

March 23, 2009

Mr. David Coup
NYSERDA
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Albany, NY 12203
[Via Email
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**National Grid Comments on:
NYSERDA Draft Operating Plan for Investments in New York under the CO2
Budget Trading Program and the CO2 Allowance Auction Program**

Dear Mr. Coup:

National Grid is pleased to have this opportunity to provide comments on NYSEDA's e Operating Plan for Investments in New York under the CO2 Budget Trading Program and the CO2 Allowance Auction Program under RGGI. National Grid has publicly supported RGGI from its inception and has actively participated in stakeholder meetings and provided comments on the development of the program over the last five years. We commend NYSEDA for the comprehensiveness of the draft Operating Plan and for its general adherence to the stated RGGI goal for auction proceeds to be used to "promote and implement programs for energy efficiency, renewable or non-carbon emitting technologies, and innovative carbon emissions abatement technologies with significant carbon reduction potential."

National Grid serves 3.4 million electric and gas customers in the RGGI region. These and other utility customers in the region will bear the cost of the RGGI program. Accordingly, we continue to urge that auction proceeds focus on tangible programs that will help these customers reduce their energy consumption and consequently their energy bills and carbon footprint. In order to achieve these objectives National Grid offers the following specific comments and suggestions on the NYSEDA Operating Plan:

A greater proportion of funding should be aimed at Residential, Commercial and Industrial energy efficiency programs and the Electric Power Supply and Delivery Sector.

The Plan indicates that approximately 18% of the funding will be allocated towards the Transportation sector. We believe that this proportion should be reduced and redirected to residential, commercial and industrial energy efficiency programs and the electric power supply and delivery sector. While there may be worthwhile carbon reduction

opportunities available in the Transportation Sector, such projects provide little, or at best, indirect benefit to electric ratepayers who bear the primary burden of embedded electric rate RGGI allowance costs. Therefore, we recommend that NYSERDA focus on harvesting the abundance of low risk, near term carbon abatement and energy efficiency potential that exists in the residential, commercial, industrial energy efficiency sector and the energy supply and delivery sector. Doing so will provide immediate, tangible and lasting benefit to NY ratepayers. Accordingly we suggest that the allocation percentage in these two categories be raised from the proposed 61.6% to 85% with the Transportation allocation reduced proportionally.

Multi Sector Project funding should be prioritized based on greatest GHG reduction potential per dollar invested.

National Grid is encouraged by NYSERDA's proposed multi-sector allocation wherein approximately \$40 million will be available to projects within any sector on a lowest dollar per CO2 ton reduction competitive basis. We would suggest however that projects with the greatest abatement cost effectiveness for utility ratepayers receive higher priority for funding. In addition, we suggest that NY geographical cost of business considerations be factored in to final disbursement decisions and that geographic equity be evaluated to ensure that ratepayers in disparate parts of the State receive reasonable return in proportion to their contribution to overall RGGI costs embedded in their cost of service.

Funding eligibility within the Power Supply and Delivery sector should include opportunities to promote the introduction of renewable energy sources into the grid.

RGGI funding should help to facilitate the injection of viable renewable energy supplies into the grid. We suggest that the paragraph under Section 5.A (but before section 5.A.1) should include a last sentence such as "This program will also evaluate enhancements to the T&D system to integrate renewable energy into the grid."

In addition, funding eligibility within Advanced Power Delivery should include not only "smart grid" development but smart Transmission development. Under section 5.B.1 at the bottom of page 38, it appears that NYSERDA views "smartgrid" as a distribution centric process while the DoE uses a broader definition that includes transmission. If large scale renewable energy is going to be introduced into the grid, the Transmission system will have to be able to account for the increased power flow. Accordingly, under the bullets on page 39 for specific projects, we suggest adding an additional bullet indicating a proposed project.

- Smart Transmission Grid. Capability of the transmission system to interconnect with renewable energy sources while maintaining system stability. Apply advanced technologies to enable the grid to monitor and make the necessary adjustments to power flows due to new and disparate sources of energy on the grid, both inside and outside of NY. Technologies may include digital relaying and associated equipment, secure deterministic communications and algorithms to respond to dynamic system changes.

Additional miscellaneous comments:

1. Page ES-4. Advanced Power Delivery. States that the advanced power delivery portion of the program will focus on high efficiency power delivery technologies including superconducting cables. The financial viability of superconducting cables is uncertain. NYSERDA should carefully evaluate existing research in this area before specifically targeting such projects rather than other technologies with possibly greater cost effectiveness. The objective within advanced power delivery should simply focus on cost effective advancement in technology to promote the grid of the future.
2. Page ES-5. Advanced Transportation Development mentions that the program will support the development of advanced on-board chargers for plug-in hybrid electric vehicles. This effort should involve the cooperation of partners including vehicle OEMs, standards groups, and utilities.
3. Page 27-28. Heavy Duty Hybrid-Electric and Battery Electric Vehicles. It is unclear from this section whether the plan would be in addition to available or supplement CMAQ funding. CMAQ provides 80% of the cost difference between a normal vehicle and a hybrid. This needs clarification.
4. Page 32. Advanced Transportation Development. Efforts in this area should include involvement by vehicle OEMs and standards group with the OEM supporting the development of advanced on-board chargers for plug-in hybrid electric vehicles. This effort should involve the cooperation of partners including vehicle OEMs, standards groups, and utilities.
5. Page 34 Criteria 4. Vehicle tailpipe emissions. Focus should be two-fold. First should be emissions reduction in gallons of fuel consumed; and second, reduction in trip time (miles traveled x time commuting).
6. Page 36 Statewide Photovoltaic Program. Mentions State goal of 50 MW of PV on Long Island. Is this in reference to the 50 MW RFP that LIPA issued or is it in addition to it?
7. Page 37. Statewide School Power Naturally. Funding cap would limit coverage to 2 kW demonstration systems. For example, if a school district has 5 buildings and is progressively green, it would want to aggregate one 10 kW PV system onto its largest energy building. As currently structured, if a school wanted to put up 5 separate systems, it would incur duplicative costs (architects fee's, engineering, construction). There should be some flexibility here to minimize expense costs for implementation.
8. Page 49. Competitive Greenhouse Gas Reduction Bidding Program. We suggest changing the terminology here as bidding typically means buying and selling in the market. Perhaps "competitive project evaluation" might be more appropriate terminology.
9. At the public meeting on March 6, there was mention throughout the program that some programs are SBC, not SBC, eligible on Long Island. We suggest that the Plan

language be made clearer in this regard. Long Island rate payers will likely be contributing over \$25 million annually of the RGGI funding. We believe that disbursement of RGGI funds for projects on Long Island be commensurate with their level of contribution. The plan should more clearly present how RGGI disbursement dovetails with existing programs.

I trust you will find our comments constructive. Please do not hesitate to contact me if you have any questions or require clarification. National Grid continues to look forward to working with NYSERDA in achieving the very significant benefits of the RGGI program in a cost effective manner. We particularly request the opportunity to participate in the Electric Power Supply and Delivery Task Force (EPSD) mentioned in Section 5 (page 36).

Sincerely,

Robert D. Teetz

Robert D. Teetz
Director, Environmental Management

Cc : Janet Joseph (NYSERDA)