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VIA ELECTRONIC MAIL ONLY

Carmen D. Diaz
Acting Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Ave.
Trenton, NJ 08625
Board.secretary@bpu.nj.gov

Re: Pre-Report Comments of Jersey Central Power & Light Company

In the Matter of New Jersey Grid Modernization / Interconnection Process

BPU Docket No. QO21010085

Dear Acting Secretary Diaz:

On behalf of Jersey Central Power & Light Company (“JCP&L” or the “Company”), please accept this letter as JCP&L’s pre-report comments in the ongoing Grid Modernization (“GridMod”) stakeholder proceeding being conducted in the above-referenced docket by the New Jersey Board of Public Utilities (“Board” or “BPU”) and its consultant on this matter, Guidehouse. While a copy of Guidehouse’s draft report is not yet available, our Company believes that these comments will be helpful to Guidehouse as it crafts the draft report, and we have been advised by Guidehouse that comments may be provided prior to issuance of its draft. JCP&L reserves its right to submit additional comments on the draft after it has been made available. JCP&L thanks Guidehouse for its efforts to seek the Company’s input throughout the process and the Board for the opportunity to provide our expertise on this matter.

The Board initiated this stakeholder process by Notice dated October 25, 2021. The Notice stated: “To enable clean energy to be generated at an *accelerated pace* and as effectively and efficiently as possible, New Jersey’s interconnection rules and processes require updating” (emphasis added). Generally, JCP&L would like to emphasize that the electric grid is the default service provider for millions of customers in New Jersey, and this should be viewed as its primary function. The Board must be cautious about sacrificing the integrity and reliability of the electric grid for the sake of an “accelerated pace.” The interconnection process should first and foremost protect the integrity and reliability of the grid, as we work together to simultaneously make the process more efficient and achieve the ambitious goals set forth in the Energy Master Plan (“EMP”).

Once an electric distribution company (“EDC”) evaluates and approves a component distributed energy resource (“DER”) project for interconnection and operation, as long as the applicant is operating under required parameters, any future negative effects on EDC equipment or service quality are now “owned” by the EDC. This puts an important burden on the EDCs to perform the necessary system studies accurately and timely. Timelines, parameters, and procedures should not be rigidly crafted to the detriment of necessary analysis and modeling, especially with the advent of FERC Order No. 2222 (“FERC 2222”) and its near future implementation timeline. At present, component DER operational approval is granted based on individually identified component DER operations passing related operational impact studies on the distribution system via the Interconnection Agreement process. However, if Component DERs participate in a future DER Aggregation, their collective participation and synchronized operations will need to be reviewed and studied in aggregate for any potential new operational issues or concerns not identified or studied in the original interconnection study. Without such a review and study, reliability and safety issues may result. Flexibility in codifying parameters for DER interconnection and the associated application process is critical given the anticipated increase in use of DERs. Rigidity may ultimately hamper the State’s goals if processes are put in place that limit an EDC’s ability to react quickly to changes in the nature and volume of the interconnection requests being received.

JCP&L also encourages caution in basing potential changes on anecdotal reports of delays or problematic interconnections. Undoubtedly, there are process improvements that we can all work together on to craft. But those improvements must be based upon facts, not anecdotes. Any proposed changes should be supported by data showing that the change is necessary and should address a documented shortcoming of the current process.

Timelines and Application Process

JCP&L participated in and provided extensive information and data for the January 14, 2022 stakeholder meeting entitled “EDC Readout.” While the detailed information provided will not be repeated herein, there are key points that bear repeating. JCP&L had close to 50,000 distribution-side, net metered facilities connected to its system by the end of 2021. There were approximately 3,300 interconnection applications completed in 2021, all for solar projects (save one for combined heat and power generation installation). More than two-thirds of these completed applications were for Level 1 interconnections; one-third were for Level 2 interconnections; and only three (3) were for Level 3 interconnections.

For the period June 2021 to December 2021, JCP&L approved an average of 150 applications per week (Part 1 and Part 2). The Company’s data suggests that the median application approval (Part 1 or Part 2) was completed within approximately three (3) business days. The vast majority of project interconnections have proceeded with no delays.

There are a variety of reasons that a project may be perceived as “delayed.” They range from simple application errors to a variety of critical concerns or constraints and the timing of final inspection and approval to operate more complicated Level 3 interconnections.

None of these points argue for modifications to be made to the existing timelines found in N.J.A.C. 14:8-5.4 through 5.6. Particularly for Level 3 systems, timelines established in addition to those found in the Administrative Code, or narrowing of the existing timelines, risk sacrificing system integrity for the sake of speed.

However, there are short-term improvements in the application process the Company would be willing to explore with the Board and the developer community. JCP&L asks the Board to consider the following:

- A pre-application process, with a smaller fee structure compared to existing application and load study fees may be beneficial. Such a process may identify when distribution system modifications will likely be required, and, thus, project modifications could be considered before reaching the point of a formal load study and the developer's payment of the \$15,000 fee associated with same.
- To prevent conflicts between the EDC and the customer-generator which may slow down the interconnection process, it would be beneficial to work on a more consistent system for determining sizing limitations for distributed generation for new construction,¹ where there is no historical data, and for expansions/upgrades, where historical usage may not be indicative of future usage. This is an area where there is not presently discrete guidance and which, in the Company's experience, can lead to project disagreements and delays.

The Company does not believe imposition of uniformity in type, information sought, or manner of submission of applications themselves is warranted at this time. Again, there will be a need for flexibility as the impacts of increasing Renewable Portfolio Standards and FERC 2222 become more apparent and require a more nimble approach to the review of applications. This flexibility will be undermined by codifying new stricter timelines and parameters at this time for the application itself. For example, it is likely that implementation of DER aggregation under FERC 2222 may require more information to be collected via the interconnection application process. It will be necessary to understand the role the component DER intends to provide through this process. If the component DER is contemplating participation in an aggregation, it will be important to ensure the interconnection agreement reflects the services the DER plans to provide in a specific market model. Arbitrary reduction in the regulatory timeframes may not accommodate these changes when they become necessary.

In addition, there has been stakeholder discussion of development of more uniform utility tracking systems and "transparency" associated with the data. Similar to above, we note that the type of information that must be tracked is expected to change over time, particularly with respect to FERC 2222 requirements, so codifying rigid data requirements may hamper future implementation. The same may be argued for requiring uniformity in the type of system or database used for tracking of information.

¹ See N.J.A.C. 14:8-4.3(a) (prohibiting the generating capacity from a customer-generator's facility from "exceed[ing] the amount of electricity supplied by the electric power supplier or basic generation service provider to the customer over an historical 12-month period that the customer-generator selects in accordance with this section.")

Nevertheless, if the Board does choose to require any substantive changes in the application process now, it should ensure that the EDCs receive full and timely recovery of associated costs.

Impact of FERC Order No. 2222

As noted previously, the effect of FERC Order 2222 on the prevalence and impact of DERs on the electric grid is expected to be significant. Any changes to interconnection processes and requirements in New Jersey must consider the potential impact of FERC 2222. While, on February 1, 2022, PJM submitted its compliance tariff filing for FERC 2222, with a proposed new “DER Aggregator Participation Model,” the relevant tariff and agreements language have not been finalized, as of this writing, for this significant change in practice and impact. Moreover, they may not be approved by FERC for some time.

There is a broad spectrum of FERC 2222-related issues and impacts which Guidehouse and the Board need to consider vis-à-vis interconnection. Examples include:

- There will, as previously noted, be an increased volume of interconnection requests. However, re-evaluation of *existing* interconnection agreements will be necessary as well as Component DERs elect to participate in DER Aggregations.
- Development of new technical processes and standards for inclusion/exclusion of DER will be required.
- Retail programs will have to be re-evaluated to determine what constitutes “double counting” in the event of a DERs wholesale market participation at PJM.
- Future interconnections will also need to go through a DER Aggregation pre-registration and registration process.
- Additional human resources will be necessary to implement FERC 2222-related changes and to accommodate the increased workload.
- An approved interconnection agreement (“IA”) with the EDC is required before any component DER can elect to participate in a DER Aggregation. DER Aggregations must be studied holistically, as compared to individually as occurs currently, to determine distribution system impacts. Demand response and energy efficiency do not currently require IAs; however, when combined with other injectable DER types, they will impact interconnection capabilities and double counting and may need to be part of any studies if used in a DER Aggregation.
- It is possible that more information may be required via the interconnection agreement process. As noted earlier, it will be necessary to understand the role the DER intends to provide through the interconnection agreement process and if the DER is contemplating participation in an aggregation. It will also be necessary to ensure the IA reflects the services the DER plans to provide in a specific market model.

As FERC 2222 is implemented, system planning will need to transform beyond the normal configuration and individual DER worst-case scenario approach to a real-time contingency analysis to support market operations. Advanced analytics and a robust contingency analysis will be required for analyzing and planning for time series-based DER Aggregation scenarios. Again, these points all reinforce the Company’s contention that any changes to the State’s interconnection

rules made in the near-term must be flexible to allow for interconnection application and process changes – some yet unknown -- that will certainly result from FERC 2222 implementation. Any proposed changes will ideally be further contemplated and “fleshed out” in stakeholder working groups, which would be attuned to, and required to consider, the implementation of FERC 2222 in their deliberations.

Costs

The number of interconnection applications filed is expected to increase substantially in coming years, due to the state’s renewables goals, portfolio standards, and the impact of FERC 2222. Current staffing and resources at the Company are sufficient to handle the existing volume of applications (see earlier examples of the Company’s timely processing of applications). However, a substantial increase in applications, coupled with anticipated increases in workload associated with the requirements of FERC 2222, will drive the need for additional EDC staffing and resources. The Board should allow for application fees charged by utilities to scale over time to cover these costs.

JCP&L understands the concerns raised by some developers about the application of the “cost causer” model for necessary system upgrades caused by DER. The Company recognizes that this results in the abandonment of some projects due to the expense. JCP&L is always willing to work with developers on modifications to minimize expense in those circumstances. However, any changes made to the system of cost allocation must ensure that the utility is made whole for necessary investments. Without such assurance, the Company would oppose modifications to its current cost allocation system, which reasonably assigns costs based on the long-accepted ratemaking principle of cost causation.

The Company does encourage the Board, however, to consider an interim cost-allocation measure. JCP&L currently does not apply a charge for Level 1 applications. A small fee could be applied per application to pay for transformer upgrades, so that the final project that necessitates the upgrade does not have to bear the full cost of a transformer replacement.

As noted below, any comprehensive reallocation of costs for infrastructure upgrades to accommodate larger projects and the significant increase in DERs sought by the State should be considered in a broader discussion of grid modernization, rather than in a discussion focused primarily on the interconnection rules.

Inclusion of Integrated Distribution Plans, Grid Modernization, Workgroups

There has been some commentary by stakeholders that Guidehouse should include requirements concerning Integrated Distribution Plans (“IDP”) and, more broadly, “modernization” of the electric grid, in its report.

There is no concise or singular definition for IDPs. Rather, integrated distribution planning is an overall concept of distribution planning that includes more forward-looking factors that can impact future system needs, such as the adoption of customer generation, energy storage, resiliency, and electric vehicles. Likewise, IDPs often consider non-traditional solutions (non-

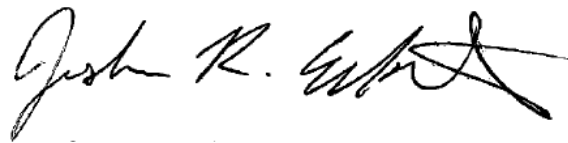
wires alternatives), such as controlled storage systems and/or demand response. JCP&L respectfully disagrees that it is appropriate to include broader issues such as IDPs in this proceeding, given the limited timeframe for drafting of recommendations and adoption of those recommendations by the Board, the complexity of integrated distribution planning, and the lack of uniformity among stakeholders concerning what even constitutes an IDP or what it should be required to include. Further stakeholder working groups are a necessity in this matter, and they should be combined with stakeholder meetings around grid modernization.

Arguably, it is difficult to have a discussion about future interconnection processes without consideration of how the grid will be modified to accommodate the significant increase anticipated in DERs and the impact of FERC 2222. For example, it seems short sighted to modify how cost allocation for large, Level 3 projects requiring significant infrastructure upgrades will work outside of a broader discussion about how utilities will invest in, and recover the costs of, smart grid technologies, automation, and other measures that will ultimately help the grid to enable those types of projects. Clearly, the timeframe for the current stakeholder process does not allow for the appropriate level of stakeholder input, interaction, analysis, and debate around broader grid modernization issues. The Company encourages the Board to subsume as much of the interconnection-related discussion as possible within a broader process around grid modernization and planning, a process based upon intensive stakeholder workgroups, input, and analysis.

Conclusion

JCP&L again thanks Board Staff and Guidehouse for their willingness to seek out the EDCs' feedback and expertise when it comes to these issues. The Company hopes that these comments will prove helpful to Guidehouse as it develops its draft report and recommendations. If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joshua R. Eckert". The signature is fluid and cursive, with a large, stylized initial "J" and "E".

Joshua R. Eckert
Counsel for Jersey Central Power & Light Company