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VIA ELECTRONIC FILING

Carmen Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 S. Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350
board.secretary@bpu.nj.gov

Re: In the Matter of New Jersey Grid Modernization / Interconnection Process
Docket No. Q021010085

Dear Acting Secretary Diaz:

Consistent with the Board's April 19, 2022 Notice in the above-captioned docket, Public Service Electric and Gas Company ("PSE&G" or the "Company") respectfully submits the enclosed Comments on Modernizing New Jersey's Interconnection Rules, Processes, and Metrics.

We thank the Board and all parties for the courtesies extended. Please feel free to contact the undersigned with any questions.

Respectfully submitted,

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Enclosure

Public Service Electric and Gas Company Comments

In the Matter of New Jersey Grid Modernization / Interconnection Process

Docket No. QO21010085

On October 15, 2021, the New Jersey Board of Public Utilities (hereinafter the “Board” of “NJBPU”) opened a docket to develop and implement a systemic Grid Modernization plan in accordance with strategies outlined in the 2019 New Jersey Energy Master Plan (“NJEMP”). In connection with this proceeding, the Board noticed and subsequently held a series of public meetings to collect stakeholder input on potential improvements to current distribution grid interconnection processes. Prior to opening the docket, the Board retained an outside consultant, Guidehouse, to work with Board Staff to update New Jersey’s interconnection rules. (BPU Docket QO21010085). The public meetings consisted of: a meeting eliciting feedback from public stakeholders on their experiences with current processes and ideas for improvement on November 16, 2022; an Electric Distribution Company (“EDC”) Readout of their baselines processes and historical data presented by the New Jersey EDCs on January 14, 2022; and a non-EDC Readout presented by various stakeholders on January 28, 2022. On June 13, 2022, Guidehouse issued a draft “Grid Modernization Study: New Jersey Board of Public Utilities (“Draft Report), which contained findings and recommendations based on Guidehouse’s research and the feedback received during the stakeholder meetings and throughout this proceeding. The Draft Report was presented at the fifth stakeholder meeting on June 27, 2022.

PSE&G supports the Board’s efforts to achieve Grid Modernization, as well as the State’s Energy Master Plan. For its part, PSE&G has been, and is continuing to be, deeply engaged in the critical work of addressing the impacts of climate change for the benefit of our own customers,

and the community at large, both through engagement with the Board during the development of the NJEMP and through the Company's own evolution to focus on cost-consciously powering a future where people use less energy, and it's cleaner, safer and delivered more reliably than ever.¹ For example, PSE&G's IAP filing, which was recently approved by the Board, includes subprograms to enable faster grid modernization and higher levels of distributed energy resource absorption.² PSE&G's strategy is to continue to be a leader in addressing climate change by aligning with the goals of the NJEMP and modernizing the New Jersey grid.

In this proceeding, it is vital that the Board carefully balance the need for grid modernization with the safety and reliability of the electric grid, and be mindful not to create additional requirements that may unnecessarily overburden EDCs and/or developers; resulting in the opposite effect of what is intended. The Company believes it is important that the Board should also set reasonable, realistic timeframes for implementation of each recommendation so that the end result of this proceeding is a more efficient, streamlined interconnection process based on data. The timeline should appropriately prioritize and stagger each recommendation accordingly, as not all items can be run in parallel and some may need to occur before others.

Moreover, the Final Report's recommendations should be tailored to this specific docket focusing on the State's interconnection regulations and processes. To the extent that there are other

¹ Recently, PSEG took the next step by joining the United Nations Framework Convention on Climate Change Race to Zero campaign ("Race to Zero") through the Business Ambition for 1.5°C committing to setting targets through the Science-Based Target Initiative (SBTi). PSEG has committed to setting science-based greenhouse gas emissions reduction targets across all scopes, in line with 1.5 degree Celsius emissions scenarios and the criteria and recommendations of the SBTi.

² In the Matter of the Petition of Public Service Electric and Gas Company for Approval of an Infrastructure Advancement Program (IAP) Decision, Decision and Order Approving Stipulation of Settlement, BPU Docket Nos.: EO21111211 & GO21111212 (June 29 2022).

related, but separate issues, such as cost allocation, adoption of Utility Integrated Distribution Plans, and implementation of other grid improvement technologies, the Board should open one or more dockets, respectively, to obtain stakeholder input and fully evaluate those issues. Although the Company agrees that the merit of these issues can be explored, this proceeding was not sufficiently extensive, either in scope or timeframe, to properly address same.

PSE&G respectfully submits these comments to address the Draft Report and other issues raised in this proceeding. PSE&G provides the following comments with regard to the specific findings and recommendations set forth in the Draft Report.

Guidehouse Finding #1: N.J.A.C.14:8-5 IEEE 1547 reference is out of date

PSE&G generally supports the recommendation that the interconnection process reflect updates to IEEE 1547-2018, with the EDC's participation in the process. However, not all clauses of IEEE 1547-2018 standards and amendments may be appropriate for implementation using nominal values from the standard. For example, Ride-through capabilities address reliability risks with high densities of inverter based resources, but how would these setting affect consequences of a flash during live line maintenance? In addition, IEEE 1547-2018 implementation must be carefully analyzed for impacts to worker safety, and to evaluate any other potential issues with implementation. Greater clarity is needed regarding the contemplated implementation process, and flexibility must be provided to allow the EDCs to evaluate and define parameter values for only appropriate IEEE 1547-2018 implementation. PSE&G recommends that this be accomplished through the conformity assessment process and technical working group that are recommended in the Draft Report. Moreover, PSE&G already participates in the IEEE updating process, and would welcome the opportunity to be part of the process recommended here, as well.

Guidehouse Finding #2: There are opportunities to streamline the interconnection process

PSE&G has several comments relating to Finding #2. With regard to the proposed software requirements, the Board should allow for flexibility for EDCs to install software that is compatible with existing EDC systems or is more appropriately tailored for that EDC, while satisfying the requirement to provide certain necessary information to the public and the Board. PSE&G supports the recommendation to streamline the interconnection process through the use of electronic tracking and software, but wants to ensure that there are options to meet the individual needs EDCs. To that end, EDCs should have the opportunity to recommend, evaluate and approve proposed software programs. Furthermore, the information should be based on the regulatory process and requirements, so as not to overburden EDCs with tracking unnecessary information.

PSE&G has significant concerns with recommendations that may impact the safety and security of the electric grid and customer information. For example, the Board should confirm that the auditable tracking process will be solely intended for the Board to conduct audits of interconnection process Key Performance Indicators (“KPI’s”) across EDCs. Any information that is publicly available to a customer or the public should be limited in scope to what is strictly necessary data that can be made public. The Company also needs to ensure that any software or proposed tracking process does not pose cybersecurity risks. In order to address these issues, the Board should provide further clarification on the restrictions that it would impose to safeguard the electric grid and customer information, and what additional efforts may be needed as part of this recommendation in order to accomplish same.

Furthermore, while the Company understands the Board’s desire for KPIs, PSE&G believes that collaboration between the Board and the EDCs is key to determine what data inputs and KPIs are necessary. The Board should also provide greater guidance on the structure of the

proposed “random review” and what metrics will be used to determine what constitutes “underperforming.” Specifically, any metrics should be tied to what the regulations require. EDCs should understand what data and metrics are to be tracked, so the EDCs can be consistent with the information provided to Board.

Lastly, PSE&G agrees with the Draft Report’s recommendation to implement application fees for Level 1 applications and that EDCs set the fees. However, it is unclear from the Draft Report if the intention is for the Board to set fee guidelines for EDCs to select appropriate fees within that range. With regard to this recommendation, PSE&G should ensure that the fees sufficiently offset the EDCs costs, and therefore, the Company proposes that deference be given to EDCs to establish reasonable fees in order to account for variations among EDCs. Alternatively, the EDCs should agree on a uniform set of fees that sufficiently cover the EDC’s costs, with the Board’s concurrence.

Guidehouse Finding #3: Existing online EDC hosting capacity maps are inconsistent across EDCs

The Company believes its hosting capacity maps provide sufficient information to developers, and PSE&G has significant concerns regarding these recommendations. For example, the level of granularity proposed by the Draft Report will be very challenging and may pose potential security risks. While PSE&G agrees that consistency across the EDCs and map labeling may assist developers and facilitate the process, it cautions the Board on whether this level of detail is necessary, and more importantly, the Company would like to highlight the fact that there are security risks associated with publicly posting such information. Specifically, as with the Company’s comments to Finding #2, PSE&G needs to ensure that the data that is tracked and made available in hosting capacity maps does not compromise the safety and integrity of the grid,

is not proprietary, and does not share customer information. Thus, the Board should be cautious to require only data that is necessary to facilitate the process without overburdening EDCs, and ensure that there are no privacy or security issues.

Additionally, it will be difficult to implement a uniform cost guide for system upgrades. This is a complex process and costs may vary dramatically based on size, location and the scope of the upgrades. Some upgrades can be relatively inexpensive such as simply relocating equipment, while others can be extremely involved including a combination of line extensions, pole replacements, or significant equipment upgrades. As such, most system upgrades must be done on a case by case basis. Additionally, the EDCs will need cost recovery should the Board require this level of overhaul of the maps.

Lastly, before PSE&G can fully evaluate the impacts of this Finding, the Board should provide clarification on what specific data granularity and capacity map tools would be proposed, such as cost per mile data or historical data. Nonetheless, PSE&G recommends that the Board first consider the EDCs' input and concerns before making such a determination.

Guidehouse Finding #4: There is no way to accelerate interconnection projects within the NJ interconnection rules

The Draft Report's findings should elaborate on the proposed pre-application process in this recommendation and provide for an implementation plan that will allow the Board and EDCs to carefully evaluate the pros and cons of a pre-application prior to implementation, with other stakeholder input as needed. PSE&G is concerned that a pre-application process could create additional process and time drag for EDCs and developers, instead of accelerating projects. Level 1 applications are already fast-tracked with very short regulatory time frames. Level 2 applications

also have short time frames given the increased complexity of these applications. Level 3 applications often require significant time, as they are typically the largest and most complex applications.

The Company believes a more detailed analysis is needed regarding what information exchange should occur between the EDC and the customer during pre-application. PSE&G's hosting capacity maps, which are updated on a regular basis, already provide information that developers would need pre-application, such as available capacity. In light of these concerns, the Board should evaluate whether it would be more beneficial to explore improvements to the existing application process and updates to the hosting capacity maps, rather than create an additional layer of process over the existing process.

Additionally, several statements in this finding require further clarification, such as whether the pre-application process is intended to apply to all levels of interconnection, or whether it should be limited to certain levels. As noted above, the Company believes that the regulations already provide short time frames, and that a pre-application process for all applications may burden both EDCs and developers. Nevertheless, PSE&G is amenable to further discussing and considering the proposed recommendations. . The finding also does not specify who is responsible for reviewing customer applications rejected by EDCs, though presumably this recommendation was intended for the Board.

With regard to the recommendation that EDCs “outsource pre-application screening to an external third party to accelerate the process,” the Board should defer this to EDCs as an option. It is not certain that a third party would accelerate the process or be more cost effective than using

internal resources. Therefore, EDCs should have the option to make that determination, as appropriate.

Guidehouse Finding #5: New Jersey EDCs do not have EDC-specific interconnection rules or tariffs

PSE&G generally supports participating in a technical working group to “adopt and develop into N.J.A.C.14:8-5, the most current specific guidance that incorporates practices, guidelines, and requirements.” However, the Company would like to note several concerns it has with regard to specific recommendations in this finding.

Although incorporating further specificity into individual EDC tariffs regarding interconnection seems like a reasonable approach in the face of increasing interconnection interest and demand, the reliability history of New Jersey’s electric grid supports continuing to respect topology differences and to afford individual EDCs sufficient flexibility in facilitating safe, adequate and proper interconnection of resources. A rulemaking that applies differently to individual EDCs would likely run counter to the goal of fostering more efficient interconnection, and be overly prescriptive. Therefore, Guidehouse should clarify if it intended to recommend specific regulations for individual EDCs or update to address specific issues that can either be applied uniformly or allow flexibility for EDCs to apply according to their individual needs. However, for the reasons discussed herein, PSE&G believes the latter approach is more appropriate.

Guidehouse should also clarify whether the consultant it proposes is a Board consultant or expected to be retained by the EDCs. If the latter, as the Company recommends in Finding #4, EDCs should have the option to determine whether a consultant is necessary, or whether use of internal resources will be more appropriate. A consultant may not necessarily be more efficient or

cost effective, as the EDCs must first collect data, provide the relevant information and/or train consultants.

Guidehouse Finding #6: The generator interconnection application queueing and cost allocation process in New Jersey is serial

PSE&G supports the recommended action to implement a queue reform that is the result of a stakeholder process. However, in order to better inform this Finding, it is recommended that Board allow PJM's pending queue reform filing at FERC (ER22-2110) to progress, as well as FERC's recently issued Interconnection NOPR (RM22-14). Both efforts constitute a major step forward in furtherance of this finding as well as many of the Guidehouse recommendations. Taking the time to allow these reforms to filter into New Jersey so as to maximize the alignment of state action with interconnection reforms at PJM would likely minimize conflicts and expedite efficient implementation of interconnection reforms. In fact, Guidehouse highlighted the overlap between the PJM process and distribution interconnection. Nonetheless, PSE&G provides some initial comments regarding this recommendation.

With regard to the Draft Report, the Company questions the recommendation that the stakeholder process be formed by the EDCs, and instead recommends that the Board initiate and organize the process. The EDCs would, of course, play a critical part in developing recommended queue improvements. As the Board is aware, the EDCs have played an integral role in shaping interconnection queue reform at PJM, and in developing in PJM's Order 2222 compliance filing. As such, the EDCs are well-positioned to inform this process at the State level, as well.

The Company also recommends that Guidehouse revise the Implementation Plan section to indicate that the stakeholder process will address how the proposed improvements will be

adopted. Specifically, PSE&G is concerned with the current language in the Draft Report, which states that Tariffs will be filed by EDCs after the stakeholder process, and that the tariffs “would take precedence for each EDC service area over N.J.A.C. 14:8-5.” Tariffs are enabled by the regulations, and do not necessarily take precedence or supersede the regulations. Thus, the Draft Report should leave it up to the Board to establish the regulatory process to be followed for adoption of a queue process with EDC concurrence.

Guidehouse Finding #7: Cost allocation and cost recovery options for accelerated interconnection of renewables have not been defined in NJ

PSE&G disagrees with the premise of this finding that there is no cost allocation or cost recovery policy for interconnection of renewables. The current policy applies to all resources, including renewable resources, which aligns cost with cost causation whereby renewable developers pay for interconnections. The benefit of this cost causation policy is that project economics will drive the most efficient interconnections, rather than flooding the queue process with applications that will be too costly or complex to build. Thus, PSE&G is concerned whether the changing the current cost recovery construct will ensure that all least cost renewable interconnections and result in accelerating interconnections.

Nonetheless, if there are cost allocation alternatives to be explored, the Company agrees that it can be addressed through the proposed stakeholder process. During said process, the Board should provide further guidance on the cost recovery and cost allocation options to be evaluated, including potential enhanced risks and responsibility that EDCs face as a result of increased interconnections and grid transformations. However, presently, there is insufficient detail and analysis to reach a conclusion that the current cost recovery construct is not fair. PSE&G also cannot evaluate whether capacity thresholds are an appropriate cost allocation option, or the most

fair. As such, without more extensive analysis of this issue, PSE&G recommends that the Draft Report be revised accordingly.

Guidehouse Finding #8: EDCs do not currently submit integrated DER plans as recommended in the EMP

NJBPU should provide guidance on Integrated DER and Integrated Distribution Plans (“IDP”). Specifically, the NJEMP calls for proceedings in which “the NJBPU will adopt appropriate guidelines for the development of the IDP.”³ Therefore, the Board should first provide guidance and adopt appropriate guidelines before it can direct EDCs to submit plans. NJBPU should also consider the merits of possibly aligning any pursuit of this finding with the timeline set out by FERC Order 2222 compliance orders issued to PJM.

Guidehouse Finding #9: Non-renewable fuel sources are not able to aggregate their generation with that of renewable generators and count the generation toward the NEM program

PSE&G believes that Finding #9 exceeds the intended scope of this docket, and the Company does not agree that non-renewable fuel sources should count the generation toward the NEM program, even at a reduced rate. As indicated elsewhere herein, this recommendation requires significantly more extensive analysis, which was not conducted during this limited proceeding. Nonetheless, the Company would like to provide limited comments to address some of the substantive policy statements and assumptions that were made in the Draft Report. Specifically, PSE&G challenges the rationale for the recommendations that “states are looking at non-renewable fuel sources to meet their carbon reduction goals.” New Jersey is one of the leading

³ 2019 New Jersey Energy Master Plan Pathway to 2050, Goal 5.1.1, p. 174.

states driving clean energy policies, and as such, Guidehouse should be guided by the NJEMP for this finding, rather than actions taken by other States. The NJEMP makes clear that New Jersey seeks to replace fossil fuel resources such as natural gas and CHP with clean resources, and the NJEMP does not seek to use fuel cells or other non-renewable fuels, besides nuclear, as a future generation resource. PSE&G also notes that NJEMP provides for a mix of clean energy resources to achieve the State's clean energy goals, including the continued operation of nuclear resources. However, the solution must be broader and more carefully analyzed beyond merely expanding the NEM program for non-renewable resources.

Furthermore, to expand beneficiaries in the NEM program would further exacerbate the inequities between those ratepayers that can take advantage of NEM, and those that cannot. It would leave those with limited means paying the full cost of maintaining the distribution system while those customers with more money having more opportunity for carve outs and bill reductions. As such, PSE&G believes it would be more appropriate that non-renewable resources, if they have incentives at all, to have a different incentive structure to ensure they are actually benefiting the grid without comingling with NEM subsidies. Finally, it is New Jersey statute (N.J.S.A. 48:3-51) that restricts the NEM program to Class I renewable resources, therefore the Board cannot expand the NEM program to other non-Class I resource types without enabling legislation. If state policy wishes to shift to incentivize these non-renewable resources, it should be clearly stated in a future Energy Master Plan and legislative action. For these reasons, this finding should be reconsidered.

CONCLUSION

PSE&G appreciates the opportunity to provide feedback on this process, and thanks Guidehouse for all of its efforts in this proceeding and consideration of the Company's input. PSE&G remains available to provide guidance and continue to assist in this proceeding.