

Ms. Sherri L. Golden RMC  
Secretary of the Board  
New Jersey Board of Public Utilities  
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Jan 31, 2025

RE: Docket No. QO24020116  
In the Matter of the New Jersey Distributed Energy Resource Participation in Regional  
Wholesale Electricity Markets

Dear Ms. Golden

Thank you for the opportunity to comment on the above referenced docketed matter.

While PJM's proposed program for distributed energy resources (DER) aggregation (DERA) to implement FERC Order 2222 is a wholesale market issue, DERs are by definition a distribution issues. The key intersection of the PJM's DERA proposal and New Jersey Board of Public Utilities' (BPU) regulation of the electric distribution system is that for these New Jersey resources, to be available for PJM's DERA program, must be interconnected to the New Jersey distribution system.

To implement Order 2222 within New Jersey, the BPU needs to work in partnership with the electric distribution companies (EDCs) to establish an effective and efficient system. However, the BPU needs to be acutely aware of the limitations of this partnership and always act as the regulator. This is always a true statement but especially important in this proceeding.

Order 2222 will have the same impact that FERC Order 888 and others FERC Orders in this regard had on opening the transmission grid. Order 2222 will set up similar challenges to the EDCs that opening the transmission system had for transmission owners and electric holding companies. The BPU needs to be mindful of the impact and effect of those challenges within the BPU regulated electric distribution system. The EDCs, and their holding companies, have a long history of resistances to change, especially ones that focuses that change at the core of the EDC's and their holding companies' monopoly model.<sup>1</sup>

The EDCs, in those FERC interconnection proceedings and other BPU interconnection proceedings, do not have a storied history as change agents. They have not been the first movers to embraced change and at times have been the gatekeeper against change.

In terms of technical issues: In the interconnection of the first solar facilities in New Jersey, the EDCs required that the system's disconnects be external to the building under a lock box with keys available to the EDC, the local fire department and the local emergency response coordinator. They opposed the change over time from an initial 10-kW limit, to a 100-kW limit and then a 1MW limit as the maximum net metered interconnection size of the Class I renewable energy (RE) program in their initial years in 2000 to 2005.

In terms of the economic value: The EDCs in the initial class I RE programs also argued that since net metering was at the retail rate, the EDCs should own the attributes of any renewable energy certificate (REC). That has not been the case for any REC and that policy position has benefited the growth of the renewable energy market in New Jersey and elsewhere. Looking back these positions and others of the interconnection (IX) and net metering (NM) process, procedures and rules have, at times, have been a slight over response to change.

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<sup>1</sup> See U.S. Public Utility Holding Company Act of 1935 for a definition of holding companies.

The EDC have significantly important safety, reliability and resiliency concerns that must be addressed in developing and implementing a New Jersey DERA program. I raise these issues on change because time has a way of shifting perspectives. New Jersey solar developers now install 10 kW of solar safely roughly every 13 minutes and 100 kW in just over an hour. DER interconnection and REC ownership by the Class I RE owners has not been a “death spiral” for EDCs. The statement by Paul Heitman sums this up “do no harm” must apply equally and in the same weight all the way around to the ratepayers, especially low-income customers, the EDC system and as importantly to DER systems owners and developers.

The development of a New Jersey DERA program will require planning especially by the EDCs. The NJBPU has been telling the EDCs for 10 years it is time to plan for this potential impacts. In fact, Goal 5.1.1 of the 2019 EMP required utilities to establish Integrated Distribution Plans (IDP) to expand and enhance the location and amount of distributed energy resources (including solar and storage) and electric vehicle charging on the electric distribution system. The utilities are 5-years behind in implementing this 2019 EMP requirement. Now the EDCs say in response to the DERA proposed program and other changes that they need to do significant and substantial planning before they can even begin to consider Order 2222 in New Jersey. The BPU and EDCs can and should do both at the same time and the BPU should direct them to do so now.

## **General Comments for BPU to consider in developing a New Jersey DERA program**

### **1. Ownership**

FERC Order 2222 has the ability to lower the cost for electricity within PJM at the wholesale level. But FERC Order 2222 has the same ability to lower the cost for electricity in New Jersey at the distribution level, just like opening the transmission and generation market to competition had at the wholesale level. You can read the storied history against that change. But that change is here and working well. FERC Order 2222 can have that same level of change on the distribution system with the EDCs providing the same services now provided by PJM in the competitive wholesale electric market by allowing for a more open, transparent, efficient and effective operations. The EDC should manage the system and the EDC should be compensated appropriately for those services. But the EDCs should not be the DER owners and developers in the New Jersey DERA program similar to PJM in the wholesale electricity market. The EDCs should be independent of ownership.

Allowing the EDCs to participate in the DERA as owners and developers provides an unfair competitive advantage to the EDCs. It adds potential biases into the process. The EDCs should be appropriately compensated for DERA services just like PJM but that should not include ownership just like in any RTO. The EDC's can compete in this market fairly through their affiliates. This should include any DR programs developed by the EDCs within the T2 EE and PDR programs.

### **2. Interconnection**

Since the first step in DERA is interconnection of the DER to the distribution system, the BPU should develop a broad definition for DER including but not limited to all distributed Class I RE facilities, natural gas fired combined heat and power and fuel cell systems, distribution storage including batteries and thermal storage, town center microgrids and grid interactive efficient buildings (GEB) including all demand response and flexible loads systems and appropriate energy efficiency. BPU should amend NJAC 14:8-5 to include a broad definition of DER and allow for their interconnection to the distribution system as appropriate to be available for DERA compensation grid services.

The BPU should establish a process for the development of Class I RE system interconnection to the distribution grid that are not under the net metering provisions at NJAC 14:8-5. Under a non-net metered scenario, a customer could install a Class I RE facility on their property that is limited to the historical usage under NJAC 14:8-5 and a separate DERA Class I RE facility that is in addition to the site's historical usage of electricity. These two systems, the Class I RE net metered facility and the Class I RE DERA would have two separate metering systems under one interconnection service and one point of common coupling.

### **3. Interconnection Fee and DERA Value**

The fee for interconnection review should be paid for by the DER customer and aggregator. There should be no subsidies provided by BPU to DERA customers or aggregators for this service except potentially for a Low-Income DERA as described below. The fee should cover the EDCs cost of services which should include the value of the benefits to distribution system. Having a fee system paid for by the DER customer and aggregator in cost for service is another reason why the EDCs should not be DERA owners and operators since a fee system would provide an uneven competitive playing field and an advantage for the EDCs.

It is critically to the success of this program that the value of this service flow back to the customers through the DER aggregators. Then the BPU can begin to evaluate the potential reduction in the size and scope of all the NJCEP incentives programs, including those incentives funded through the utilities' EE and PDR programs with the market value of the FERC 2222 DERA programs.

The implementation of the DERA programs should not allow for double compensation. As pointed out by PJM, if a solar project is compensated when the solar electricity is generated and not used onsite through a net metering tariff at the retail rate as set forth at NJAC 14:8-4, that same electricity should not be compensated through the DERA program. However, if that solar electricity is stored on site and injected into the system at a later time as needed, that storage service for the electricity should be compensated through the DERA process.

### **4. Distributed Energy Resource Management Systems**

It is essentially important that the BPU require the EDC to upgrade their grid communications systems to DERMs from the current DRMs that have been currently installed as noted but the EDC speakers. Currently under the recently Board approved T2 EE and PDR programs the EDC have budgeted for a DRM system to manage their new PDR programs. It is important that the EDC are not be double compensated for the same system that is already in place and operational. The recently approved EE and PDR Program budget for DRM systems should be reallocated for new DERM systems and not used to fund existing systems.

The communication of billing information and energy data needs to be through on common system such as Green Button Connects to ensure the smooth and secure transfer of data with the full consent of the customer – the owner of the data. The BPU should not permit this process to be confusing and complicated for the DER customer and aggregator in having to update and manage 4 separate electron data interchange (EDI) systems when one simple system exists.

### **5. Equity**

The BPU should establish a program that sets aside a portion of the whole DERA capacity specifically for local NFP equity group to develop, own and operate a DERA within their

municipality or county. This Low Income or Affordable DERA would operate similar to a community solar project with the addition of GEB, EVs and storage.

Thank you for the opportunity to provide these general comments on this very important clean energy issue to assist BPU in advancing DER through the development of a New Jersey program to implement FERC Order 2222 DERA at the distribution level. We look forward to providing more detailed comments in response to a BPU proposal. The above comments are submitted to assist in advancing the State's progress towards its goal of 100% clean energy. Please feel free to contact me on any further follow-up.

Very Truly Yours

*Michael Winka*

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