



State Agreement Approach and New Jersey Offshore Wind

Special Planning Committee Meeting
September 14, 2021



State Agreement Approach (SAA) Process

- PJM added a SAA transmission planning mechanism with its Order No. 1000 compliance filing (not needed for compliance with Order No. 1000), pursuant to which a state or states can request that PJM study a project designed to address public policy requirements identified by a state(s)
- If the state(s) voluntarily agrees to sponsor such a project and assumes responsibility for the allocation of all costs of the project, the SAA project will be included in the RTEP either as a Supplemental Project or state public policy project

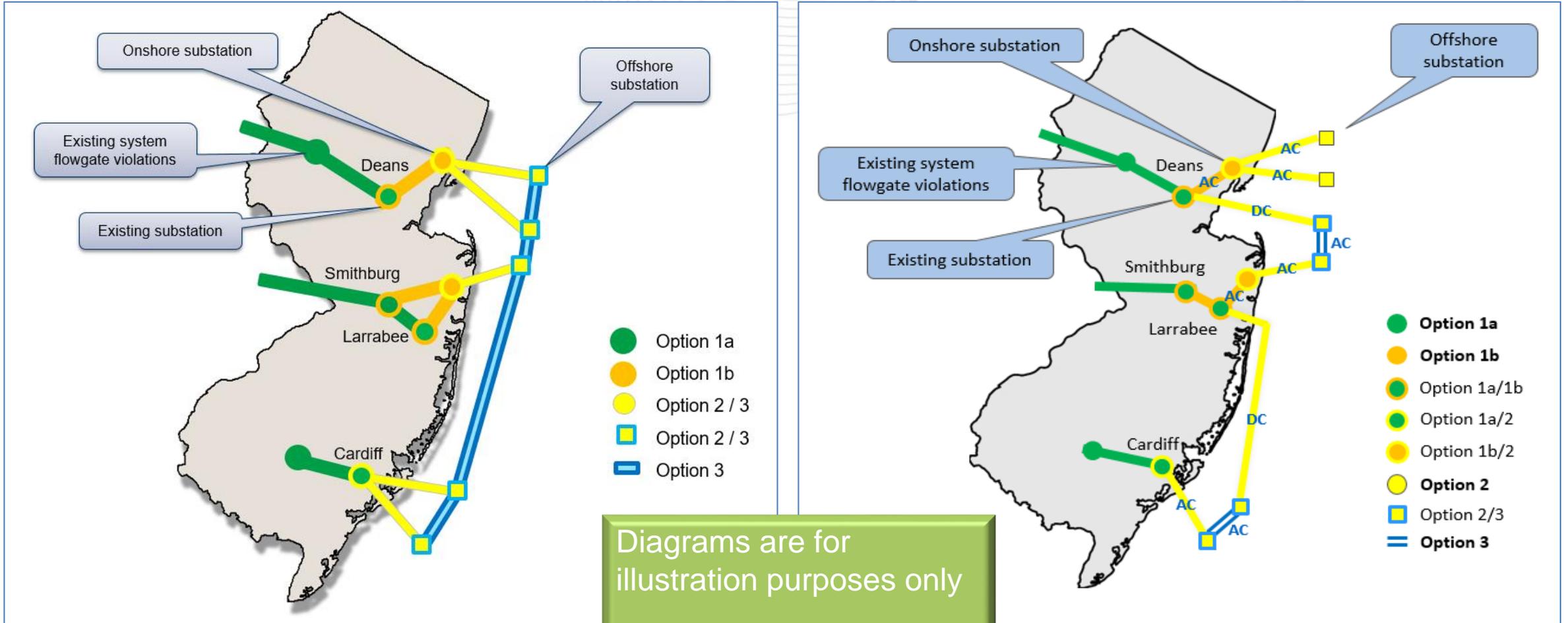


New Jersey Request to Use the SAA Process

- 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 MWs for offshore wind (OSW)
- On February 16, 2021, the Commission accepted the SAA Study Agreement 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
- The PJM competitive window proposals will be under evaluation following the close of the window on September 17.

- PJM is soliciting project proposals 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
 - Proposal Window Schedule
 - Open Window April 15
 - Pre-bid meeting May 5
 - Close Window September 17
 - Proposal Evaluation commencing September 2021

Project Overview – Potential Solution Options





NJBPU OSW Solicitation Schedule

Solicitation	Capability Target (MW)	Capability Awarded	Issue Date	Submittal Date	Award Date	Estimated Commercial Operation Date
1	1,100 ⁽¹⁾	1,100	Q3 2018	Q4 2018	Q2 2019	2024-25
2	1,200-2400 ⁽²⁾	2,658	Q3 2020	Q4 2020	Q2 2021	2027-29
3	1,200	N/A	Q3 2022	Q4 2022	Q2 2023	2030
4	1,200	N/A	Q2 2024	Q3 2024	Q1 2025	2031
5	1,342	N/A	Q2 2026	Q3 2026	Q1 2027	2033

(1) NJBPU Solicitation Award - June, 2019

(2) NJBPU Solicitation Award - June, 2021

<https://www.njcleanenergy.com/renewable-energy/programs/nj-offshore-wind/solicitations>



PJM and NJBPU have been negotiating key provisions, which will lay out the obligations, rights and milestones should NJBPU choose to sponsor an SAA transmission project, including:

- Definitions
- Project Description
- PJM's Obligations and Milestones
- NJBPU's Obligations and Milestones
- Rights Associated with the SAA Project
- Project Modification or Termination
- Solicitation Schedule Delays

- New term – **SAA Capability**
- Refers to all transmission capability created by the SAA Project(s), including:
 - 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



- SAA Project Scope - description of project(s), ratings, location, etc.
- Estimated cost of the SAA Project
- Entity selected to construct the SAA Project
- Required In-Service Date for the SAA Project
- Construction Milestones
- Identification and description of the type and amount of SAA Capability that are created by the SAA Project (individually and/or in combination with other SAA Projects, as applicable)
- Commitment Terms and Conditions



Key Provisions – PJM's Obligations and Milestones

- **Notify Designated Entity of Project Selection** – Following NJBPU decision to sponsor a project, PJM will follow process in OA Schedule 6 specific to designation of an entity to construct, own, operate and maintain the SAA project(s)
- **Project Tracking** – PJM will track the SAA Designated Entity's construction progress consistent with the development schedule and associated milestones in the DEA as provided in Manual 14C
- **Interconnection Queue Project Study** – Upon notification of NJBPU assignment of SAA capability and notification from the OSW generator, PJM will perform the Feasibility and/or System Impact study utilizing the SAA capability



Key Provisions – NJBPU's Obligations and Milestones

- **Notify PJM of Agreement to Sponsor an SAA Project** – Following PJM evaluation of proposals and recommendation, NJBPU must notify PJM if it wishes to sponsor a SAA project and commit NJ customers to cost responsibility for the project(s)
- **Conduct NJBPU OSW Generation Solicitations** – NJBPU will use reasonable efforts to conduct its future solicitations (#3-5) and select OSW generators for assignment of SAA capability pursuant to the schedule
- **Notify NJBPU OSW Generators of selection to receive SAA capability** – NJBPU must provide written notification to the OSW generator of the SAA capability that has been assigned to the OSW generator and advise of its responsibility to submit notification to PJM
- **Submit a proposed cost allocation to TOA-AC** – NJBPU shall submit to the TOA-AC the proposed allocation of SAA project costs among NJ customers for filing with FERC; NJBPU reserves the right to oppose any such filing or file its own assignment of costs pursuant to the PJM Tariff

- Generators wishing to use the SAA capability must still enter PJM's New Services Queue
- Generators must notify PJM of its use of SAA capability no later than the point of executing the System Impact study agreement
- The generators using the SAA capability will be subject to the Tariff study process and procedures



Key Provisions – Rights Associated with the SAA Project

- Priority Reservation of SAA Capability
- Granting of SAA Capability to an OSW Generator
 - Points of Injection and Study Assumption
 - Project Eligibility for Assignment of SAA Capability
 - Initial Assignment of SAA Capability
 - Reassignment of SAA Capability
- Use of SAA Projects by Entities Other Than OSW Generators or other NJBPU-Selected Public Policy Resources

- The Term Sheet includes provisions for reservation of system capability for the purpose of facilitating NJ's public policy objectives and requirements, such that transmission capability can be:
 - preserved, for a period of time, consistent with the NJBPU OSW development schedule
 - assigned to generation queue projects that NJ determines meet its OSW public policy goals
- The Term Sheet provisions are intended to ensure that:
 - the SAA Project capability funded by NJ customers is available for NJ's use to interconnect OSW generation
 - any capability not used by NJ is available through open access



Key Provisions - Initial Assignment of SAA Capability

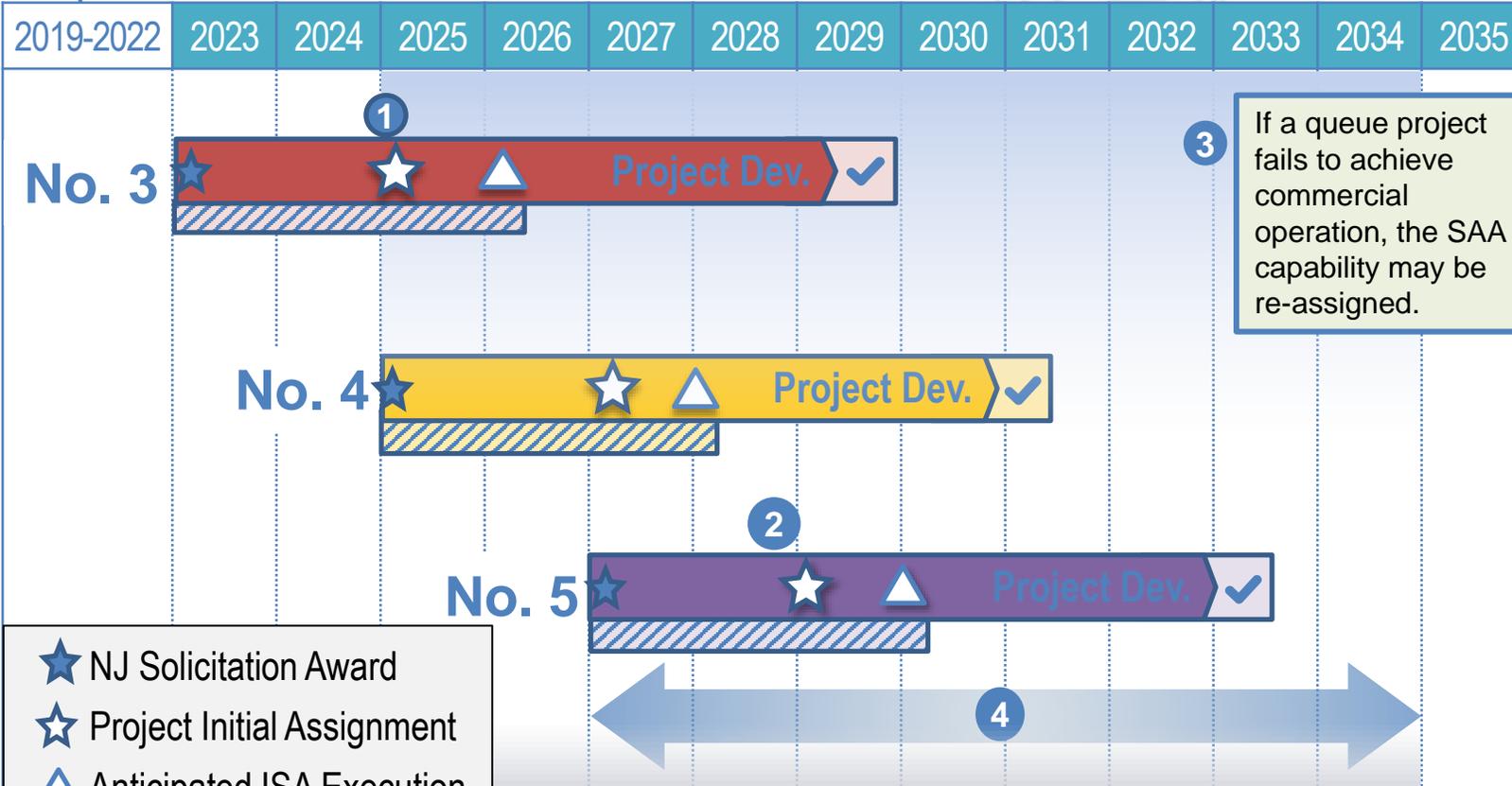
- Term Sheet obligates NJBPU to initially assign SAA Capability created by an SAA Project(s) to OSW Generators or other NJBPU-selected Public Policy Resources by no later than two years from the actual award date of the award to such generators
- All SAA Capability must be initially assigned no later than two years after the last solicitation award date set forth in the Solicitation Schedule
- In the event that the system capability cannot be effectively used for selected NJ offshore wind, NJ seeks the ability to use the capability for other types of resources, consistent with its public policy goals



Key Provisions - Reassignment of SAA Capability

- Reassignment provision is triggered when an OSW Generator or other NJBPU-selected Public Policy Resource provides notice to PJM that it is terminating or withdrawing its New Services Queue Request before the generator achieves commercial operation
- NJBPU may reassign SAA Capability that was previously allocated to an OSW Generator or other NJBPU-selected Public Policy Resource:
 - NJBPU has the ability to reassign SAA Capability for a period of two years from the date on which the generator submits its notice of withdrawal or termination to PJM
 - Any such reassignment cannot occur later than eight years from the last Solicitation Award Date set forth in the Solicitation Schedule

- **Solicitation No. 1** – Awarded June 19, 2019 – 1,100 MW
- **Solicitation No. 2** – Awarded June 30, 2021 – 2,658 MW



- 1 Initial Assignment:** NJBPU selected OSW generator must notify PJM it requests to be studied with SAA capability within 2 yrs. of NJBPU actual award date.
- 2 Initial Assignment:** All SAA capability must be initially designated to a queue project by 2 years following the final solicitation award date.
- 3 Reassignment:** The capability is available to be re-designated if the project fails to reach commercial operation. (NJBPU selection to made within 2 yrs. of generator notice of withdrawal)
- 4 Final Reassignment:** The final date that remaining capability can be re-assigned (8 yrs. after final solicitation award date)

- ★ NJ Solicitation Award
- ☆ Project Initial Assignment
- △ Anticipated ISA Execution
- ✓ Anticipated Commercial Operation
- ▨ Study Process



Key Provisions – Cost Sharing for Use of SAA Project

- For a period beginning on the date on which the PJM Board approves the SAA Project(s), through 20 years from the last solicitation award date, PJM shall allocate to future users of the SAA Project(s) a *pro rata* share of the total capital costs of the SAA Project(s)
 - It is intended that this provision will apply to all components of the SAA Project(s) from the default POIs to the offshore components (Options 1b, 2, and 3)
- The specifics of the cost sharing will be memorialized in a future filing with FERC



Key Provisions – SAA Project Modification or Termination

- **Project Modification** - PJM can modify a SAA Project with concurrence from the NJBPU in the event that the modifications result in a more efficient or cost effective solution to meet NJ's Public Policy Goals
- **Project Cancellation** - PJM may cancel the SAA Project(s), with concurrence from NJBPU, in the event PJM determines the transmission upgrade(s) is no longer needed to resolve identified system needs or NJ's Public Policy Goals
- **Project Infeasibility** - In the event PJM reasonably determines that a SAA Project is infeasible, PJM will advise NJBPU of the reasons why and of its decision to terminate such SAA Project or, in the alternative, provide other options available to achieve NJ's Public Policy Goals.
- **Termination** - The SAA Term Sheet may be terminated 1) by mutual consent, 2) by either party due to failure to meet milestones, 3) by NJBPU subject to cost responsibility for additional RTEP upgrades based on subsequent projects in the New Services Queue being reliant on the SAA Project



Key Provisions – Solicitation Schedule Delays

- NJBPU may modify its OSW generation solicitation schedule
- Modifications or delays are subject to agreement by PJM, which cannot be unreasonably withheld
- If the schedule changes result in adverse impacts to the New Service Queue, then PJM and NJBPU will meet to agree upon a solution
- If agreement cannot be reached, PJM reserves the right to seek approval at FERC to release remaining SAA capability

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NJ OSW Sate Agreement Approach



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- V1 – 09/10/2021 – Original slides posted
- V2 – 9/15/2021 – Updated slide 3 last bullet regarding proposal evaluation will start following the close of the window.