

Preparation of the 2012 National Electric Transmission Congestion Study

COMMENTS OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. AND ORANGE AND ROCKLAND UTILITIES, INC.

Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. (“the Companies”) submit these comments in response to the Notice for Plan for Conduct of the 2012 National Electric Transmission Congestion Study (“Study”) issued by the United States Department of Energy (“Department”) Office of Electricity Delivery and Energy Reliability. 76 Fed. Reg.70122 (November 10, 2011) (“Notice”).

BACKGROUND

Federal Power Act section 216(a) requires the Department to conduct a study of electric transmission congestion within one year from the date of enactment of EPAct and every three years thereafter to determine if it should designate National Interest Transmission Corridors (“National Corridors”). The designation is not a bright line determination that transmission must or even should be built. Rather, the Department’s role is to conduct a study and identify congestion *that adversely affects consumers* and name National Corridors, as needed, that could utilize Federal backstop siting authority.

The Department is now initiating the 2012 Congestion Study, and the Notice seeks comments on what publicly-available data and information should be considered, and what types of analysis should be performed to identify transmission congestion. The Department held a

series of workshops to discuss these issues and the Companies attended the December 6, 2011 workshop in Philadelphia (“Workshop”).

This will be the third National Corridor study. The Companies have submitted comments on the prior studies and have expressed concern that the prior studies have not been properly focused on identifying areas where congestion is truly adverse for customers. We have also been concerned that there have been conclusions reached or statements made in prior studies that were not based on the appropriate analysis.¹ Designations of National Corridors should not be based on allegations from interested participants or other less compelling evidence. At this time of low economic growth and sluggish electric demand, it is important that transmission be built for economic reasons only when there is compelling evidence that it will provide benefits for customers.

As the 2009 study recognized, the Northeast region has been “making significant progress in reducing loads and improving reliability through the use of aggressive energy efficiency and demand response programs, and has added new generation since 2006.” And, at the Workshop, speakers noted that New York State currently has no projected resource adequacy needs through 2020. In the absence of any reliability needs, the Department should not lightly designate an area as a potential National Corridor.

Moreover, congestion has significantly decreased since 2008 when natural gas prices were much higher. This is especially important for southeastern New York, where gas is on the margin over 90% of the time. There is currently no indication that natural gas prices will increase. And, in considering natural gas, it should be taken into account that Con Edison entered into a precedent agreement with the developer of the Spectra New Jersey – New York

¹ In particular, the last study stated that New York may be “inappropriately relying” on PJM without providing analysis that supported that statement.

Expansion Project that will result in 800,000 dekatherms per day of new supplies to New York City, helping to reduce natural gas prices and electric prices. Indeed, the Study should recognize that increased gas pipeline capability can serve the same electric supply objective as added electric transmission capability and that additional pipeline capability makes additional natural gas supply available to supply generation located in or in proximity to load centers.²

Finally, Congress required that this study should be repeated every three years, which provides ample flexibility to deal with changed circumstances if a need for transmission should develop during the next three years. The designation of a National Corridor should not be made lightly; accordingly, there is no need to consider potential high load growth or other scenarios designed to make it more likely that transmission should be built. Instead, the decision to designate a National Corridor should be based on reliable analysis that such a designation is necessary now.

The Companies offer these additional specific comments with these principles in mind.

DISCUSSION

I. The Study Should Focus on Areas Where Congestion Mitigation Can Provide Benefits for Customers

The purpose of the study is to determine if a National Corridor should be designated because there is congestion that “adversely affects consumers.” 16 U.S.C. § 216(a) (2). In other words, the Study should not simply identify congestion but congestion that is harmful. In order to do so, as New York Public Service Commission Chairman Garry Brown stated, this should include a determination as to whether congestion is a “fleeting problem or has persisted for year, whether the consumer would benefit from resolving the congestion, and whether transmission is

² Here, it is important that New York City has adopted a law to phase out the use of higher emitting oil that will result in increased natural gas usage. Accordingly, for New York City, new gas pipelines will have the additional benefit of helping to meet that clean energy objective, as well as reducing electric congestion.

the correct solution, or would a correctly sited generator or demand response would better resolve the issue.” (Workshop at 10). As discussed in more detail below, the best way to make this determination is to rely on the production cost metric.³

II. The Department Should Seek to Use the Production Cost Metric for All Regions

a. The Production Cost Metric is The Best Metric for Measuring Benefits for this Study.

The production cost metric is the total generating cost of producing power to serve load. The total cost includes generator fuel cost, variable operations and maintenance costs, emissions costs, and start-up costs.⁴ This metric is the best metric for the Department to use to measure costs and savings to determine whether a National Corridor should be designated for economic reasons. The fundamental goal of economic transmission analysis should be to determine whether less expensive power may displace more expensive power. Whenever this occurs, economic efficiency is achieved because fewer of society’s resources are consumed to produce the same quantity of power. Locational electric price impacts can be considered, but they should not be the primary focus for a long-lived asset. While increased transmission will tend to reduce prices in locations where projects deliver power and increase prices where that power is sourced, investors will respond to those price changes by altering generation investment plans.⁵ Ultimately, prices impacts in each location will fade away. However, the resource cost savings will provide a continuing benefit. Production cost savings represent the total economic benefit available to all stakeholders, not merely a shift of costs among them.

³ See NYISO 210 Comprehensive Reliability Plan at: http://www.nyiso.com/public/webdocs/services/planning/reliability_assessments/CRP_2010_FINAL_REPORT_January_11_2011.pdf.

⁴ 2009 Congestion Assessment and Resource Integration Study, Appendix E, Section E.1.2

⁵ See, e.g. NYISO, 125 FERC ¶ 61,068 at ¶ 110-11 & nn. 99-100 (2008).

There have been criticisms of the production cost metric that it may be too narrow and may not capture all of the benefits of a transmission line that could mitigate economic congestion. But the Department's responsibility here is to designate National Corridors that may result in the Federal Energy Regulatory Commission ("FERC") overriding state siting authority, and not places where it might be useful to build transmission. As stated by the Department at the Workshop, designation of a corridor "emphasizes that the federal government believes that it is important to mitigate the congestion in question."⁶ Accordingly, in cases where there is no demonstrated reliability need for transmission, it makes sense to use the most rigorous metric available. This way, in cases where there is no reliability need, all affected entities will know that federal authority may be invoked to override state authority only where it is patently clear that new transmission investment is necessary to provide economic benefits.

b. The Study Should Evaluate Congestion in Different Regions on a Comparable Basis

The Study should assess each region's congestion on a comparable basis to the extent possible. For example, fundamental market trends should be consistently captured across regions, so that conclusions on transmission congestion in the 2012 Study are a reflection of actual system conditions rather than regional variations in assumptions. In addition, the Study should rely on production cost data available from other regions to the extent available even if that is not the data that is relied upon by the region to make decisions concerning whether to build transmission for economic reasons.

In addition to the production cost metric, there are other metrics that can be considered that to the extent feasible should be evaluated on a comparable basis. These include evaluations of

⁶ Workshop at 5, lines 8-10.

such metrics as expected energy efficiency, wind penetration, or greenhouse gas prices. Information from the Eastern Interconnection Planning Collaborative could be helpful in this regard and should be considered.

III. The Companies Support a Broad Designation of Congestion Corridors

The Department should define the boundaries of a National Corridors as broadly as reasonably possible because it would avoid direct conflict with state siting processes for state projects. If a developer then submits a specific proposal to have a National Corridor designated, it can be determined whether the proposal would substantially mitigate significant congestion and merits designation as a National Corridor. Here, for ISO/RTO regions, the FERC/Department should rely on the studies that are developed through those regions' Order 890 processes, as they will provide evidence as to whether a transmission project is of national importance.⁷ Even then, however, a National Corridor should not be designated merely because a process has identified transmission that may provide economic benefits. Instead, such a designation should be made only when there is compelling evidence that such economic transmission is needed.

One concern that the Companies raised with the 2009 study, however, was that it designated certain areas as "Critical Congestion Areas" without defining "Critical" and making clear what metrics were used to make an area "critical." The Study used this designation even though at the same time it stated that it had not concluded that congestion was "adversely"

⁷ The NYISO presented a listing of relevant public data and analysis that the Department should consider in its Study to identify and understand the significance and character of transmission congestion. The Companies support this recommendation, and also request that the Department consider New York's 2011 Congestion Assessment and Resource Integration Study Phase 1 report, which is expected to be publicly available in late March of 2012.

affecting customers or that the congestion should be solved by transmission.⁸ Accordingly, if the Department's plan is to again broadly designate certain areas without designating specific areas, then it would be better to avoid the use of terms like "critical" that could otherwise be misinterpreted in the public realm.

Finally, as in the 2009 study, this Study should refrain from addressing the issue of whether transmission expansion would be the most appropriate solution. As the 2009 study recognized, "[n]ot all transmission congestion can or should be reduced or "solved." (Executive Summary at viii). The Study should accordingly consider whether transmission appears to be the optimal solution for solving congestion, or whether generation or demand response would be preferred. This will help to inform developers and the general public whether it makes sense to propose a transmission project and/or designate a National Corridor.

CONCLUSION

The Companies request that the Department consider these comments and look forward to the continued opportunity to be part of this important process.

Respectfully submitted,
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⁸ See Companies 2009 Comments at 4-5.