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September 30, 2009

Energy Daily Transmission Policy Siting Summit
Washington, D.C.

Prepared remarks:

Today, a debate is swirling around two different approaches to transmission policy in regard to delivering renewable energy.

One approach allows diverse renewable energy projects to compete on a level playing field. There are targeted incentives – but the same incentives for everyone across the country. All developers who want to plug into the grid pay for it, factoring in the cost of transmission as is typically done. The market determines the most cost-effective solutions as long as externalities are fully priced. And everyone benefits from more clean energy and jobs.

We believe this approach offers the most bang for the buck in terms of maximizing the growth of renewables while minimizing the costs. It will move us down the path we need to go to improve our nation's energy security, build a green economy and protect the environment.

The second approach is a subsidized transmission superhighway build-out. In effect, it would pick winning projects and locations. Under this approach, the federal government would plan special long-haul transmission lines, and socialize their cost among as broad a group of taxpayers as possible.

The reason why we have these two different approaches is that two largely separate issues are being confused – issues that need to be dealt with on their own terms if we are to arrive at the best solution for our country:

One issue is how to maintain a robust grid, further strengthen it and make it smarter.

To tackle this issue:

We will need a strong, continuing focus on reliability supported by federal backstop siting authority when new transmission is needed for this purpose;

We will need to transition over time to smart meters and two-way communications with customers to make the grid more intelligent at the distribution level; and

We will need to keep a good balance between reliability and cost.

The second issue – not directly related to reliability – is how to combat climate change.

We have no time to lose. The way forward will require:

One, getting passed into law now national climate change legislation that limits greenhouse gas emissions and does a better job of reflecting the true cost of this long-term externality in energy prices;

And, two, establishing a national renewable portfolio standard (RPS) and a fungible national renewable energy credit;

With a price on carbon and a renewable portfolio standard, the market works to provide clean energy, jobs, and enhance our energy security.

Sometimes the best approach may include a long transmission line, a short one or none at all – but the only way to find that out is by weighing the all-in costs versus other options which may prove better, greener or far less costly.

We strongly believe that the federal government should not predetermine that renewable energy developed largely in places with abundant natural resources, but far from our cities and suburbs where most people live, is the best way to meet an RPS regardless of the costs; regardless of unintended consequences for the environment; and, regardless of the negative impact on green economic development in regions such as the Northeast, which would be placed at a competitive disadvantage.

Suggesting we should get our renewables from remote areas regardless of transmission costs is like saying if only we had access to free refrigerated freight trains, we should get all our ice cubes from the North Pole. Who pays to build the trains or lay the tracks? And wouldn't it be cheaper to make the ice locally?

Moreover, while addressing climate change will require that we transform the way we produce and consume electricity, we need to think very carefully about whether everything needs to be turned upside down.

We have a regional transmission planning system that works, delivering 99.99 percent reliability and supporting the development of new transmission resources as needed. This is not to say it is perfect. You cannot take any system for granted, even if it provides 99.99 percent reliability.

There is a need for greater coordination across regions, but this is being worked on and can be done without a whole new centralized planning effort. In many parts of the country there is a well-established system where a generator who wants to tie into the grid pays for the hookup and any necessary line upgrades.

With so much in energy needing a makeover, we cannot afford to fix what isn't broken.

The perceived absence of a transmission superhighway is not the biggest obstacle to the development of renewable energy. Renewable energy is simply not competitive with fossil fuel fired electric generation absent a price on carbon. Even then, it is doubtful that we would want the price of carbon to rise to the point of justifying most renewable energy supplies. Rather, to begin to capture the long term benefits of renewable energy, we must enact a national RPS.

The concept of a transmission superhighway is often presented as green, efficient and cost-effective. Is there adequate reason to believe it would live up to expectations?

It would be costly, for sure: It could force uneconomic decisions in the building of electric generation and transmission. This is no small matter when you're talking about transmitting energy 1,200 miles across the country with lines that can run \$1 million to \$10 million a mile.

The concept of a long-haul line could be counter-productive in two other key respects:

1) Subsidizing the costs for a favored project or projects in one region will hamper the ability to develop renewables and create green jobs in another region.

2) Giving an unfair advantage for the development of renewable resources in the center of the country, an area often cited for its abundant wind resources, would open the way for the delivery of substantial coal-fired generation, which dominates that region. Keep in mind that transmission lines don't distinguish between green and other types of energy. And the wires cannot be kept full by wind resources that operate only 40 percent of the time.

Thus, you could end up with transmission lines that are economically unjustified and environmentally self-defeating.

I am not alone in having these concerns. The Governors of ten Northeastern and Mid-Atlantic states raised similar concerns in a letter to Congress. They warned, and I agree, that we need to be especially careful around the whole issue of how transmission resources intersect with renewables.

Needless to say, reliability must not be compromised. Transmission should continue being built where it makes sense to maintain reliability (which is a major, ongoing priority for a company like ours).

And while we need to lessen the economic uncertainty surrounding renewable energy development, this doesn't mean removing economic tests.

Renewable energy should be encouraged everywhere, not just in one particular area or region. Midwest wind is a great resource, but we need to factor in the cost of shipping it. We need to let go of the premise that wind should only be built where the wind blows the hardest, and solar should only be built where the sun shines the brightest. The cost of delivering renewable power matters, and it should influence where renewable generation is built. We owe it to the American consumer to ensure the disciplined investment that can only result from true and transparent price signals.

It is important that we find the most cost-effective ways possible to develop renewables – and thus sustain the strong public engagement and partnerships needed to green the energy future. By letting the market determine which are the best technologies and locations for renewable energy projects, our nation will be in a far better position to unleash innovation, drive down costs and build the world's leading green energy sector.

It is no accident that states that have an RPS are the same states where renewable energy projects are most concentrated across the country. For example, New Jersey has a renewable portfolio standard that requires

20 percent of its electricity to come from renewables by 2020. As a result, our company has begun to invest hundreds of millions of dollars in wind and solar projects within New Jersey and off its coast.

We are not the only ones doing the investing. For example, a number of states in our region (Delaware, Maryland, Massachusetts and Rhode Island, to name a few) are vying to be the first to generate substantial megawatts from the enormous resource of the Atlantic winds off our coast.

Meanwhile, more clean energy from solar panels is being produced without the need for additional transmission.

All of this could go by the wayside if a broadly socialized and subsidized transmission superhighway project is privileged by legislative action and priority funding. If that were to happen, the nation could lose out on many opportunities to develop renewable energy close to the cities where the power is needed – and where jobs are needed, too.

To conclude: Renewable energy is not being trapped by a lack of transmission; rather, it is being hampered by the absence of nationwide policy and price signals.

You cannot ignore the shipping costs in comparing the relative merits of different renewable energy projects, especially if you are concerned about affordability for the customers you serve, and more broadly, for all people.

Today, it is impossible to predict which renewable technologies in which locations will deliver the most clean energy at the least cost. The best solutions may sometimes be local; at other times they may be projects built at a distance and connected to long haul transmission; or at even other times a local requirement perhaps can best be met by paying for a national renewable energy credit to finance a project a long distance away. The way forward is to sow a lot of seeds and let a rich diversity of projects and ideas compete.

In this way, we will strengthen the foundation for a sustainable future. Thank you.