New Jersey and the State Agreement Approach

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State Agreement Approach and Coordinate Planning

- In Order 1000, FERC required regional grid operators to “provide for the consideration of transmission needs driven by public policy requirements in the regional transmission planning processes.”

- The State Agreement Approach is a provision in the OA (developed with input from PJM states) where a state or group of states can sponsor a project to meet its state public policy requirements, as long as it agrees to voluntarily be responsible for cost responsibility for transmission project.

**State Agreement Approach**

- RTEP planning process
- Baseline project (or Supplemental Project)
- Subject to state’s commitment for cost responsibility
- Transmission investment is recovered through transmission cost of service rates
Public Policy in the PJM Planning Process

- State Renewable Goals
- Reliability Criteria
- Market Efficiency
- Public Policy / State Agreement Approach
- Interconnection Queue

Regional Transmission Expansion Plan
New Jersey Request to Use the SAA Process

• On November 18, 2020, the NJ Board of Public Utilities (NJBPU) issued an order formally requesting that PJM open a competitive proposal window to solicit project proposals to identify a transmission project that addresses NJ’s public policy goals for 7,500 MW for offshore wind (OSW)

• Concurrently with receiving notice from NJ, PJM notified stakeholders of the request and posted the information regarding the request on the PJM Interconnection Planning page
PJM opened an RTEP proposal window to solicit submissions to build the necessary transmission to meet New Jersey’s goal of facilitating the delivery of a total of 7,500 MW of offshore wind through 2035

- Window opened April 15, 2021
- Window closed September 17, 2021

Proposals were sought for upgrades for the following options:

- Option 1a – Onshore Upgrades on Existing Facilities
- Option 1b – Onshore New Transmission Connection Facilities
- Option 2 – Offshore New Transmission Connection Facilities
- Option 3 – Offshore Network
Evaluation Process Overview

80 Proposals

PJM Initial Analysis*

Reliability Initial Analysis
- Option 1A Clusters
- Option 1B Injection Scenarios
- Option 1B/2 Injection Scenarios

Economic Analysis
- Option 1B Injection Scenarios
- Option 1B/2 Injection Scenarios

Constructability Review
- Option 1A Proposals
- Option 1B Proposals
- Option 1B/2 Proposals

Financial Review
- Option 1A/1B/2/3 Proposals With Cost Containment

*PU BPU provided input and guidance to on the determination of initial analysis scope, combinations of proposals and modeled injection amounts.

PJM Presents Initial Analysis to NJ BPU and TEAC
NJ BPU Selects Finalist Scenarios
PJM Completes Detailed Reliability and Capacity Benefit Analysis of Finalist Scenarios

NJ BPU Selects Final Solution
SAA Project Overview

• In November 2022, the evaluation process concluded with the section of the SAA Project.
• The SAA Project consists of a portfolio of transmission upgrades that collectively make up the project to effectuate the NJ public policy.
• The solution includes new transmission that extends new lines from existing NJ substations and establishes a new collector substation for the NJ-selected offshore wind generators to interconnect to.
• The SAA Project also includes a portfolio of transmission upgrades that collectively create system capability that accommodates the injection of offshore wind generation in the amounts specified as SAA Capability memorialized in the SAA Agreement between PJM and NJBPU and also posted on the PJM Interconnection Planning page.

• Details of the SAA Project can be found on the TEAC page.

https://www.pjm.com/-/media/committees-groups/committees/teac/2022/20221104-special/item-01---nj-osw-saa.ashx
A new term was developed in the NJ SAA Agreement (FERC Docket ER23-775) between PJM and New Jersey that defines SAA Capability

“SAA Capability” shall mean all transmission capability created by a SAA Project(s), including but not limited to the capability to integrate resources injecting energy up to the Maximum Facility Output (“MFO”), capability which may become CIRs through the PJM interconnection process, and any other capability or rights under the PJM Tariff, and consistent with the reliability study criteria applied to the evaluation of a SAA Project(s) as set forth in Paragraph 6 below.
On October 26, 2022, the New Jersey Board of Public Utilities issued a Board Order notifying PJM of its selection of the transmission project(s) that it will sponsor to achieve its stated public policy goals of injecting 7,500 MW of offshore wind into New Jersey by 2035. PJM will convene a special TEAC meeting on November 4, 2022, to discuss the project(s) that they have selected and will seek PJM Board approval in December 2022.

The NJBPU-selected project(s) will include the construction of a new Larrabee Collector substation (LCS). Following PJM Board approval in December, generators will be able to request the LCS as a point of interconnection (POI) when submitting an interconnection queue request.

The selected SAA project will result in creating SAA Capability as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>State</th>
<th>Transmission Owner</th>
<th>SAA Capability</th>
<th>MFO</th>
<th>MW Energy</th>
<th>MW Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larrabee Collector 230 kV - Larrabee</td>
<td>NJ</td>
<td>MAOD</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>360</td>
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<tr>
<td>Larrabee Collector 230 kV - Atlantic</td>
<td>NJ</td>
<td>MAOD</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>360</td>
</tr>
<tr>
<td>Larrabee Collector 230 kV - Smithburg</td>
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<td>MAOD</td>
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<td>1,342</td>
<td>1,342</td>
<td>402.6</td>
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<tr>
<td>Smithburg 500 kV</td>
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<td>JCPL</td>
<td>1,148</td>
<td>1,148</td>
<td>1,148</td>
<td>327</td>
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Last updated on 10.27.2022
Generator Eligibility to use SAA Capability

- Eligibility to use SAA Capability
  - OSW Generator must be selected by the NJBPU through its OREC Solicitation process
  - OSW Generator must be assigned SAA Capability by the NJBPU following its selection
  - OSW Generator must notify PJM of the amount and type of SAA Capability assigned prior to the Application Deadline
  - PJM will perform the OSW Generator’s interconnection study utilizing the SAA Capability consistent with the process currently described in M14G section 4.4 (applicable to CIR transfers)
  - Each OSW Generator must proceed through the PJM interconnection study process and execute an ISA (GIA) to be awarded CIRs
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Interconnection Process Subcommittee

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• Appendix
## Offshore Wind Solicitation Schedule for New Jersey

<table>
<thead>
<tr>
<th>Solicitation</th>
<th>Minimum Capacity Target (MW)*</th>
<th>Capacity Awarded (MW)</th>
<th>Issue Date</th>
<th>Submittal Date</th>
<th>Award Date</th>
<th>Estimated COD</th>
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<tr>
<td>1</td>
<td>1100</td>
<td>1100</td>
<td>Q3 2018</td>
<td>Q4 2018</td>
<td>Q2 2019</td>
<td>2024-25</td>
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<tr>
<td>2</td>
<td>1,200 – 2,400</td>
<td>2658</td>
<td>Q3 2020</td>
<td>Q4 2020</td>
<td>Q2 2021</td>
<td>2027-29</td>
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<tr>
<td>3</td>
<td>1,200 - 4,000</td>
<td></td>
<td>Q1 2023</td>
<td>Q2 2023</td>
<td>Q4 2023</td>
<td>2030</td>
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<tr>
<td>4</td>
<td>1,200**</td>
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<td>Q3 2024</td>
<td>Q4 2024</td>
<td>Q2 2025</td>
<td>2032</td>
</tr>
<tr>
<td>5</td>
<td>1,200**</td>
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<td>Q3 2026</td>
<td>Q4 2026</td>
<td>Q2 2027</td>
<td>2034</td>
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<tr>
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<td>Q3 2028</td>
<td>Q4 2028</td>
<td>Q2 2029</td>
<td>2036</td>
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<tr>
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<td>Q3 2030</td>
<td>Q4 2030</td>
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</tbody>
</table>

* Minimum Capacity Target (MW)* refers to the minimum capacity target for each solicitation.

** Estimated COD refers to the estimated completion date for each solicitation.
Timeline for New Jersey Request to Use the SAA Process

- On November 18, 2020, the NJ Board of Public Utilities (NJBPU) issued an order formally requesting that PJM open a competitive proposal window to solicit project proposals to identify a transmission project that addresses NJ’s public policy goals for 7,500 MW of offshore wind (OSW).

- On February 16, 2021, the Commission accepted the State Agreement Approach (SAA) Study Agreement (FERC Docket ER21-689) between PJM and the NJBPU that authorized PJM to implement the SAA process to conduct an open proposal window for OSW transmission facilities that effectuate NJ’s public policy goals; and established key dates and milestones.

- On April 15, 2021, PJM convened a competitive transmission window to solicit solutions to meet the public policy needs of NJ.

- On April 14, 2022, FERC accepted the SAA Agreement between PJM and NJBPU (FERC Docket ER22-902), which memorializes the rights and obligations of PJM and NJ BPU with respect to the SAA project and SAA Capability that will be created by the transmission projects, should NJ opt to sponsor transmission upgrades and agree to cost responsibility for the upgrades.

- On October 26, 2022, following completion of the proposal evaluation process by PJM and NJBPU, the NJBPU announced it would sponsor transmission upgrades pursuant to the State Agreement Approach (NJ BPU Docket No. QO20100630).

- On December 2, 2022, FERC accepted the SAA Cost Allocation methodology (FERC Docket ER22-2690) that was filed on behalf of the PJM TOs on the NJ BPU requested cost allocation methodology.

- On March 6, 2023, FERC accepted the amended SAA Agreement (FERC Docket ER23-775), which incorporated the selected NJSAA Project and the details regarding the SAA Capability.