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Via Electronic Delivery Only
Sherri Lewis
Secretary of the Board
New Jersey Board of Public Utilities
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Re: In the Matter of New Jersey's Distributed Energy Resource Participation in Regional Wholesale Electric Markets
Docket No. EO 24020116

Dear Secretary Lewis:

Public Service Electric and Gas Company ("PSE&G" or "Company") submits these comments to the Board of Public Utilities ("BPU" or "Board") in follow up to the January 17th Technical Conference related to implementation of FERC Order No. 2222. As FERC Order No. 2222 is implemented, it will take a collaborative and flexible approach among the BPU, PJM, the electric distribution companies ("EDCs") and other relevant stakeholders to facilitate Distributed Energy Resource ("DER") participation in the PJM wholesale market through a Distributed Energy Resource Aggregation ("DERA").

As PSE&G assesses its own system and processes to implement FERC Order No. 2222, we highlight the following:

Implementation Must Preserve PSE&G's Ability to Maintain a Safe and Reliable Electric Grid.

As the implementation of FERC Order No. 2222 evolves, EDCs must retain the ability to provide safe, adequate and proper service.[1] Doing so will require: (1) discretion over technical interconnection requirements and standards; (2) the authority to override dispatch when necessary (e.g., for a safety disconnection, violation condition or other situation), and (3) EDC investment in appropriate system management tools.

[1] The Electric Distribution Companies are statutorily mandated to provide safe, adequate, and proper utility services to all their customers. N.J.S.A. 48:2-23.

EDCs will need latitude to develop their own review procedures, exercise dispatch overrides if needed, and otherwise maintain broad operational discretion over their systems. This flexibility is necessary due to differences among the EDCs systems and how DER integration has evolved/will evolve in their respective service territories.

EDCs and, by extension, EDC customers also should be held harmless for impacts to DERAs due to maintaining system integrity. For example, should an EDC need to override DERAs to maintain system integrity, and the aggregator incurs a penalty, the EDC should be held harmless and not be required to pay or reimburse the DERA for it.

Moreover, to safely and reliably operate the power system, and to ensure the EDCs can meet the requirements of FERC Order No. 2222, the EDC investments for Distributed Energy Resource Management Systems and associated Distribution Management Systems will likely be necessary. The BPU's implementation plans should include consideration of the technical systems that will be required for EDCs to maintain appropriate operational control and visibility.

The Board should consider imposing cybersecurity standards or requirements on component DERs, DERAs, and EDCs to align with FERC Order No. 2222.

It will be critical to assess cybersecurity concerns and requirements as requests from both customer-generators and DERs under Order 2222 seeking to connect to the power grid increase in number and complexity. As a threshold matter, the BPU should provide guidance on how it is defining cybersecurity and the parameters of it.

The BPU should consider cybersecurity implications of DERAs, including those related to data sharing that may be required to implement Order 2222. DERAs should be subject to, at a minimum, the same BPU cybersecurity requirements applicable to data sharing for the EDCs.[2] The BPU should determine whether DERAs meet these standards and, if not, how to ensure compliance.

It will be important to assess and address the specific operational cybersecurity risks posed by the DER/DERA relationship, by their connection to and use of EDC distribution system facilities, and to determine whether existing rules are adequate or in need of modification to ensure grid reliability.

EDCs need flexibility to make the necessary investments to implement FERC Order No. 2222 and the ability to earn on them.

EDC's will need flexibility to amend its existing processes and operational requirements to successfully implement FERC Order No. 2222. For example, there may be investments needed for technology to evaluate, interconnect and monitor DERs, or upgrades to billing and data sharing systems. As with other utility system assets, PSE&G and the other EDCs should have the opportunity to recover on their investments needed to implement FERC Order 2222 and recover their costs based on established cost of service principles and subject to prudency review.

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[2] In the Matter of Utility Cyber Security Program Requirements, NJBPU Docket No. AO16030196 (3/18/16).

Interconnection fees and other user fees can be used to offset the impact of these expenditures to ratepayers over time, but the EDCs will need the authority to undertake these needed investments for this market to operate.

New interconnection agreements must be created with clear language related to the EDCs' override authority.

The EDCs will need to develop new standard interconnection agreements that include clear language giving EDCs' discretion and authority to conduct overrides or take other operationally necessary actions and outlining the situations under which an EDC may do so.

The current standard interconnection agreements were designed for net-metered, behind the meter generation. FERC Order No. 2222 will allow other behind the meter resources, such as battery storage or fuel cells, to interact with the grid through participation in an aggregation.[3] The new agreements also can address data sharing up front and operational fees to participate in the wholesale market, as well as other obligations of the customers and EDCs.

The Board should assert its jurisdiction to regulate DERAs.

The Board should provide guidance on the roles and responsibilities of all participants in and affected by FERC Order 2222, including individual customers with DERs, aggregators, individual EDCs, the BPU, and PJM. Properly communicated expectations and rules will help avoid issues and facilitate resolution of any disputes that may arise.

Neither PSE&G nor the other EDCs should have a role in monitoring DERAs and their contracts or agreements with component DER customers. PSE&G does not have the resources to resolve or referee disputes between DERAs and customers of the EDCs.

The BPU may wish to consider a licensing or registration process similar to the one used for energy suppliers to ensure that the BPU has adequate oversight of the DERAs and associated customer impacts.[4]

The Board should amend existing or create new regulations or processes which incorporate reasonable restrictions to prevent double counting or duplicative compensation for the same service.

The Board should consider new regulations or processes to ensure that there is no double counting or double compensation. It will be important to develop a consensus understanding of what constitutes double counting/double compensation. For example, customers with behind the meter solar should have to elect whether they will participate in retail net metering or a wholesale energy market aggregation and be precluded from being concurrently enrolled in both.

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[3] FERC Order No. 2222 at P1 n.1 ("distributed energy resource" (DER) refers to "any resource located on the distribution system, any subsystem thereof or behind a customer meter", which may include, but is not limited to, "electric storage resources, distributed generation, demand response, energy efficiency, thermal storage, and electric vehicles and their supply equipment").

[4] N.J.A.C. §14:4-5.1 et seq.

EDCs should be charged with evaluating their programs (consistent with PJM plans) – especially those related to demand-side management —- to ensure that there is no double counting for the same service.

Structured working Groups among the BPU, EDCs, potential DERAs and other impacted parties would aid in the implementation of FERC Order No. 2222.

It would be beneficial to create working groups among the BPU, EDCs, potential DERAs, and other impacted parties to consider the more discrete topics related to the implementation of FERC No. 2222 and develop a timeline of implementation milestones that are aligned with PJM's implementation schedule. This would allow for structured and collaborative dialogue on this complex and ever evolving timeline and position New Jersey for success.

Topics for a working group to consider could include:

- metering requirements and responsibilities for EDCs and DERs/DERAs;
- billing issues;
- cost allocation and recovery;
- how best to coordinate with the proposed NJ Storage Incentive Program (NJSIP) to assure alignment among rules, processes, incentives and cost recovery;
- restrictions, if any, on switching between net metering and participation in the wholesale market as a DERA resource;
- cybersecurity requirements;
- data exchange protocols;
- equity issues;
- guidelines on utility participation as a DERA;
- DERA oversight;
- modifications to interconnection standards; and
- appropriateness of fees related to interconnection applications.

Conclusion

Implementing FERC Order No. 2222 will require an "all hands on deck" approach and will be achieved through collaboration among the BPU, PJM, the EDCs and other relevant stakeholders and a variety of regulatory processes.

PSE&G advocates that the Board employ flexible approaches to address the different issues involved from cybersecurity, potential double counting/double compensation, cost allocation and recovery, billing issues and metering requirements and responsibility for the EDCs, DERs and DERAs while concurrently protecting the EDC's ability to maintain a safe and reliable grid.

PSE&G further supports the BPU asserting its jurisdiction over and ability to regulate DERAs.

Finally, it would be beneficial to create working groups dedicated to more specific topics and to develop a timeline of milestones aligned with PJM's implementation schedule. PSE&G looks forward to being an active and meaningful participant as this process evolves.

Very truly yours,

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