



## STATE OF NEW JERSEY

### Board of Public Utilities

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September 14, 2011

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PJM Interconnection, Inc.  
955 Jefferson Avenue  
Norristown, Pennsylvania 19403

**Re: New Jersey Board of Public Utilities Comments in Support of the Review of the PJM Interconnection Process**

Dear Sirs:

The New Jersey Board of Public Utilities (“NJBPU” or “Board”) wishes to provide comments in support of some of the proposed modifications to the PJM interconnection process currently under discussion before the Interconnection Process Senior Task Force (“IPSTF”). Specifically the NJBPU calls upon the IPSTF to consider at a minimum the following concepts: (i) the elimination of the role that incumbent Transmission Owners (“TOs”) play in estimating costs and impacts included in the interconnection studies; (ii) the cluster break-away proposal; (iii) the modeling of expected retirements and changes to the use and duration of capacity injection rights (“CIRs”); (iv) the establishment of a separate queue for projects below 20MW; and (v) the elimination of stability analysis in non-constrained areas. While neither complete nor definitive, the NJBPU believes that these concepts represent important steps in the development of an improved interconnection process in PJM.

**Involvement of incumbent transmission owners in interconnection studies.** The NJBPU believes that entrusting incumbent transmission owners to determine the engineering impacts and upgrade costs attendant to proposed interconnections is problematic, particularly in areas with high levels of horizontal market power coupled with vertical integration of generation and transmission interests. The risk of manipulation and abuse in these situations is too high and difficult to properly monitor or mitigate. Indeed, this potential is so great that even if never exercised, the appearance of impropriety is significant and that appearance alone undermines

the credibility of the study as well as any public confidence in the process as a whole. Closing the door to potential abuse is a serious and urgent matter that needs to be addressed in this fast track interconnection review process to reduce existing barriers to new entry; it should not be treated as a governance issue to be resolved in the long-term in a separate stakeholder process.

The Board understands the practical challenges of having PJM or a third party perform the requisite engineering studies on systems that the incumbent TOs may know better than any other entity. The Board, however, believes that proper Tariff language can be established to allow for the adequate flow of information to carry on those studies and that quality control of those studies should not be an issue if adequate information is available. Indeed, the New York Independent System Operator (“NYISO”) allows third party consultants to perform the interconnection studies. Regarding the concerns of some stakeholders that adoption of third party interconnection studies will be more costly, the NJBPU asserts that this issue can be resolved by either: (i) allowing interconnection applicants to choose whether to use a third entity and risk potential higher costs; or (ii) by making PJM the sole entity charged with gathering the necessary data and performing all the interconnection studies at a cost similar to those currently charged by incumbent TOs.

**Break-away proposal.** The NJBPU supports consideration of the “break-away” concept as a solution to the queue cluster problem. The break-away proposal allows clustered projects committed to proceed to construction and commercialization to advance in the queue with “but for” upgrade cost responsibility but subject to additional responsibility for transmission upgrades if other projects in the cluster break-away within a defined time period. It is our understanding that the IPSTF is now considering whether to address this proposal in a separate process dealing with long-term solutions or to include it in the interconnection review proposals to be discussed by the higher PJM Committees this autumn. Because the queue cluster problem is a barrier to new entry of generation in congested areas of PJM, the Board asserts that the break-away proposal is a possible solution to this urgent matter and should be included among the fast track review proposals to the interconnection process regardless of the level of support at the task force level.

**Modeling of retirements in interconnection studies.** The NJBPU asserts that the modeling of generation retirements in the PJM Regional Transmission Expansion Planning (“RTEP”) process and the interconnection process should be harmonized to the extent possible. The Board understands that making assumptions regarding the retirement of specific units without an official retirement notice may lead to arguments of discriminatory treatment of certain units but stresses the importance of putting in place a process that accurately reflects the capacity available in the transmission system and thus the real costs of interconnection. The NJBPU encourages PJM to continue working on some form of probabilistic criteria that could be applied in a non-discriminatory manner to retirements in the interconnection process, thereby developing more accurate information on available capacity.

**Changes to the use and duration of capacity injection rights.** The NJBPU supports consideration of the reduction of the duration of CIRs to one year. The NJBPU believes that CIRs limit the principle of open access because they allow retired generators to keep their interconnection capacity on hold for a period of three years, thereby artificially inflating the interconnection costs of other generation units in the queue that are ready to interconnect. Any limitation to the principle of open access should be justified and narrowly tailored to serve a specific interest. The NJBPU understands that CIRs may be justified by the need to facilitate replacement of old, inefficient generation units by either the owner of the retired unit, an affiliate of the owner, or the purchaser of the CIRs (“CIRs Owner”), but asserts that a duration of three

years for CIRs is excessive and thus not tailored to the interest it serves. Furthermore, PJM currently allows CIRs Owners willing to interconnect a replacement unit to enter their project in the interconnection queue without specifying whether they have or intend to use their CIRs. This approach results in these replacement units holding their interconnection capacity twice with respect to projects coming later in the queue: once as a regular project with a queue position and again as a CIRs Owner. The Board strongly supports consideration of Tariff changes: (i) requiring CIRs Owners to decide before starting the Feasibility Study whether they want to use their CIRs, and (ii) limiting the use of CIRs to the points in the transmission system where the retired generation unit (from which the CIRs were derived) was interconnected.

**Elimination of stability analyses from system impact studies in non-constrained areas.** The NJBPU supports the elimination of stability analyses from the Impact System Studies except in those specific circumstances where PJM determines that stability may be an issue. This simple fix would help to streamline the interconnection study process.

**Establishment of a separate queue for projects below 20MW.** The NJBPU supports the establishment of a simplified queue process for projects below 20MW with a streamlined study process. The Board, however, does not currently support a separate cost allocation methodology that consists of load paying for any portion of interconnection costs. This would require PJM to identify the load that benefits from generators under 20MWs requesting interconnection in specific points of the transmission system, which may turn out to be too complicated, controversial, and subject to litigation.

Based upon the above, the NJBPU requests that these issues be discussed and seriously considered by the PJM Board during the current review process of interconnection rules.

Thank you for your consideration in this matter, and if you have any questions please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Lee A. Solomon', with a long horizontal flourish extending to the right.

Lee A. Solomon, President  
New Jersey Board of Public Utilities