



NEW JERSEY CHAPTER

145 West Hanover St., Trenton, NJ 08618
TEL: [609] 656-7612 FAX: [609] 656-7618
www.SierraClub.org/NJ

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Dear Board President Lee Solomon and members of the Board of Public Utilities,

The Sierra Club's members share many of the concerns expressed by some of the Board members in opening this docket, and I appreciate the opportunity to comment here today.

We recognize the burden PJM's reliability pricing model and reliability must run orders place on New Jersey ratepayers in order to subsidize out-dated and inefficient electric generators, particularly dirty coal-fired power plants like BL England, Hudson, and Mercer. The Sierra Club's members wholeheartedly support efforts to improve New Jersey's economy and environment by ensuring the electric system has the flexibility to replace the power from those antiquated coal and oil-fired combustion units in New Jersey and throughout PJM. We completely agree that PJM's failure to incorporate public policies and non-transmission alternatives into their planning process sends jobs and investment out of state. That is why the Sierra Club is currently engaged with PJM's Regional Planning Process Task Force to ensure PJM's system includes the infrastructure needed to maintain reliability and comply with changing market dynamics and public policies such as the beneficial health rules for power plants promulgated by New Jersey and federal regulators. We strongly encourage the Board both directly and through its participation with the Organization of PJM States to support many of the changes being considered through the RPPTF and believe these changes will provide substantial benefits to New Jersey ratepayers and system reliability.

Instead of working with potential partners and allies to fundamentally reform PJM markets and leverage the power of market efficiency to achieve its objectives, this administration has chosen to try to use ratepayer funds to subsidize thousands of megawatts of natural gas capacity. It has done so without public analysis of the impacts of that action on the status of reliability must run orders, or sufficient analysis of alternatives to maintain reliability and reduce capacity prices such as increased energy efficiency investment or demand side management which provide critical capacity and ancillary service benefits. The impacts and costs on rate-payers of long-term contracts for natural gas were not considered in the Administration's decision. The Sierra Club is concerned that as the price of natural gas continues to drop entering long-term contracts with a fixed rate will increase costs for ratepayers and undermine deregulation of the market. Continuing to invest in fossil fuel generation undermines investment in the clean energy sector and negatively impacts green jobs, the fastest growing job sector in New Jersey.

Demand side options have been the fastest growing capacity resource in PJM for the last few years, and more progress can be made as FERC has finalized rules requiring appropriate valuation of demand response in organized markets like PJM. Lower demand has pushed out the

supposed need for the expensive Susquehanna-Roseland transmission line, something the Board apparently ignores in the notice for this docket. Capacity prices in Eastern PJM trended downward during the most recent auction as demand response grew, even with inclusion of the costs for polluters of complying with beneficial health rules. Unfortunately New Jersey ratepayers may not see all the benefits of this trend due to the administration's decision to subsidize unnecessary new generation.

In the last few weeks this administration has shown remarkable contempt for the power of markets to deliver efficient and reliable outcomes, even under changing circumstances. This administration has indicated its intent to withdraw from the Regional Greenhouse Gas Initiative, a market for pollution reductions that has delivered efficiency improvements, ratepayer benefits, and jobs for New Jersey residents. It has released an Energy Master Plan that would threaten the most successful solar renewable energy market in the United States right here in New Jersey, a program which by its own admission has resulted in clean energy leadership and thousands of jobs. For all of its rhetoric, it is clear this administration believes inefficient state subsidies for polluters are preferable to effective regulation of markets and investment in energy efficiency, demand response, and clean energy.

We urge you to do four things as a result of this docket –

- 1) Request from PJM an updated analysis of the reliability need for the Hudson coal plant that includes a full range of options – including non-transmission alternatives such as increased efficiency, demand response, and new natural gas generation in appropriate locations – to end its reliability must run status.
- 2) Reconsider the decision to approve the Susquehanna-Roseland transmission line as the timeframe for the project has changed and include a comparable review of alternatives including greater efficiency and demand response. The project was approved based on its claimed need to address grid reliability by 2012 and now the project has been pushed back to 2015 by federal permitting and has yet to apply for permits from the Department of Environmental Protection. PSEG has developed alternate generation to address grid reliability in the interim and that increased generation coupled with increased investment in demand response and energy efficiency should be examined by the Board as a viable alternative to constructing the Susquehanna-Roseland line.
- 3) Revise the proposed draft Energy Master Plan to reiterate support for the strongest achievement of energy efficiency, renewable energy, and demand response investment to reduce capacity needs and avoid more subsidies for polluters. This will provide more benefits to the economy and reliability instead of reducing the 30% renewable energy target, lowering the Solar Alternative Compliance Payment, and gutting the energy efficiency programs as the administration proposes.
- 4) Finally, engage PJM stakeholders, staff, and the board to improve market design and function, and benefit New Jersey ratepayers. There are numerous opportunities: as part of the Regional Planning Process Task Force to ensure PJM is incorporating public policies and non-transmission alternatives into its analysis of necessary electric system investments and working effectively with state regulators to get a reliable system at the lowest cost, as part of the upcoming compliance filing for proper valuation of demand response in energy markets, and on reforms to the reliability pricing model.

Taking these four actions will demonstrate that the administration is actually interested in achieving ratepayer and economic benefits, and a reliable and healthy electric system, rather than simply providing more subsidies to polluters.

Thank you very much for considering these comments.

Sincerely,

Jeff Tittel

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