



March 28, 2012

VIA ELECTRONIC FILING

Lamont Jackson
Office of Electricity Delivery and Energy Reliability
Mail Code OE-20
U.S. Department of Energy,
1000 Independence Avenue, SW.
Washington, DC 20585

RE: DOE's Request for Information
OE Docket No. RRTT-IR-001

Dear Mr. Jackson,

Public Service Electric and Gas Company ("PSE&G")¹, PSEG Power LLC ("PSEG Power") and PSEG Energy Resources & Trade LLC ("PSEG ER&T") (collectively referred to herein as the "PSEG Companies") respectfully submit the following comments in response to the Department of Energy's ("DOE") Request for Information in connection with the Rapid Response Transmission Team for Transmission ("RFI")².

The PSEG Companies support the need for reform and better coordination of the development timelines between transmission and generation and also support the need to expedite the siting of transmission projects. Many transmission projects that are proposed for reliability purposes are unable to meet required in-service dates due to delays in permitting. One element of expediting transmission siting approval and permits

¹ PSE&G is also submitted joint comments with PPL Electric in this docket specifically focusing on the Susquehanna-Roseland Project.

² 77 FR 11517 (February 27, 2012).

is to better align the planning processes for transmission and generation. Through better alignment of generation and transmission planning horizons, only the transmission projects that are truly needed or appropriate will seek permits thus unclogging the transmission planning process. This approach will have the added benefit of helping to pick the optimal solution for customers, both financially and from a supply requirement perspective.

THE PSEG COMPANIES

The PSEG Companies are each wholly owned, direct and indirect subsidiaries of Public Service Enterprise Group Incorporated (“PSEG”). PSEG is a public utility holding company engaged in, among other things, the generation of electricity, and the transmission, distribution and sale of electricity and natural gas through its subsidiaries.

PSE&G is a public utility company organized under the laws of the State of New Jersey. PSE&G is presently engaged in, among other things, the transmission and distribution of electricity and the distribution of natural gas in New Jersey. PSE&G owns transmission facilities in PJM Interconnection, L.L.C. (“PJM”). PSE&G is the largest investor-owned electric and gas distribution company and transmission owner in New Jersey, with all of its transmission assets in the PJM regional transmission organization (“RTO”) footprint. In addition, PSE&G shares a critical interface with New York City.

PSEG Power is a wholesale energy supply company that integrates its generation asset operations with its wholesale energy, fuel supply, energy trading and marketing, and risk management functions through three principal subsidiaries: (i) PSEG Nuclear LLC (“PSEG Nuclear”), which owns and operates nuclear generating stations; (ii) PSEG

Fossil LLC (“PSEG Fossil”), which develops, owns, and operates domestic fossil-fuel fired and other non-nuclear generating stations; and (iii) PSEG ER&T, which markets the capacity and production of PSEG Nuclear’s and PSEG Fossil’s generating stations, manages the commodity price risks and market risks related to generation, and provides gas supply services.

COMMENTS

I. PSEG Supports the Need to Expedite Transmission Siting Permits

The PSEG Companies support the need to expedite the siting of transmission projects. Reliability is of paramount importance and the ability to meet reliability in-service dates is a worthwhile goal. Significant delays in permitting, especially on the federal level, are putting the reliability of our transmission system at risk.

For example, PSE&G has accepted construction responsibility for the Susquehanna-Roseland Transmission Line Project (the “S-R Project”). The S-R Project is a new 500-kV backbone project needed to resolve reliability criteria violations in Eastern Pennsylvania and New Jersey. The S-R Project has an in-service date of June 2012, and received state commission approval in both New Jersey and Pennsylvania by early 2010. However, a delay in obtaining a federal permit has delayed the completion of the Project by approximately three (3) years. Resolving these types of delays and expediting siting of transmission will go a long way to maintain reliability.

It is premature to draw final lessons from the experience of the S-R Project, but some guideposts have emerged. Federal land managers, irrespective of agency or location, should pursue awareness of transmission infrastructure in the areas adjacent to

or crossing the lands they manage. The reciprocal is also true: grid operators and transmission owners would be well advised to gain a better awareness of the management of the federal lands used or affected by the infrastructure of concern to them and seek to develop coordination and relationships with those land managers far in advance of a need for an upgrade. This coordination will go a long way to expediting the permitting process should the need for a transmission project arise.

II. Transmission Planning Timelines and Capacity Market Timelines Should Be Better Aligned in Order to Obtain Optimal Solutions

In addition to expediting the permitting process, one element of expediting transmission siting approval and permits which has not been discussed in the RFI is to better align planning processes for transmission and generation in market regions such as PJM that have separate and distinct processes. The construction of new transmission facilities can have significant impacts on energy and capacity markets, but at present, the application of inconsistent time frames for transmission planning and generation procurement can hinder effective decision-making for both processes. Therefore, in order to maintain reliability and choose the optimal solution for customers, transmission planning and capacity market processes need to be better aligned.

Specifically in connection with PJM, the North American Electric Reliability Corporation (“NERC”) Reliability Standards require PJM to analyze the transmission system 5, 10 and 15 years into the future and to propose transmission projects that will ensure the reliability of the system. This type of planning, called the Regional Transmission Planning Process (“RTEP”), addresses the system reliability impacts

associated with long-term load growth, the impacts of generation retirements and the delivery needs of clustered generation projects. Each year during the RTEP process, PJM reviews transmission plans developed in earlier years to determine whether, as a result of changing assumptions, including updated load and generation data, previously approved transmission upgrades are still required and, if so, whether they are still required in the year originally identified.

In contrast, PJM's Reliability Pricing Model ("RPM") auction, used to procure capacity resources, only looks three (3) years into the future and procures the necessary capacity to maintain reliability for those three (3) years only. The different planning timelines between transmission (5-15 year analysis) and generation (3 year analysis) may cause a predisposition toward regulated transmission solutions in the initial review process. This could occur, for example, when the transmission planning process assumes there will not be generation additions in periods beyond the RPM 3-year forward procurement even though RPM is designed to promote new entry when and where needed. In addition, the perception of generation developers that a particular transmission developed over the 5-year planning timeline will be built may affect their decision in a particular RPM auction regarding whether to bid a new entry unit or to retire an existing unit even though a retool study may change the transmission development decision.

The PSEG Companies therefore recommend that the DOE work with the other federal agencies to consider solutions that better align transmission and generation planning processes in order to place generation solutions on equal footing with

transmission solutions. This will lessen the need to restudy transmission projects that are identified as needed for reliability but are later determined not to be needed when generation projects are subsequently offered, and will allow the selection of the optimal solution for customers, both from a supply and cost perspective.

III. The DOE Should Share the Results of the RFI With Other Agencies So That Permanent Solutions Can Be Implemented

In it important for the Department to share the results and solutions proposed during this RFI with other federal agencies, including the Federal Energy Regulatory Commission, so that permanent solutions can be implemented that provide a level playing field between transmission and generation development. Currently, siting for transmission and generation can vary greatly and in a competitive market, this could be the deciding factor between one type of project and another. Aligning the planning processes and siting timelines will go a long way to resolving these issues and allowing developers to chose the most optimal and reliable solution for customers.

CONCLUSION

In summary, the PSEG Companies appreciate the opportunity to participate in this proceeding and to submit comments to the DOE's RFI. The PSEG Companies support reform and better coordination between the development processes for transmission and generation and also support expediting siting of transmission projects. However, the RFI should also consider better aligning transmission and generation planning timelines.

Respectfully Submitted

Public Service Electric and Gas Company
PSEG Power LLC
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By:

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Newark, New Jersey
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