

**TESTIMONY OF RALPH IZZO  
CHAIRMAN, PRESIDENT AND CEO  
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED**

**HOUSE COMMITTEE ON ENERGY AND COMMERCE  
SUBCOMMITTEE ON ENERGY AND ENVIRONMENT**

**JUNE 12, 2009**

Chairman Markey and Members of the Subcommittee, my name is Ralph Izzo and I am Chairman, President and CEO of Public Service Enterprise Group.

Our family of companies distributes electricity and natural gas to more than two million utility customers in New Jersey, and owns and operates approximately 17,000 megawatts of electric generating capacity concentrated in the Northeast, Mid-Atlantic and Texas.

Thank you for this opportunity to appear before you today to testify about transmission policy and renewable generation.

Let me state at the outset that PSEG has long supported policies to promote renewable generation.

And we are planning major investments in solar and offshore wind generation, as well as an energy storage technology that will help make renewable energy more competitive.

The question we are discussing today is not whether we should vigorously promote renewable generation, but how.

Specifically, how should we use transmission policy to promote renewable generation at the lowest possible cost?

This would include not just federal siting authority, but decisions about transmission planning and cost allocation that are fundamental to determining how much transmission is built and where.

There are two competing views on this issue.

One view – which I strongly favor – is that government should establish prices for externalities, such as the cost of emitting greenhouse gases, and let market forces determine which technologies and which locations are most promising for investment.

This is the approach taken in the landmark ACES legislation, which establishes a price for carbon through a cap-and-trade program and a market-based subsidy for renewable generation through the Renewable Electricity Standard.

With these price signals in place, developers can compare the costs of renewable generation investments in different locations, including the associated transmission costs.

The alternative view is that FERC or another central entity should plan and help site transmission that will connect areas with strong renewable resources to areas of high electric demand via “green transmission superhighways,” paid for by as broad a group of taxpayers as possible.

Under this model, government would essentially pick winning renewable technologies and locations and build transmission to facilitate them.

I have several concerns about this approach.

First, it could lead to inefficient and unnecessarily expensive outcomes.

All business owners know that if they establish their factory at a distant location to keep production costs down, they have to weigh that against increased shipping costs.

But if we socialize the “shipping costs” of renewable generation, we skew decisions away from locally-based options that may have a lower total cost.

That is why a bi-partisan coalition of 10 northeastern Governors wrote Congress warning that this policy would undermine their efforts to grow local renewable industries.

Moreover, building thousands of miles of transmission lines in anticipation of the arrival of renewable generation may lead to an expensive excess of transmission capacity.

Transmission planning is a deliberate process meant to respond to long-term reliability and economic concerns. It is not intended to predict and facilitate dynamic markets, like renewable generation.

Second, there is no such thing as a “green transmission line.” Transmission lines carry all electrons, without regard to the carbon footprint of the generator.

A “green transmission line” will give a market advantage to any power plant fortunate enough to be close to the new line.

Third, creating a new bureaucratic planning process across regions is unnecessary.

We already have regional planning processes that are effective and sensitive to local concerns.

Cross-regional issues should be addressed through improved coordination between regional planning bodies, which is exactly the approach taken in the Committee-passed bill.

Finally, there are existing tools that can help renewable projects connect to the grid without distorting locational price signals and without potentially burdening customers with an excess of expensive transmission.

For example, if the costs of connecting to the grid and getting power to market are too much for one developer to bear, multiple developers can share those costs among their projects. Moreover, FERC can require that ratepayers initially bear these costs, provided they are reimbursed by developers after projects become operational.

In closing, I believe we will meet our long-term carbon reduction goals. But sitting here today, I cannot tell you what renewable technologies in what locations will get us there at the least cost to customers. And neither can our government. That is why I strongly support policies, such as an RES, with national renewable energy credits, and carbon pricing, that send price signals to the market and unleash the creativity and entrepreneurial spirit of the American people to solve the climate crisis.

Thank you and I'd be pleased to answer any questions.