

April 29, 2011

State Energy Plan Committee  
NYSERDA  
17 Columbia Circle  
Albany, NY 12203-6399

Re: Comments to 2013 New York State Energy Plan Draft Scope

National Grid appreciates the opportunity to offer comments on the Draft Scope for the 2013 New York State Energy Plan. The State Energy Planning process is vital to addressing the critical energy issues facing New York State. The State Energy Plan should serve as a vehicle to promote the growth of New York's economy and facilitate energy infrastructure investments that will benefit New York's consumers and businesses. National Grid stands ready to work with New York's policymakers and regulators to help identify and take the necessary steps needed to implement the State Energy Plan.

It is important that the State Energy Plan provide a clear vision towards regulatory and policy initiatives that will ensure consumers benefit from energy infrastructure investments that will drive forward a clean energy economy in New York. The plan could create benefits for consumers by identifying an agreed upon path for the NY utilities, the regulatory agencies that oversee them, and other industry participants to follow. The plan must build upon existing regulatory policy to further encourage investment and innovation in New York's economy. We must also ensure that energy costs to consumers is affordable, which will help maintain New York as a place where people want to live, work, and do business.

The State Energy Plan can serve to ensure that New York has in place clear and stable regulatory policy and market rules that support and reward necessary infrastructure investment by utilities and others. Through supporting the financial health and providing for adequate returns, the State demonstrates that it supports the viability of the State's utilities, thus allowing utilities the ability to promote future economic development and job creation in the State. Such viability will in turn attract investors and capital at a fair cost necessary to transform New York's energy infrastructure.

As a state utility, National Grid stands ready to lead, working with state policymakers and regulators to deliver the vision of an economic and environmentally sustainable energy future for New York. We would like to offer ourselves as both a resource to the State Energy Planning Board, given our expertise in modeling and forecasting, and as a trusted advisor in a more formal role. We welcome the opportunity to continue the dialogue with the Board as you move forward, and offer the following suggestions for your consideration as you further develop the 2013 State Energy Plan.

1. **Ensure that New York has a highly reliable electric and natural gas delivery system by modernizing and upgrading existing aging infrastructure and allowing integration of clean, low carbon resources to serve customers.**
  - New York's electricity and gas networks are aging and equipment on the system suffers higher risk of failure. Although the State's utilities, with the support of the Public Service Commission ("PSC"), have already begun to make beneficial investments in infrastructure to enhance

reliability, more must be done to maintain safe and reliable service. The State Energy Plan should encourage aggressive investments in energy infrastructure recognizing that such investments also promote job growth and attracts industry.

- The State should build upon the interim report of the State's Climate Action Plan, as well as the work of the New York Transmission Owners in their State Assessment and Reliability Transmission Study ("STARS"). Both the Climate Action Plan and STARS are successful examples of scenario planning that allow the State to target investments into areas that address the State's long-term energy objectives and priorities. Moreover, they will allow the State to address pending concerns, such as the possible retirement of existing coal, nuclear, and older, less efficient generation.
- In the consideration of possible retirement of existing generation units, the Plan should consider whether Article X should be reinstated to allow for streamlined siting and permitting of new base load generation.
- Transmission cost allocation for the construction and upgrade of transmission is an example of an impediment to moving forward beneficial transmission. Under the current rate structure, when National Grid (or another utility) upgrades its transmission system, the ratepayers of the utility undertaking the upgrade are responsible for the costs of the upgrade, even if the benefits are realized by a neighboring utility. As a result, upgrades that might be beneficial to the State are not often pursued because of the mismatch between the allocation of costs and benefits. The State Energy Plan should encourage the PSC and New York Independent System Operator ("NYISO") to work together to fix such inequities through possible creation of some form of "postage stamp" rates for transmission that would better align costs and benefits for ratepayers.
- The State Energy Plan must also address the expected growth in demand for natural gas. Recent trends in availability and pricing have led to increasing natural gas demand by customers, and as such, the New York City and the Downstate local distribution systems will require increased customer connections and increased system capacity. Such movement toward natural gas as a fuel of choice, coupled with aggressive replacement of leak prone pipes to eliminate vulnerable assets and cut fugitive methane emissions, will contribute to New York's reduction in GHG emissions.
- The State Energy Plan should encourage environmentally responsible development of non-conventional gas supply, such as shale gas. With appropriate safeguards and standards, the State can utilize this resource to maintain adequate supplies which can contribute towards reducing price volatility of natural gas.

**2. Encourage greater collaboration between the States utilities and the New York State Energy Research and Development Authority ("NYSERDA") to ensure that energy efficiency programs are cost effective and are able to provide the greatest benefits to consumers.**

- The State Energy Plan should encourage greater penetration of energy efficiency measures to address under-served and disadvantaged communities. These communities will benefit greatly by deployment of sound programs that delivers efficient consumption of energy thereby aiding in reduction of energy bills.
- The State Energy Plan should examine the multiple programs offered by the various State utilities and State agencies to ensure that efforts are not duplicated and to streamline their delivery with the objective of maintaining cost-effective programs and meeting state energy reduction goals.

- Energy efficiency programs not only help manage customer energy costs, but also increase customer satisfaction. An approach to maximize potential savings would be to allow utilities flexibility in program implementation. This would include not limiting discrete calendar year saving targets and program budgets, but instead consider allowing utilities to manage their overall Energy Efficiency Portfolio Standard (EEPS) program budget with results assessed at the portfolio level and not at the individual program level while maintaining transparency of costs and benefits of each program.

**3. Maintain fuel diversity and promote clean, low carbon resources to minimize customer exposure to energy price volatility. The State Energy Plan should consider how renewable power is procured and contracted, and whether State utilities should have a limited role in direct ownership of distributed renewable generation.**

- National Grid supports enhancements to the RPS Main Tier program. Implementation of the State's Renewable Portfolio Standards ("RPS") program and its recent modifications, as established by the PSC, have helped New York lead the Northeast in wind development. Much more is possible in future years. While the PSC considered and set aside a straw proposal on a "contract for differences" approach to renewable energy credits ("REC") contracts entered by NYSERDA, this concept holds potential for more rapidly enabling wind development, and deserves additional examination through the State Energy Planning Process. Additionally, analysis of whether there should be a carve-out for solar in the RPS Main Tier program should also be included in the State Energy Plan scope.
- Utilities offer an alternative delivery mechanism for advancing specific actions of state energy policy. National Grid encourages the State Energy Planning process to examine whether the advancement of increasing renewable generation is an objective that should be carried forward. With appropriate cost recovery and adequate returns, allowing utilities the ability to own and invest in a limited amount of distributed renewable generation deployed on the distribution system can help speed deployment of such renewables. The use of utility-owned brownfield property for such installations could be utilized for such sites.

**4. Address the role that clean transportation, renewable gas, and other innovations can play in reducing GHG emissions.**

- According to inventory data in New York, the transportation sector accounts for 34% of the GHG emissions vs. 23% in the power supply sector. Demographics indicate that vehicle miles traveled are expected to grow 15 - 20% each decade for the next 20 years. The State Energy Plan should consider policies to encourage adoption of electric vehicles (EVs) and associated charging platforms and infrastructure for short mileage commuters, and the use natural gas vehicles (NGVs) in the fleet sector and compressed natural gas (CNG) for commercial vehicles, especially in the Downstate/NYC area. This would represent an important move forward to reduce our environmental impact and decrease emissions from the transportation sector.
- The carbon intensity of natural gas from fossil-based sources can be lowered through the systematic development of renewable gas. Renewable gas is pipeline-quality biomethane derived from biological resources, such as food and farm waste, sewage treatment facilities, wood waste, and energy crops. New York should consider how to better utilize this resource to supply a percentage of natural gas demand with renewable gas.

Through investments in aggressive energy efficiency, energy infrastructure, and the creation of a low carbon economy, we can stimulate growth in infrastructure construction, program implementation, and other "green" industries. Moreover, such innovation in creating a clean economy will necessarily require investments in

research and development at the State's world class universities. New York's utilities can play a critical role in helping the State achieve its economic development objectives. The State's utilities could play a major role in the development, deployment and even manufacturing of clean energy technologies in New York. This potential is already being demonstrated through National Grid's evolving industry and academic partnerships and efforts across the State.

National Grid and other utilities directly contribute to economic development in New York State by investing billions of dollars each year in electric and natural gas infrastructure. This investment is necessary just to maintain reliability, efficiency, and safety of our electricity and natural gas networks. However, more can be done. For example, since 2003, our external Economic Development Program activities have helped create or retain over 15,000 jobs and generate \$1.4 billion in new capital investment in our service territories. But even these tremendous "baseline" investments pale in comparison to the role our company is eager to play in helping New York State move towards a clean energy economy.

National Grid and the other NY utilities should be encouraged to explore additional synergies between economic development and clean energy. By fully utilizing our relationships with customers and institutions, our experience in energy technology and innovation, we have the power to help drive the business development that will advance New York's clean energy economy.

National Grid welcomes the opportunity to continue the dialogue with the State Energy Planning Board as you move forward.

Best regards,



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