



Chris Christie
Governor

Kim Guadagno
Lt. Governor

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

Kristi Izzo
Secretary of the Board
Tel. # (609) 292 1599

NOTICE¹

Pursuant to the "Open Public Meetings Act", N.J.S.A. 10:4-6 et seq, the New Jersey Board of Public Utilities ("Board") hereby gives notice of a Public Meeting to discuss the following item:

**IN THE MATTER OF THE BOARD'S INVESTIGATION OF CAPACITY
PROCUREMENT AND TRANSMISSION PLANNING
DOCKET NO. EO11050309**

A "legislative-type" hearing under this docket will be held on Friday, October 14, 2011, at 9:00 a.m. at the State House Annex, Committee Room 11, Trenton, New Jersey. The purpose of the hearing is to address some issues raised in testimony presented at and subsequent to the June 17, 2011, hearing under this docket and to take further comments on the possible impediments to the development of new generation capacity in New Jersey as well as other matters concerning the PJM Interconnection L.L.C. ("PJM") regional transmission expansion planning ("RTEP"), the PJM interconnection processes and the competitiveness of the power market.

Specifically, the Board is interested in comments regarding the following:

- 1) Testimony presented at the June hearing points at the existence of barriers to new entry resulting from PJM's interconnection rules and practices. What actions can PJM take that will alleviate bottlenecks in the current transmission interconnection process? What can the Board do to facilitate such PJM actions? Are incumbent generators submitting projects for the purpose of taking up positions in the PJM interconnection queue to the detriment of new entrants?
- 2) Is it inappropriate to have PJM transmission-owning entities ("TOs") perform interconnection studies given that some of the TOs are part of holding companies that own generation through other affiliates or subsidiaries that participate in the PJM markets? Are such TOs causing intentional delays in the interconnection process to benefit incumbent generation affiliates?

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- 3) Should responsibility for the performance of engineering interconnection studies and the identification of necessary transmission upgrades and attendant costs be transferred from the TOs to PJM, or to a third party entity (e.g., an independent engineering consultant)? What would be the most expeditious means for achieving such a transfer of responsibility to PJM or other independent entity? Should an interconnection applicant be given the choice to use a third party consultant to carry the interconnection studies as an alternative to the current process?
- 4) Are there any inconsistencies between the transmission assumptions made in the PJM RTEP process and the transmission assumptions made in calculating the Capacity Emergency Transfer Limits (“CETL”) for the Locational Deliverability Areas (“LDAs”) modeled in RPM (e.g., double-circuit tower line criteria violations)? If so, describe them, indicate whether they can be resolved and what the effects of their incorporation into RPM would be.
- 5) Since implementation of the RPM in 2007, why has the market responded with disproportionately greater amounts of new generation capacity built outside of LDAs with higher capacity prices such as those that comprise New Jersey? If higher Base Residual Auction (“BRA”) clearing prices serve as the incentive for new generation capacity, why have we witnessed relatively minimal new generation in New Jersey; conversely, what factors are leading generators to build new generation capacity in lower-priced regions of PJM rather than in the constrained LDAs where their expected revenue stream is higher over time? What accounts for the high percentage of total new capacity resources coming from withdrawn or cancelled retirements in New Jersey relative to the experience in other LDAs under RPM to date? (See Comments of PJM Interconnection, L.L.C., Docket No. EO 11050309, June 17, 2011, Tables 1 – 2).
- 6) Is the RPM construct capable of signaling the need for specific types of generation capacity, in particular mid-merit and baseload capacity? Are other capacity markets outside of PJM able to provide appropriate incentives to develop mid-merit and baseload generation? If so, what aspects of those capacity markets are transferable to PJM? Is it possible to develop non-peaking capacity projects without resorting to long-term contracts outside of the RPM construct? If not, what should be the duration of those contracts? Could a long-term fixed price signal in RPM either through a reformed New Entry Price Adjustment (“NEPA”) mechanism or through a voluntary auction for long-term capacity procurement result in more mid-merit base load generation being built in constrained LDAs such as those comprising New Jersey?
- 7) Does structural market power play a role in obstructing the development of new capacity in the constrained LDAs that serve New Jersey electric consumers? What are the precise means by which incumbent generators with structural market power obstruct or could potentially obstruct the development of new capacity projects in these markets?
- 8) What actions can the Board take to dilute existing structural market power and thwart any abuse of incumbents who exercise it to impede capacity development? Are there other impediments to new capacity development over which the Board has jurisdiction or can bring to the attention of FERC for its resolution?
- 9) How is the persistence of the economic recession affecting PJM load forecasts and reliability requirements for the LDAs serving New Jersey electric consumers? Have the forecasted reliability requirements for the 2012 and subsequent year’s BRAs been

reduced? If so, what is the forecasted impact on overall resource adequacy for New Jersey?

- 10) If present Board efforts fail to result in modification of the FERC's April 12, 2011 revised PJM Minimum Offer Price Rule ("MOPR"), should the State of New Jersey pursue the Fixed Resource Requirement ("FRR") alternative as a means of developing adequate new generation capacity resources? What changes to current PJM rules on FRR, if any, are needed to facilitate New Jersey pursuing this option? Would existing and new generation entities be amenable to executing long-term contracts to supply capacity to a State-sponsored FRR service area?

The hearing will be chaired by President Lee A. Solomon.

Interested parties will be allowed a fixed amount of time to present their comments, after which President Solomon and/or other commissioners participating in the hearing may have some clarifying questions. The amount of time allotted will be determined by President Solomon at the hearing.

Parties wishing to be heard should e-mail Andrea Sarmentero-Garzon at andrea.sarmentero-garzon@bpu.state.nj.us by Friday **October 7, 2011**. If you will be working from prepared comments, please email them to Andrea Sarmentero-Garzon, and bring at least 15 copies to the hearing.

All comments should be filed no later than **October 31, 2011**, with the Board's Secretary New Jersey Board of Public Utilities, 44 S. Clinton Avenue, P.O. Box 350, Trenton, New Jersey, 08625-0350, and should also be electronically served via email to individuals on the e-service list for this proceeding. Individuals wishing to be added to the e-service list may do so by emailing Andrea Sarmentero-Garzon at andrea.sarmentero-garzon@bpu.state.nj.us. Electronic comments can also be filed with the Board at: board.secretary@bpu.state.nj.us.



Kristi Izzo
Secretary of the Board

Dated: September 28, 2011