



State Agreement Approach and New Jersey Offshore Wind

Planning Committee Meeting
February 8, 2022



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 State Agreement Approach (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 proposals submitted through the window continue to be under evaluation

- Under the provisions of the SAA Study Agreement filed in 2020, PJM and NJBPU committed to negotiate the terms of a SAA Agreement that would govern a SAA project(s) if selected by NJBPU
- On September 14, PJM and NJBPU provided an overview to the PC of the key provisions of a SAA Agreement that were negotiated between PJM and NJ BPU; and PJM informed the PC of the Parties intent to file such Agreement with FERC
- On January 27, 2022, PJM filed the SAA Agreement in Docket ER22-902
- PJM requested an effective date of April 15, 2022
- FERC set a comment date of February 17



PJM and NJBPU included the following key provisions in the SAA Agreement:

1. Definitions
2. NJ BPU's Offshore Wind Solicitation Schedule
3. Description of a SAA Project, if selected, to be included in a subsequent FERC filing
4. PJM's Obligations and Milestones
5. NJ BPU's Obligations and Milestones
6. Rights Associated with a SAA Project
7. Modification or Termination of a SAA Project(s)
8. Effective Date
9. Modification or Termination of the SAA Agreement
10. Solicitation Schedule Delays
- 11-12. General contract provisions

- New term – **SAA Capability**
- Refers to all transmission capability created by a SAA Project(s), including:
 - the capability to integrate resources injecting energy up to the Maximum Facility Output (MFO);
 - transmission capability created by a SAA Project(s), which may become Capacity Interconnection Rights (CIRs) through the PJM interconnection process; and
 - any other capability or rights under the PJM Tariff, e.g., Incremental Auction Revenue Rights (IARRs) and Incremental Capacity Transfer Rights (ICTRs)



2. Offshore Wind Solicitation Schedule

Offshore Wind Solicitation Schedule (see SAA Agreement, Appendix A)

- NJBPU will use due diligence to select generators for assignment of SAA Capability
- NJBPU may propose changes to the solicitation schedule, which changes must be agreed to by PJM, which approval may not be unreasonably withheld
- NJBPU may select other public policy resources for assignment of SAA Capability



Appendix A - NJ BPU Offshore Wind Solicitation Schedule

| Solicitation | Capability Target (MW) | Capability Awarded | Issue Date | Submittal Date | Solicitation Award Date | Estimated Commercial Operation Date |
|--------------|------------------------|--------------------|------------|----------------|-------------------------|-------------------------------------|
| 1 | 1,100* | 1,100 | Q3 2018 | Q4 2018 | Q2 2019 | 2024-25 |
| 2 | 1,200** | 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 |

* Solicitation 1: Incorporates the injection of a combined total of 1,100 MW at the Oyster Creek 230 kV substation and the BL England 138 kV substation, and is not part of the NJ SAA Process.

**Solicitation 2 was awarded on June 30, 2021, with a total capability of 2,658 MW. Nothing shall limit the ability of the NJ BPU, upon reasonable prior notice to PJM, to assign a portion of the SAA Capability created by a SAA Project to an OSW Generator selected by NJ BPU under Solicitation 2.



4. PJM's Obligations and Milestones

- Notify Designated Entity of Project Selection (4.1) – If NJBPU sponsors a SAA Project, PJM will follow its OA Schedule 6 process in designating an entity to construct, own, operate and maintain the SAA project(s)
- Project Tracking (4.2) – PJM will track the SAA designated entity's construction progress consistent with the development schedule and associated milestones in the DEA consistent with Manual 14C
- Interconnection Queue Project Study (4.3) – Upon selection and notification of NJBPU assignment of SAA capability to OSW Generator, PJM will follow its interconnection study processes utilizing SAA Capability assigned to OSW Generator



4.3 Application of Interconnection Study Process for OSW Generators

- OSW Generator must notify PJM of the amount and type of SAA Capability assigned
- PJM must be notified of SAA assignment upon OSW Generator's execution of the System Impact Study (SIS) Agreement
- PJM will commence the OSW Generator's SIS utilizing the SAA Capability
- Upon completion of the SIS, PJM will notify the NJ BPU of the amount of SAA Capability available for future assignments
- Each OSW Generator must proceed through the PJM interconnection study process and execute an ISA to be awarded CIRs
- Should an OSW Generator fail to execute an ISA, withdraw prior to achieving commercial operation, or have its assignment of SAA Capability rescinded prior to execution of an ISA, PJM shall terminate the OSW Generator's Interconnection Request and revise the amount of SAA Capability in the SAA Capability Pool



5. NJ BPU's Obligations and Milestones

- The NJBPU is obligated to notify PJM of NJBPU's decision to voluntarily sponsor an SAA Project (5.1);
- The NJBPU must use reasonable efforts in conducting its future solicitations to select OSW Generators (5.2); however, NJBPU may propose changes to the Solicitation Schedule at Appendix A (10) or add other types of Public Policy Resources (6.2(e))
- The NJBPU is responsible to notify OSW Generators of NJBPU's election to assign SAA Capability to an OSW Generator and generator's responsibility to submit such notification to PJM prior to commencement of the generator's SIS (5.3)
- Acknowledgement that the methodology setting forth the allocation of costs to NJ customers for an SAA Project(s)' will be submitted to the Transmission Owner Agreement Administrative Committee for review and filing with FERC; however, NJ reserves the right to oppose any such filing or file its own assignment of costs pursuant to the PJM Tariff

- SAA Capability (6.1)
 - Granting of SAA Capability to an OSW Generator (6.2)
 - Points of Injection and Study Assumption
 - Project Eligibility for Assignment of SAA Capability
 - Initial Assignment of SAA Capability
 - Reassignment of SAA Capability

6. Rights Associated with a SAA Project (cont'd)

- Reservation Priority (6.1)
 - The SAA Agreement permits the SAA Capability created by SAA Project(s) to be assigned to OSW Generators that have a position in PJM's interconnection queue as follows:
 - All SAA Capability must be initially assigned no later than 2 years from the actual Solicitation Award Date consistent with the NJBPU OSW development schedule (6.2(d)(i)). Any SAA Capability not initially assigned within such timeframe will be released by PJM for use by other entities, subject to Paragraph 6.2(g)
 - Reassignment of SAA Capability – If an OSW Generator's queue position is terminated or withdrawn prior to commercial operation, all SAA Capability initially assigned to such OSW Generator maybe reassigned by NJBPU for 2 years from termination or withdrawal date but no later than 8 years from the last Solicitation Award Date (6.2(f))

- Cost sharing to a future user (other than OSW Generator/Public Policy Resource) of a *pro rata* share of the total costs of the SAA Project's offshore transmission facilities or onshore transmission facilities that transmit power generated offshore to any point of injection identified in Paragraph 6.2(a) of the Agreement 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 (6.2(g))
- The specifics of a cost sharing arrangement will be memorialized in a future filing with FERC



7. Modification or Termination of a SAA Project(s)

- **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

9. Modification or Termination of SAA Agreement

- **Modification of the SAA Agreement** - The Parties may mutually agree to modify, amend or supplement this Agreement
- **Termination of the SAA Agreement** – The Agreement may be terminated by mutual consent, if a party fails to meet a milestone in Schedule C of the SAA Study Agreement or unilaterally by NJBPU. If terminated, NJ customers may be subject to cost recovery of incurred costs and for an RTEP projects that Interconnection customers may be reliant on
- **FERC Approval Required** – FERC approval is required for termination to become effective

- 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, PJM and NJBPU must meet to agree upon a solution
- If agreement cannot be reached, PJM reserves its section 205 rights to seek FERC approval to release the remaining SAA Capability

- Conflicts with PJM Governing Documents. In the of any conflicts or inconsistencies between the Agreement and the Tariff or Operating Agreement, the Tariff and Operating Agreement control (11)
- All portions of the Tariff and Operating Agreement pertinent to this matter shall be incorporated herein and made a part hereof (15)
- Breach. In the event a breaching party is unable to timely cure the breach and the parties are unable to agree on a timely cure period, the party not in breach reserves the right to promptly seek remedy from FERC (16)

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NJ OSW Sate Agreement Approach



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