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VIA ELECTRONIC MAIL ONLY

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

**Re: Comments of Jersey Central Power & Light Company on the Guidehouse Inc.
Draft Report**

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 comments on the draft report submitted by Guidehouse Inc. (“Draft Report”) in the above-referenced matter. JCP&L again thanks Guidehouse for its efforts to seek the Company’s input throughout this process and the New Jersey Board of Public Utilities (“Board” or “BPU”) for the opportunity to provide our expertise on this matter.

The Draft Report contains nine (9) findings and recommendations. At a high level, JCP&L is encouraged by the Draft Report’s call for various technical working groups to further develop and clarify the need for and steps to be taken to implement action items detailed in the report. As detailed in the comments JCP&L filed in this proceeding before the issuance of the Draft Report, the Company believes that many issues pertaining to interconnection implicate broader concerns about grid modernization and FERC Order 2222 (“FO 2222”), which will require much more detailed discussions by stakeholders and further developments before the Company believes significant modifications to the interconnection process should be made.

Although the Company believes that many of the recommendations in the Draft Report should be further developed and not implemented until they have been vetted as part of a broader stakeholder process encompassing grid modernization and FO 2222, JCP&L has provided its comments on each of the nine recommendations herein. Before detailing those comments, however, JCP&L notes that each of the recommendations in the Draft Report will require significant investment be made by the State’s electric distribution companies (“EDCs”). It will be important for the Board to consider whether ratepayers will, in fact, ultimately benefit from each

recommendation and its associated expense. The changes proposed in the Draft Report represent significant changes to the existing systems and processes, which will require time and investment/expenditures by utilities on behalf of their customers. While the report does not clearly present the benefits to customers, the BPU should enumerate the benefits to be realized and conclude that the utilities' investments required to produce these benefits are therefore, properly recoverable. To the extent these recommendations are adopted to further support the development of distributed energy resources across New Jersey, the Board should provide for the EDCs to receive full and timely recovery of their costs associated with implementation through a rate clause, such as their respective non-utility generation rider clauses.

Recommendation #1 – Updating Reference to IEEE 1547 in N.J.A.C. 14:8-5

The Draft Report initially recommends updating N.J.A.C. 14:8-5 to indicate the latest version of IEEE 1547 adopted in NJ, which is IEEE 1547-2018 / IEEE1547a-2020.¹ JCP&L agrees that the standard in N.J.A.C. 14:8-5, as referenced in the Draft Report, needs to be revised and updated. However, as further contemplated in the Draft Report, the Company supports the creation of a grid modernization technical working group prior to such an update being made. By convening this technical working group prior to adoption of the revised regulation, the State will have an opportunity to work through any potential issues and seek clarification around the best manner to implement the newer versions of IEEE 1547 or portions thereof.

A footnote included with this recommendation contemplates the BPU and EDCs assigning staff to monitor certain sources of information “[i]n lieu of a technical working group responsible for monitoring and implementing grid modernization policies in NJ...”² JCP&L does not believe such an approach would adequately substitute for a technical working group and encourages the Board to establish such a working group.

Recommendation #2 – Opportunities to Streamline the Interconnection Process

The Draft Report further contemplates opportunities to streamline and automate the interconnection process.³ Recommendations include, but are not limited to, requiring EDCs to install interconnection application software for data intake and notifications for all interconnection levels, requiring EDCs to collect and electronically store a uniform set of inputs and key performance indicators (“KPIs”), requiring the EDCs to create an interconnection frequently asked questions webpage, and mandating the charging of application fees for Level 1 projects.

As FO 2222 continues to develop, the type of information that must be collected and tracked is expected to change over time. There will be an ongoing need for flexibility as the impacts of increasing Renewable Portfolio Standards and FO 2222 requirements become more apparent. Thus, codifying data requirements and requiring uniformity in the type of system or database used for tracking of information may hamper future implementation.

¹ Draft Report at 73.

² Draft Report at 74.

³ Draft Report at 75-76.

Maintaining flexibility, at least at this early stage, in the parameters for interconnection application software and the manner of electronic collection and storage of a uniform set of inputs and KPIs is critical so as not to hamper the State's goals if processes are put in place that limit an EDCs' ability to react quickly to changes in the nature and volume of the interconnection requests being received. This is especially true given the cross-jurisdictional nature of many of the EDCs. Should the BPU desire to adopt uniform standards for this information, the Company suggests utilizing a technical working group in conjunction with the development of FO 2222 to further define a uniform set of inputs and KPIs that need to be collected and tracked for the interconnection application process.

Moreover, if the Board does choose to require any substantive changes in the interconnection application software and data collection, it should ensure that the EDCs receive adequate time to implement these changes.

Recommendation #3 – Updating and Standardizing EDC Capacity Maps

The Draft Report recommends updates to N.J.A.C. 14:8-5 to require uniform data granularity and update frequency for capacity map tools using industry standard methods, as well as additional recommended details to add into maps.⁴ It further recommends that EDCs be required to develop a uniform unit cost guide for system upgrades to display on hosting capacity maps.⁵

JCP&L supports frequent updates of capacity maps, which it already currently updates every six months. At the same time, the Company does not believe the implementation of a shared lexicon among EDCs to label their maps is warranted, unless there is a demonstrated problem with stakeholders reading and understanding the capacity maps. Otherwise, there is seemingly no reason to create and incur additional expense to make these changes. Moreover, the Company does not believe taking steps to codify the Draft Report's proposed hosting capacity map recommendations into the above referred regulation to be prudent at this time. Any such "hard coding" would make any non-workable requirements much more difficult to change/fix in the future.

While JCP&L does not oppose the implementation of a uniform cost guide to help project developers to calculate initial, high-level estimates for their projects, there is a concern that project developers will take such an estimate for "more than it is" and attempt to hold an EDC to the results of same. As a result, it will likely be necessary for the EDCs to substantially disclaim the results of any estimates that are calculated based on the use of the uniform cost guide. Moreover, the level of variability that exists with respect to the need for and cost of non-unit costs for a project, such as highly-variable municipal traffic control requirements and costs, will undoubtedly result in variations between any estimate the project developer can calculate based on the uniform cost guide and actual project costs. As such, the Company recommends that should the Board choose to implement a uniform cost guide, it includes a clear statement/disclaimer language about the need for a full study by the EDC before determining final anticipated project costs.

⁴ Draft Report at 78.

⁵ *Id.*

Recommendation #4 – Accelerating Interconnection of Projects

The Draft Report recommends implementing a pre-application process with a uniform fee structure for projects 500 kW and above, and optional for other projects.⁶ Additionally, the Draft Report calls for a fast-track project implementation process appropriate to New Jersey for small inverter-based generators developed via a technical working group of EDCs.⁷

As set forth in the Company's comments filed before the issuance of the Draft Report, the effect of FO 2222 on the prevalence and impact of Distributed Energy Resources ("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 and effect of FO 2222. There will be a need for flexibility as the impacts of increasing Renewable Portfolio Standards and FO 2222 become more apparent and require a nimbler approach to the review of applications rather than just fast-tracking applications based on size. Potentially codifying new stricter/faster timelines and parameters will undermine this necessary flexibility as FO 2222 continues to develop. Further, the size of a project is not the sole factor to consider during the application process given that circuit capacity, voltage, length, and other criteria will make a difference as well. The Company suggests utilizing a technical working group in conjunction with the development of FO 2222 to further develop and define specific criteria for the pre-application process. At this time, the Company does not believe the imposition of a fast-track project implementation process is warranted because of the potential impacts of FO 2222 and the resulting aggregation of interconnection projects.⁸

Recommendation #5 – EDC-specific Interconnection Rules or Tariffs

To encourage the more rapid adoption of new technologies and interconnection processes, the Draft Report includes a series of recommendations directed toward frequent and periodic evaluation of industry standards for interconnection.⁹ These recommendations include: (1) convening a technical working group to develop and adopt changes to N.J.A.C. 14:8-5 (apparently outside of the statutorily mandated rulemaking process) in order to incorporate the most current specific industry guidance on practices, guidelines and requirements; (2) creating a tiered structure for interconnection rules (beyond the regulations already in place) that would be updated on a frequent basis; (3) requiring EDCs to send a representative to the IEEE 1547 working group annually; (4) requiring EDCs to "clarify technical criteria in N.J.A.C. 14:8-5 to avoid overly conservative interpretations and re-evaluate on a regular basis"; (5) requiring the EDCs to work with an assigned consultant to research, pursue, and enable the implementation of new equipment and technology capabilities in a manner which will support and improve safety and reliability; and (6) having the BPU provide a "regulatory sandbox" to rapidly implement pilots for new technologies, procedures, and other modifications to the interconnection process.¹⁰

⁶ Draft Report at 79.

⁷ *Id.*

⁸ Even small distributed energy resources may end up being part of a proposed aggregation and, accordingly, require detailed study as part of that proposed aggregation.

⁹ Draft Report at 81.

¹⁰ *Id.*

JCP&L has some concerns about the above recommendations in the Draft Report and encourages the BPU to clarify the reasoning and intent behind many of them, as well as the evidence supporting the need for the recommended action. As indicated previously, JCP&L agrees with the call for a technical working group to initially address and work through issues related to updating the interconnection standards in New Jersey. However, ultimately, it is the BPU (and not a technical working group) that must adopt changes to N.J.A.C. 14:8-5 after providing all interested stakeholders with their due process required by the Administrative Procedure Act. While JCP&L certainly understands the desire to expedite this process expressed in the Draft Report, the need to follow statutory and regulatory requirements for adoption of regulations cannot simply be bypassed.

The proposal to have the EDCs implement tariffs pertaining to interconnection also seems inconsistent with the desire to encourage more rapid adoption of evolving industry standards and practices. As the Draft Report notes, EDC tariffs must be reviewed and approved by the BPU. And, once adopted, the EDCs must follow and enforce the requirements contained therein strictly. As a result, unless a change to regulation overrides the terms of the EDCs' tariff,¹¹ the EDC would be obliged to adhere to its tariff until the time for the next update. This will likely substantially slow down the update of practices and procedures as a result of evolving industry standards. Accordingly, if the BPU does decide to require the utilities to adopt tariffs addressing interconnection, JCP&L encourages the BPU to, at a minimum, clarify the scope of the issues it wishes to see addressed in and codified into the EDCs' tariffs.

JCP&L additionally has concerns about the recommendation that EDCs be required to work with an assigned consultant to "research, pursue, and enable on a continuous basis, the implementation of new equipment and technology capabilities in a manner which will support and improve safety and reliability."¹² The Draft Report does not appear to indicate *why* the hiring of a consultant is necessary to perform this function or describe the reasoning underlying the chosen capabilities to be studied by said consultant. Ultimately, it is the EDCs' responsibility to ensure the delivery of safe and reliable service to its customers. As such, even if it is ultimately determined that requiring the EDCs to work with a consultant would be desirable for these purposes, JCP&L encourages the Board to clearly set forth the scope of the consultant's mandate and the EDCs' continued authority over and responsibility for the planning for and operation of their systems in a safe and reliable manner.

¹¹ At one point, the Draft Report indicates that "[o]nce approved, the tariffs would take precedence for each EDC service area over N.J.A.C. 14:8-5. This is a misstatement of New Jersey law and inconsistent with common regulatory practice. To the extent there is a conflict between a New Jersey regulation and the Company's tariff, the regulation would control.

¹² Draft Report at 81.

Recommendation #6 – Modifications to Interconnection Queue Process

The Draft Report recommends that the EDCs be required to move away from a “serial”¹³ interconnection review process and that the EDCs be directed to initiate a stakeholder process to address a list of required “queue improvements.”¹⁴ While JCP&L supports additional stakeholder proceedings to discuss the feasibility and benefits of making certain modifications to the interconnection queue process, the Company does not believe that the data in the record of this proceeding supports a definitive wholesale change. The Draft Report spends several pages discussing the theoretical pros and cons of “serial” versus “cluster” study approaches and, based on the recommendation, appears to conclude that a “cluster” approach is better.¹⁵ But there is no data included within the Draft Report demonstrating why this would necessarily be the case. Rather, the data provided by JCP&L in this proceeding showed that for the period June 2021 to December 2021, the Company approved an average of 150 interconnection applications per week and that the median application approval was completed within approximately three (3) business days. Accordingly, while JCP&L agrees that there are certain potential improvements to the queue process that can be considered and that a technical working group led by the EDCs is an appropriate place to consider them, the Company does not believe the data shows that a wholesale change is warranted at this time.

Moreover, any proposed shift away from a “serial” interconnection process will necessarily require the EDCs to exercise more subjective judgement in determining what projects to continue moving through the queue at any given point in time, creating the potential for conflicts between the EDCs and project developers. To mitigate this concern, JCP&L encourages the BPU, taking into consideration the recommendations of the technical working group, to set forth clear criteria for the EDCs’ evaluation of projects and their movement through the interconnection process.

Recommendation #7 – Mechanism for Rate Recovery of Grid Modernization Costs Based on Project Cost and Capacity Thresholds

The Draft Report includes a recommendation that the BPU “define a mechanism to be put in place to establish numerical cost and capacity thresholds above which grid modernization costs could be spread over a broader set of beneficiaries.”¹⁶ As an initial matter, JCP&L notes that the reference to “grid modernization” costs in this recommendation is confusing. The BPU already has a mechanism in place, the Infrastructure Investment Program (“IIP”),¹⁷ that permits utilities accelerated rate recovery of non-revenue generating investment in “the construction, installation, and rehabilitation of . . . utility plant and facilities that enhance safety, reliability, and/or resiliency.”¹⁸ Qualifying projects under an IIP include “electric distribution automation

¹³ The Draft Report refers to this “serial” interconnection study process as “the traditional approach in which projects are studied individually and sequentially based on the time of the request, i.e., their queue position. *See* Draft Report at 58.

¹⁴ Draft Report at 82-83.

¹⁵ Draft Report at 58-60.

¹⁶ Draft Report at 84.

¹⁷ *See* N.J.A.C. 14:3-2A *et seq.*

¹⁸ N.J.A.C. 14:3-2A.1(a).

investments” and “other projects deemed appropriate by the Board.”¹⁹ As such, it appears that the types “grid modernization” work set forth as examples in the Draft Report would already likely be covered under an IIP.

The Draft Report’s reference to “numerical cost and capacity thresholds” creates further ambiguity with respect to what is being recommended. Based on this reference, it appears the Draft Report is recommending that the costs of specific interconnections should be included in rates if such costs exceed a threshold cost or project capacity. JCP&L has several significant concerns if this is indeed what is being contemplated by the recommendation. By providing for these costs to be recovered in rates, the BPU would be creating a disincentive for project developers to choose to put their projects in the most cost-beneficial location. Moreover, the placement of these costs into rates shifts the risk of a project from the project developer onto the utilities and their customers. Should the BPU decide to pursue this path, JCP&L recommends that a process be established whereby developers seek pre-approval from the BPU for the project. The process should include set caps on the amount to be included in rates (above which the benefitting developer would be responsible) and should hold the developer accountable for the completion of the project. Such grid improvement costs should be considered program costs and eligible for cost recovery as described in the Company’s general comments above.

Recommendation #8 – Require EDCs to Submit Integrated Distributed Energy Resource Plans and Integrated Distribution Plans (IDPs)

The Draft Report includes a recommendation that EDCs submit “integrated DER and integrated distribution plans that will allow NJ to meet the EMP goals, and that outline the investments the EDCs will need to make, including cost benefit analysis for each grid component upgrade they say will be needed to meet the goals.”²⁰ The Draft Report goes on to recommend simply that the BPU “set a date by which EDCs shall submit integrated DER and integrated distribution plans.”²¹ These recommendations are made despite the Draft Report acknowledging that the “EMP requirement for Integrated Distribution Plans (DER Roadmaps)” is an “essential grid modernization topic[] beyond the scope of this report.”²²

JCP&L is concerned that the Draft Report may be putting the proverbial cart before the horse with respect to requiring utilities to file integrated DER plans and IDPs. As noted in the Company’s prior comments in this proceeding, there is no concise or singular definition of what constitutes an IDP. Rather, integrated distribution planning is an overall concept of distribution planning that includes more forward-looking factors that 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. Given the numerous and complex topics that can be addressed in an IDP, further stakeholder working groups are necessary to appropriately define what should be included in the utilities’ integrated DER plans and IDPs prior to the BPU simply ordering the EDCs to file same.

¹⁹ N.J.A.C. 14:3-2A.1(b).

²⁰ Draft Report at 84.

²¹ *Id.*

²² Draft Report at 38.

Moreover, it is arguably 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 Order 2222. For example, it seems shortsighted to modify how cost allocation for large, Level 3 projects requiring significant infrastructure upgrades will work outside 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 enable those types of projects. 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 on intensive stakeholder workgroups, input and analysis.

Recommendation #9 – Net Metering of Non-Renewable Generation

The final finding and recommendation in the Draft Report pertains to the treatment of non-renewable generation under New Jersey’s net metering construct. The Draft Report notes that current net metering rules only allow for a single meter for the customer load that is to be netted, which, according to the Draft Report, hinders customers with co-located renewable and non-renewable generation from participating in net metering.²³ The Draft Report further indicates that “the EDCs do not have standard policies for how such [co-located] projects should be interconnected to the grid, or how net metering credits should be calculated to prevent de facto net metering of technologies that do not qualify for net metering credits.”²⁴ Accordingly, the Draft Report recommends that: (1) the BPU undergo a rulemaking to clarify that non-renewable resources should be separately metered from renewable resources and that non-renewable resources cannot be combined for net-metering purposes, “allowing full credit for renewable generation sources such as solar without penalty for co-located non-renewable resource[s]”²⁵; and (2) the BPU consider allowing non-renewable fuel sources to “play in the net metering market” at a reduced rate, or based on avoided energy costs.²⁶

JCP&L supports the Draft Report’s recommendation to require separate metering, at the project’s expense,²⁷ of any non-renewable generation that is co-located at a site where the customer seeks to receive net metering credits for qualifying renewable generation. Such separate metering is necessary to ensure that the generation from the non-renewable source can be subtracted from the net output onto the distribution grid, ensuring that the customer is not receiving net metering credits for non-renewable generation (which is not permitted under the law) and mitigating the ability of a customer to increase its net solar output onto the grid by operating its non-renewable generation during the times of day when solar output is greatest. Additionally, should such a rulemaking be initiated and should net metering be allowed for solar projects with co-located non-renewable generation, the BPU should further clarify that the combined size of any behind-the-

²³ Draft Report at 40.

²⁴ *Id.*

²⁵ Draft Report at 85.

²⁶ *Id.*

²⁷ This is consistent with the BPU’s current net metering regulations pertaining to meters and metering, which provide that an additional meter may be installed, at the customer’s expense, when requested to do so by the customer. N.J.A.C. 14:8-4.4(d)(2).

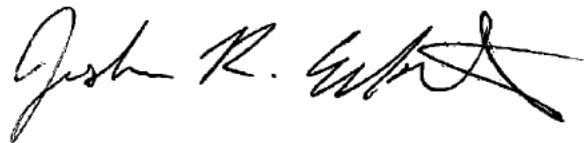
meter renewable and non-renewable generation is limited to the customer's average annual load. This is consistent with current regulations, which recognize that the primary purpose of a net metered facility is to off-set the customer's own load.²⁸

The Draft Report goes on to recommend that the BPU consider allowing non-renewable sources to "play in the net metering market" at reduced rates. This recommendation is contrary to current law, which limits the offering of net metering to customers utilizing a Class I renewable energy source for their behind-the-meter generation.²⁹ Moreover, allowing non-renewable resources to receive net metering credits only encourages the proliferation of non-renewable generation and increases the subsidies borne by non-renewable customers, which is inconsistent with the goals of the New Jersey Energy Master Plan. The BPU should not, and cannot under current law, modify the State's net metering construct to allow non-renewable resources to receive net metering credits.

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JCP&L again thanks the Board and Guidehouse for their willingness to seek out the EDCs' feedback and expertise when it comes to these issues. Should you have any questions, please do not hesitate to contact me.

Respectfully submitted,



Joshua R. Eckert
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²⁸ See N.J.A.C. 14:8-4.3(a) (limiting the capacity of a qualifying Class 1 resource to the size of the customer's annual average load).

²⁹ N.J.S.A. 48:3-87(e).