air, the SEP should weigh the relative merits of various energy technologies and changes in energy usage).

Because carbon emissions are so closely linked to the various social goals related to energy consumption, the Companies suggest mitigation of carbon emissions as the unifying goal that drives the State Energy Plan. Using this as the goal, the SEP can compare the effectiveness of achieving that goal by switching to EVs, supporting additional renewable electric generation, encouraging stricter emissions standards for buildings, supporting switching existing oil-fired heating systems to natural gas, and recommending other actions to help achieve carbon reduction goals most efficiently, all with full recognition of customer energy bill impact.

Integrate Policy Strategies

Consistent with the importance of an integrated approach to energy planning and converging customer demands is the customer desire to exhibit green behavior. Many of the Companies' customers are interested in the sustainability of their own lifestyle and are taking steps to reduce the impact of their own energy usage. But customers have different ways to achieve such a goal, including investing in the energy efficiency of their residences, purchasing solar panels to supply some of their energy needs, electing to purchase only renewable electricity as their source of electric supply from a retail energy supplier, or simply using less energy by modifying their behavior. The State currently has policies and programs to promote each of these possible avenues for motivated customers, but a holistic analysis of the customers' energy consumption and impact may result in customers electing to make different investments than would

an analysis that merely examined how those customers could reduce their carbon footprint by changing only the source of their electricity consumption.

In keeping with the theme of integration, with an emphasis on satisfying customers' motivations for consuming energy, the Companies recommend that the SEP address the State's energy policy initiatives in a more comprehensive manner. These policies deliver similar benefits with different programs: Renewable Portfolio Standards (RPS), Energy Efficiency Portfolio Standard (EEPS), System Benefits Charge (SBC), and the Regional Greenhouse Gas Initiative (RGGI) focus on very similar outcomes, but are separately approved and funded, and are evaluated using diverse criteria. Creation of a single Clean Energy Program, perhaps under the guidance of the Public Service Commission, would foster flexibility in State investments, including shifting public policy funds to the most cost-effective actions as they develop.

Energy Investments Drive Economic Development (Not the Other Way Around)

The State's utilities invest billions of dollars annually which have a positive economic development, energy efficiency, and environmental impact. A focus on the needs of the energy system – including the utilities' transmission and distribution facilities – is potentially a win-win solution for the State. The primary benefits of investments in such systems come in the form of a more reliable and cost-effective energy delivery system, which makes New York an attractive place to do business.

The Companies recognize that the current economic climate has resulted in a public policy to encourage employment. But the Companies do not believe that direct state intervention to create a “clean energy economy” most effectively addresses that objective. Instead, the best way to encourage economic development in the State is to

provide clean, affordable, and reliable energy to business and residential customers. One area of focus could be the promotion of policies that provide enhanced energy benefits to areas of the economy that are likely to provide future growth in the State. An example is to direct State and utility energy efficiency and demand response programs to areas where New York has been shown to have a competitive advantage, such as the education or health care sectors.

The Companies support investments in R&D, if that R&D is focused on providing benefits to all energy customers. The SEP should ensure that appropriate funding means that New Yorkers have access to and benefit from state-of-the-art energy technologies. For example, development of the smart transmission and distribution system will help control and possibly reduce investment needs in infrastructure, and could benefit all New Yorkers.

In discussing integration and convergence of energy systems, the SEP should acknowledge the value of integrating State efforts to encourage renewable energy with efforts at the federal level to support investments in technologies that will significantly reduce the cost of clean energy production and avoid over-investments in clean energy sources that are not cost-effective. In particular, federal work to radically reduce the cost of solar from current levels of \$5-\$7/watt installed to \$1/watt are worthy of support, and the SEP should consider aligning the State's efforts to reduce the cost of renewable energy with federal efforts.

Consider the Overall Energy Bill

The SEP's implementation of policy goals should not be overly burdensome to customers. The costs should be weighed against the benefits, which should be

construed broadly to include a cleaner environment and the overall competitiveness of New York relative to other areas. The SEP should also recognize that state and local taxes comprise a large portion of utility bills. Economic development will only be successful if businesses have confidence that locating in New York State can be done without risking their bottom line due to very high levels of embedded taxation that are a part of energy bills.

Thus, the SEP must address the impact of any of its proposals on the supply sector, and the impact on electric bills. For example, the SEP must recognize that increasing natural gas supplies to the region not only improves reliability, but can also reduce gas commodity costs which will, in turn, benefit heating customers, electric and steam customers. In the integrated energy approach, increasing natural gas supplies will also benefit other energy users such as electric vehicles users and users of Distributed Generation and Combined Heat and Power plants.

Finally, a typical Con Edison electric customer's electric bill includes taxes and fees that are 26 percent of the total bill. This percentage has been increasing due to higher property taxes levied on Con Edison, increases in the fees collected by the State via direct charges to utility customers to fund policy programs like RPS, EEPS, and SBC, as well as taxes devoted to general revenues like the increase in the Public Service Law Section 18A fee paid by utilities from 0.33 percent to 2 percent. Utility customer public policy charges like RPS, EEPS, and SBC are scheduled to increase over the next few years, resulting in an even higher portion of utility bills due to taxes and fees. The SEP should recognize that the increased use of utility bills to collect taxes and fees from customers can be counterproductive to the State's efforts to

encourage economic development and the SEP should encourage policies to reduce this tax burden. This includes recommending repeal of the additional Section 18A assessments, as well as proposals for tax policies that avoid using the utility bill as a collection mechanism, and do not discriminate against utilities by placing them in a separate property class, making them an all-too-easy target, for the purpose of determining property tax rates.

The SEP should analyze all three segments of the utility bill – supply, taxes, and the delivery portion of the bill – and consider tradeoffs in all three that result in the most competitive energy sector for present and future New Yorkers.

Keep the Focus on Reliability

The need for reliable energy supply and delivery systems is an important element of any energy plan, and the Companies are aware of the importance assigned by our customers to reliable electricity, gas, and steam service. In particular, New York City's population density, high-rise buildings, and complex transportation systems (subways, commuter trains, tunnels, and airports), demand a highly reliable electricity delivery system. Maintaining reliability requires investment, which should be encouraged. Improving reliability unless justified adds unnecessary cost and should not be pursued.

There has been considerable discussion of potential retirement of generation units, including the Indian Point generation units. The SEP should hew to the goal of providing customers with reliable energy, whether it is to address retiring generation, increased demand, or other public policy initiatives. The Companies believe that, with sufficient lead times, energy markets, including the planning process overseen by the New York Independent System Operator, can provide for appropriate future system

plans in an orderly manner. Moreover, capacity market improvements, and in particular a forward capacity market, could improve the ability of the competitive markets to respond to retirements of critical generation units and could be considered a tool to further energy goals within the SEP process.

Partner with Utilities in Developing the SEP

The State's utilities have a vested interest in the outcome of the SEP because they may be required to implement solutions to policy prescriptions in their systems. The Companies believe that inviting utilities to the table, and allowing for meaningful input into the SEP's goals during the drafting phase, will result in a plan that can more easily be implemented. The Companies suggest that the creation of a Utilities Advisory Group, comprised of all the State's utilities, would be a useful forum for evaluating SEP concepts with those who operate the systems under review. Utilities can bridge State and regional, or local differences on energy issues because of their ties to a broad range of State, regional, and local stakeholders; these ties make a partnership with utilities more valuable.

In addition, utilities have substantial expertise built up over years of developing their own long-range plans, and such expertise may be a valuable source of guidance during the development of the SEP. The utilities' own goals, including providing their customers' energy needs for safe and reliable service at the lowest reasonable cost, while minimizing adverse impact on the environment, complement the goals of the SEP by creating the opportunity for an effective partnership.

Summary

The Companies hope that the State Energy Planning Board finds these suggestions helpful as the scope of work on the 2013 SEP is finalized. The Companies intend to be an active participant in this State energy planning process and are available to discuss specific topics of interest in meeting the vision for the next SEP.