

**BEFORE THE  
NEW JERSEY BOARD OF PUBLIC UTILITIES**

**Resource Adequacy Alternatives** : **Docket No. EO20030203**

**COMMENTS OF PJM INTERCONNECTION, L.L.C.  
ON THE NEW JERSEY BOARD OF PUBLIC UTILITIES’ STAFF  
INVESTIGATION  
OF RESOURCE ADEQUACY ALTERNATIVES**

**I. INTRODUCTION**

PJM Interconnection, L.L.C. (“PJM”) respectfully submits these comments in this proceeding initiated by the New Jersey Board of Public Utilities (“BPU”) staff to investigate resource adequacy alternatives for the procurement of New Jersey’s capacity resources. PJM offers this commentary in its role as a regional transmission organization (“RTO”) – an independent, federally regulated entity responsible for operating the bulk electric system, performing regional transmission planning and administering the wholesale electricity markets for all or part of 13 states and the District of Columbia. All four of New Jersey’s transmission zones – Atlantic City Electric (“ACE”), Jersey Central Power & Light (“JCPL”), Public Service Electric & Gas (“PSEG”) and Rockland Electric (“RECO”) – operate within the PJM system.

As an RTO, PJM is uniquely qualified and positioned to offer its perspective and technical expertise on many of the issues identified by the BPU staff in its request for comment. These comments detail PJM’s existing Tariff as it relates to these matters.

## II. COMMENTS

### *1. Reliability Assurance Agreement*

PJM's Reliability Assurance Agreement ("RAA") is a governing document filed with the Federal Energy Regulatory Commission ("FERC"). Signed by all of the organizations in PJM that sell electricity to end-use customers, the RAA establishes obligations and standards for maintaining the reliable operation of the electric grid. Among other matters, the RAA includes provisions that deal with ensuring adequate capacity resources and the methods to satisfy load serving obligations. Much of PJM's comments in this section are an expression in common business parlance of rules that are formalized in the RAA. To the extent a conflict between these comments and the RAA may exist, the RAA controls.

### *2. Background*

PJM's existing capacity<sup>1</sup> construct was first implemented in 2007. Called the Reliability Pricing Model ("RPM"), it provides an avenue for load serving entities ("LSEs") to procure sufficient capacity resource<sup>2</sup> commitments to reliably serve future peak electric demand. The capacity market operates as a forward auction-based construct, with the first auction, the Base Residual Auction ("BRA"), held three years in advance of the scheduled delivery year.

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<sup>1</sup> Open Access Transmission Tariff ("OATT"), Section 1, Definitions C-D ("Capacity" shall mean the installed capacity requirement of the Reliability Assurance Agreement or similar such requirements as may be established.")

<sup>2</sup> A capacity resource may include electric generation, customer-side demand response, customer-side energy efficiency upgrades, and a qualified transmission upgrade.

In basic terms, on the demand side, peak load is forecasted by PJM on a transmission-zone basis for the applicable delivery year. An Installed Reserve Margin (“IRM”) is an industry standard that adjusts the load requirement to account for a planning reserve given different instances of statistical variability. Collectively, this sets the reliability requirement and represents “must buy” supply.

In basic terms, on the supply side, capacity resources then offer to receive a commitment – analogous to a “call option” from PJM – to be available for the dispatch of electricity inside the applicable delivery year. Resources competitively bid into each auction to receive such a commitment. Those resources that “clear” the auction are paid the capacity clearing price (\$/MW-day) set at their specific location.

Currently, the majority of LSEs in PJM utilize the capacity market auctions to procure their future capacity in order to satisfy their capacity obligations.

### ***3. Description of the Fixed Resource Requirement Alternative***

#### **a. Overview**

Under the existing capacity construct, an alternative to the RPM is available for LSEs to satisfy their capacity commitments. Since the establishment of the RPM, the Fixed Resource Requirement Alternative (“FRR”)<sup>3</sup> affords eligible LSEs a distinct option by which to satisfy their capacity obligations and, thus, ensure reliable service to loads in the PJM region. Electing to acquire capacity through the FRR allows for LSE’s demand

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<sup>3</sup> See Reliability Assurance Agreement (“RAA”) Schedule 8.1 *et seq.*

to essentially “opt out” of PJM’s capacity market. Instead, the FRR Entity is choosing to separately *procure* and *compensate* a fixed amount of capacity to meet its reliability requirement for load within a defined region for the applicable delivery year.

For the FRR Entity to demonstrate an ability to satisfy its capacity obligation, one month prior to the BRA for the applicable forward delivery year, the FRR Entity submits to PJM its FRR Plan. This comprehensive plan outlines capacity resources committed for the exclusive use by the FRR Entity in an unforced capacity megawatt amount that satisfies the LSE’s peak load, plus an IRM for the applicable delivery year (e.g., for the 2020/2021 Delivery Year – 15.5 percent). All resources used as part of the FRR Plan must meet the requirements of PJM’s governing documents applicable to capacity resources, including satisfaction with Capacity Performance standards.<sup>4</sup>

For its part, PJM continues to: (i) establish the FRR Entity’s reliability requirement; (ii) define any locational requirements for the FRR Entity to source capacity; and, (iii) qualify resources as capacity resources and set the unforced capacity ratings of those capacity resources used to satisfy the FRR Plan. Each of these functions is performed generally consistent with how PJM conducts these actions for supply and demand that are inside the RPM.

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<sup>4</sup> Units used to satisfy all of, or a portion of, an FRR Plan are published for each applicable delivery year; however, details such as megawatt commitment, commitment term within the delivery year and the assigned FRR Entity remain confidential.

## **b. Eligibility**

Participation in the FRR is available to those LSEs that are: (i) investor-owned utilities (“IOU”); (ii) municipal public power entities (“Municipal”); or, (iii) electric cooperatives (“Co-op”).<sup>5</sup> Eligibility to elect the FRR, however, does not include alternative retail suppliers, individual communities or individual customers that are served by an aforementioned utility.<sup>6</sup>

The area that comprises the “opt out” portion of demand for the FRR Entity – the FRR Service Area – may include the legally recognized franchise service territory of the IOU, Municipal or Co-op.<sup>7</sup> Alternatively, the FRR Service Area may comprise a separately identified geographic area bounded by wholesale metering for which the FRR Entity has or assumes obligation to provide capacity for all load.<sup>8</sup> This would include a subset region within a franchise service territory. Put together, an FRR service area may apply to (i) each IOU, Municipal and Co-op service territory within a state; (ii) only a single IOU, Municipal or Co-op service territory; or, (iii) a subset geographic region within an IOU, Municipal or Co-op service territory that is fully metered. Thus, a state seeking an FRR opportunity to satisfy a particular policy initiative need not develop an FRR Plan for the entire state. The state would need to identify

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<sup>5</sup> See RAA Schedule 8.1(B)(1)

<sup>6</sup> See RAA Schedule 8.1(D)(8) “*In a state regulatory jurisdiction that has implemented retail choice, the FRR entity must include in its FRR Capacity Plan all load, including expected load growth, in the FRR Service Area, notwithstanding the loss of any such load to or among alternative retail LSEs.*”

<sup>7</sup> See RAA Article 1 – Definitions, at p. 15

<sup>8</sup> *Id.*

the policy initiative and match that initiative with corresponding in-state load, representing a type of “partial-state FRR.”

When electing the FRR, the entity is doing so for the entire capacity obligation within the fully metered boundary, including expected load growth. In states that have restructured their retail electricity markets – such as New Jersey – this includes load served by alternative retail suppliers. All load associated to alternative retail suppliers that exists within an FRR Service Area is required have its capacity obligations included within the FRR Entity’s total FRR Service Area capacity obligation.<sup>9</sup> As discussed further below in subsection (f), the PJM Tariff and RAA can be used to assess charges on alternative retail suppliers.

Conversely, to the extent a fully metered LSE is within the FRR Entity’s FRR Service Area (i.e., a transmission-dependent Municipal inside an IOU franchise service territory), that fully metered LSE may elect to either: (i) participate in the same FRR Plan as the FRR Entity; (ii) develop its own FRR Plan; or, (iii) remain within the RPM.

### **c. Election and Termination of the FRR**

“No less than four months before the conduct of the Base Residual Auction for the first delivery year for which such election is to be effective, any

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<sup>9</sup> For example, if the capacity obligation for the FRR entity’s own load is 100 MW and the FRR Service Area has alternative suppliers that combine to represent 50 MW of capacity obligation, the capacity obligation of the FRR Service Area, and therefore the FRR entity, is 150 MW.

party seeking to elect the FRR Alternative shall notify (PJM) in writing of such election.”<sup>10</sup>

When an entity elects to utilize the FRR, the entity has committed its load to remain within the FRR option (i.e., will not participate in the RPM) for a minimum period of five consecutive delivery years.<sup>11</sup> Conversely, if an FRR Entity elects to return to the RPM, such a commitment to reside within the RPM is also done for a minimum period of five consecutive delivery years.<sup>12</sup>

Should a State Regulatory Structural Change<sup>13</sup> occur, an FRR Entity may then either elect to terminate its election of the FRR by providing notice of such intention at least two months prior to the BRA for the applicable delivery year.

Additionally, states have the ability to implement a mandatory FRR through either legislation or an authorized state regulatory body.<sup>14</sup> Should a state pursue the FRR in this manner, each LSE within the state obligated to comply with such a directive would then be considered an FRR Entity by PJM

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<sup>10</sup> See RAA Schedule 8.1(C)(1)

<sup>11</sup> *Id.*

<sup>12</sup> See RAA Schedule 8.1(C)(2)

<sup>13</sup> See RAA Article 1 – Definitions, at p. 21 “‘State Regulatory Structural Change’ shall mean as to any Party, a state law, rule, or order that, after September 30, 2006, initiates a program that allows retail electric consumers served by such Party to choose from among alternative suppliers on a competitive basis, terminates such a program, expands such a program to include classes of customers or localities served by such Party that were not previously permitted to participate in such a program, or that modifies retail electric market structure or market design rules in a manner that materially increases the likelihood that a substantial proportion of the customers of such Party that are eligible for retail choice under such a program (a) that have not exercised such choice will exercise such choice; or (b) that have exercised such choice will no longer exercise such choice, including for example, without limitation, mandating divestiture of utility-owned generation or structural changes to such Party’s default service rules that materially affect whether retail choice is economically viable.”

<sup>14</sup> See RAA Schedule 8.1(I)

and be subject to the same participation requirements as any other FRR Entity in the PJM footprint.

**d. FRR Plan: Meeting an FRR Entity’s Capacity Obligations**

FRR Plans are required to be resource-specific. The FRR Plan may not include a “slice of system” or similar agreements that are not resource-specific. The FRR Entity must have an exclusive commitment with the capacity resources for unforced megawatts used to satisfy the FRR Plan. Bilateral contracts committing capacity to the FRR Plan for a partial delivery year may be used so long as the FRR Plan, in the aggregate, satisfies the FRR Entity’s total capacity obligation for the applicable delivery year.<sup>15</sup>

In developing its FRR Plan, the FRR Entity may be subject to satisfy the Percentage Internal Resource Requirements.<sup>16</sup> In cases where the FRR Entity’s FRR Service Area is a part of a transmission-constrained Locational Deliverability Area (“LDA”) – such as all locations in New Jersey – the FRR Entity is subject to satisfying a minimum percentage of its capacity obligation through its FRR Plan with capacity resources that are located within such LDA(s). The Percentage Internal Resource Requirement for the applicable delivery year is calculated as the LDA Reliability Requirement less the LDA’s Capacity Emergency Transfer Limit.<sup>17</sup>

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<sup>15</sup> See RAA Schedule 8.1(D)(4)

<sup>16</sup> See RAA Article 1 – Definitions, at p. 16

<sup>17</sup> See RAA Schedule 8.1(D)(5)



While the election of the FRR is for a minimum duration of a five-year term, FRR Plans are submitted to PJM per annum, one month prior to the BRA for the applicable delivery year. This means that the resources that comprise an FRR Entity's FRR Plan may change from one delivery year to the next. Additionally, FRR Plan resources do not necessarily need to be procured by the FRR Entity for the full five-year FRR election term at the outset of the FRR election.

**e. Daily Deficiency Charges and Capacity Resource Performance**

Inside the delivery year, it is the obligation of the FRR Entity to maintain its daily capacity obligation. For each billing month during a delivery year, the FRR Entity's daily obligation is calculated by PJM and verified against available commitments. Unlike LSEs served by the RPM where the locus of responsibility rests with the committed capacity resource, failure to maintain this capacity obligation each day of the delivery year results in an assessed FRR Capacity Deficiency Charge to the FRR Entity.<sup>18</sup>

In addition to maintaining its daily capacity obligation, it is also the responsibility of the FRR Entity to ensure compliance with Capacity Performance standards. Unlike LSEs served by the RPM where the locus of responsibility rests with the committed capacity resource, it is the FRR Entity that holds this direct responsibility to the system. That said, the FRR Entity has

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<sup>18</sup> See RAA Schedule 8.1(F) *et seq.*, The FRR Capacity Deficiency Charge is equal to the amount (megawatts) below the FRR entity's Daily Unforced Capacity Obligation for the zone, times 1.20 the weighted-average capacity resource clearing price from all RPM auctions for the delivery year, for the LDA encapsulating the applicable zone.

two methods by which to manage Capacity Performance penalties.<sup>19</sup> The FRR Entity must elect a preferred method no later than the last business day prior to the start of the applicable delivery year.<sup>20</sup>

Under the Non-Performance Charge option – colloquially known as the *financial penalty* – the FRR Entity is subject to the charge rates that are outlined in the PJM Open Access Transmission Tariff, Attachment DD, Section 10A.<sup>21</sup> Alternatively, the FRR Entity may elect to be subject to physical non-performance assessments. Under this option, the FRR Entity will not be subject to charges under the PJM Open Access Transmission Tariff, Attachment DD, Section 10A; instead, the FRR Entity will be required to update its FRR Plan with additional megawatts.<sup>22</sup> An FRR Entity that elects the physical option shall not be eligible for, or subject to, the revenue allocation described in the PJM Open Access Transmission Tariff, Attachment DD, Section 10A(g).

**f. Cost Recovery and Compensation Mechanism Under the Fixed Resource Requirement Alternative**

The resources participating as part of an FRR Entity’s FRR Plan are not credited at prices explicitly set by PJM’s capacity auctions, nor are PJM customers charged to compensate such resources. Instead, the FRR resource compensation level is arranged between the capacity resources in the FRR Plan and the FRR Entity. That said, the FRR Entity may require some authority by

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<sup>19</sup> See RAA Schedule 8.1(G) *et seq.*

<sup>20</sup> See RAA Schedule 8.1(C)(1)

<sup>21</sup> See RAA Schedule 8.1(G)(1)

<sup>22</sup> See RAA Schedule 8.1(G)(2)

which to recover any costs from its FRR load that is associated with its FRR Plan. Through legislative or regulatory authority, an entity such as a state regulator, or a process – such as a state procurement – may be used to determine a compensation mechanism for FRR Plan resources as well as a recovery mechanism from FRR Plan load for the FRR Entity.

With respect to cost recovery by the FRR Entity from load served in the FRR Plan by alternative retail suppliers, “where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations, such state compensation mechanism will prevail.”<sup>23</sup> Implemented examples include: (i) a state may define a state mechanism as the final adjusted zonal clearing price based on the PJM RPM in effect for the applicable delivery year;<sup>24</sup> and, (ii) a formula rate mechanism may be developed and applied.<sup>25</sup>

Should no such mechanism be established by the state, the LSE will compensate the FRR Entity at the unconstrained portion of the RPM (i.e., “Rest of RTO”) for the applicable delivery year. This represents the lowest possible price outcome of any particular BRA, and, therefore, the LSE is presumed to be indifferent financially as to whether it participates in the BRA or FRR.

Alternatively, the FRR Entity may petition FERC, at any time, “under Sections 205 of the Federal Power Act [(“FPA”)] proposing to change the basis

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<sup>23</sup> See RAA Schedule 8.1(D)(8)

<sup>24</sup> See RAA Schedule 8.1 – Appendix Ohio Power Company FRR Capacity Rate

<sup>25</sup> See RAA Schedule 8.1 – Appendix 2A Appalachian Power Company Capacity Compensation Formula Rate Implementation and Protocols; Appendix 2B Appalachian Power Company Capacity Compensation Formula Rate

for compensation to a method based on the FRR Entity's cost or such other basis shown to be just and reasonable, and a retail LSE may at any time exercise its rights under Section 206 of the FPA<sup>26</sup> to seek relief from this rate.

In lieu of providing any such compensation outlined above, alternative retail suppliers may, for any applicable delivery year, provide capacity resources to the FRR Entity to be used as part of the FRR Plan in fulfilling the alternative retail supplier's capacity obligation – provided such resources meet PJM qualifying criteria.<sup>27</sup> Under this circumstance, it is the alternative retail supplier – and *not* the FRR Entity – that takes on responsibility for any charges or penalties associated with resource deficiencies or Capacity Performance assessments.

#### **4. *Observations about a New Jersey FRR***

This section outlines observations of New Jersey-specific data related to the requirements of constructing a compliant FRR Plan. As a transmission-constrained state, FRR Plans in New Jersey would require that a minimum level of capacity resources are sourced from within specific LDAs. The data provided below displays New Jersey's in-state net capacity position and then outlines zonal requirements of specifically sited capacity to fulfill an FRR Plan. With respect to the cost of an FRR for New Jersey, PJM does not opine.

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<sup>26</sup> *Id.*

<sup>27</sup> *See* RAA Schedule 8.1(D)(9)

**a. Observations of In-State Net Capacity Position**

New Jersey is currently a capacity-importing state, a result of the state having more peak demand than unforced capacity within its service territories. As such, today New Jersey must be partially served by capacity resources delivered from resources located in other states.

For example, Table 1 below outlines each New Jersey transmission zone’s capacity obligation-to-zonal capacity position. If all capacity resources in the state were to enter into an agreement to serve an FRR Entity’s FRR Plan, the state, in whole, would still require just over 5,000 megawatts of additional capacity to meet its capacity needs based on most recent data. All of this does not account for resources planned, or that could be developed, to come online in the future. Although, for reference, Table 2 notes the schedule for New Jersey’s public policy offshore wind integration and its ability to contribute to future capacity obligations.

**Table 1 – Indicative New Jersey FRR Review (2022/23 Parameters ith 2020 Load Forecasts)**

<b>Zone</b>	<b>Capacity Obligation (MW)</b>	<b>Zonal Generation Capacity (MW ICAP)</b>	<b>Net Capacity Position (MW)</b>
<b>ACE</b>	2,735	1,872	(863)
<b>JCPL</b>	6,197	3,766	(2,431)
<b>PSEG</b>	10,606	9,103	(1,503)
<b>RECO</b>	420	0	(420)
<b>NJ TOTAL</b>	<b>19,958</b>	<b>14,741</b>	<b>(5,178)</b>

**Table 2 – New Jersey Offshore Wind Integration Schedule**

<b>Solicitation</b>	<b>Estimated Commercial Operating Date</b>	<b>Installed Capacity (MW)</b>	<b>Unforced Capacity (MW)<sup>28</sup></b>	<b>Cumulative NJ OSW Unforced Capacity (MW)</b>	<b>Percentage of NJ 2022/23 Capacity Obligation<sup>29</sup></b>
<b>1</b>	2024	1,100	286	286	1%
<b>2</b>	2027	1,200	312	598	3%
<b>3</b>	2029	1,200	312	910	5%
<b>4</b>	2031	1,200	312	1,222	6%
<b>5</b>	2033	1,400	364	1,586	8%
<b>6</b>	2035	1,400	364	1,950	10%
<b>Total</b>	---	<b>7,500</b>	<b>1,950</b>	---	---

Being a capacity-importing, deregulated state does not alone preclude New Jersey from implementing the FRR to serve all or part of its load, however. Instead, these circumstances, combined with New Jersey being located in constrained LDAs, simply give rise to consider the Internal Resource Requirement for each of the state’s transmission zones.

**b. Overview of New Jersey’s Internal Resource Requirement**

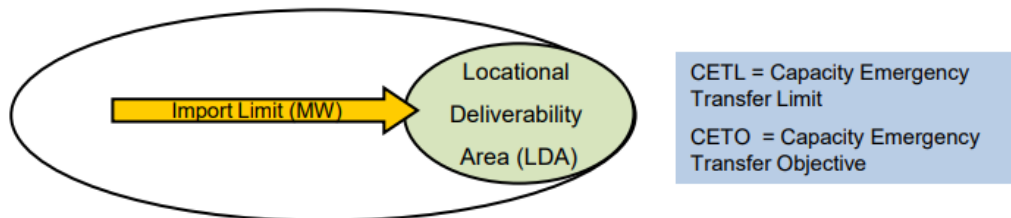
For purposes of capacity planning, LDAs are used in evaluating locational constraints on the transmission system to recognize and quantify locational requirements for capacity. Modeled LDAs are determined by PJM by comparing the import limit of an LDA (i.e., Capacity Emergency Transfer Limit) to the amount of capacity that needs to be imported into an LDA to meet the reliability criterion (i.e., Capacity Emergency Transfer Objective).

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<sup>28</sup> Unforced Capacity (UCAP) values are based on 26 percent class average capacity factor for offshore wind.

<sup>29</sup> See Table 1, 19,958 MW UCAP obligation of New Jersey transmission zones in the 2022/23 Delivery Year based on the PJM 2020 load forecast.

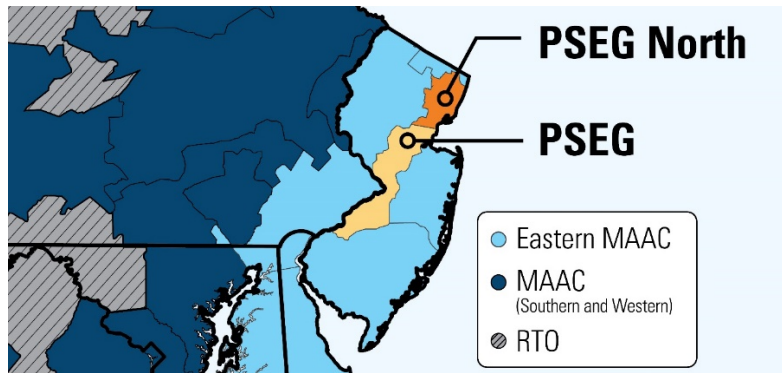
**Figure 1 – Locational Deliverability Area Modeling**



New Jersey and its four transmission zones are each located in constrained LDAs and sub-LDAs. With respect to constructing an FRR Plan, this fact is relevant as it invokes an Internal Resource Requirement. This is a reliability policy that places a requirement upon the FRR Entity to construct its FRR Plan with a certain percentage of capacity resources derived from inside the applicable LDA(s).

Before assessing the present Internal Resource Requirement for New Jersey’s transmission zones, first offered is a description of the current LDA structure for New Jersey. As Figure 2 displays, New Jersey is apportioned to the Mid-Atlantic Area Council (MAAC) LDA. Inside the MAAC LDA is the Eastern Mid-Atlantic Area Council (EMAAC) LDA – a portion within MAAC that may at times be locationally constrained. Within EMAAC, in New Jersey, the Public Service Transmission Zone may itself at times be locationally constrained. And, finally, within the PSEG Transmission Zone, the northern portion of the transmission zone – PSEG North – may be locationally constrained.

**Figure 2 – Locational Deliverability Area Modeling**



In constructing an FRR Plan, all four New Jersey transmission zones would have an Internal Resource Requirement for sourcing all FRR Plan capacity resources from within the MAAC LDA and a subset of resources from the EMAAC LDA. Further, should an FRR Service Area encompass the PSEG Transmission Zone, the Internal Resource Requirements would additionally apply for sourcing a subset of resources in PSEG. Given that the PSEG North LDA has not separated from a BRA in at least the last three auctions, the Internal Resource Requirements would not apply at this time to sourcing a subset of resources from the PSEG North LDA if the FRR Service Area covers that region. This is, however, subject to change.

Table 3 outlines the indicative disposition of each New Jersey transmission zone. The most limiting situation is the Internal Resource Requirement for the PSEG LDA. Even in this instance, as of May 2020, an FRR Service Area including all or part of the PSEG LDA is currently capable of meeting this minimum requirement. The Internal Resource Requirement for the



full zonal capacity obligations is estimated at 4,264 megawatts. Presently, 5,647 megawatts of existing generation is sourced within the PSEG LDA.<sup>30</sup>

**Table 3 – Indicative New Jersey FRR Internal Resource Requirement (2022/23 Parameters with 2020 Load Forecasts)**

Zone	Applicable LDAs for Zone w/ Internal Requirements	Internal Resource Requirement (%)	Internal Resource Requirement (MW)	Zonal Generation Capacity (ICAP MW) <sup>31</sup>
ACE	EMAAC	81.5%	2,229	1,872
	MAAC	100.0%	2,735	
JCPL	EMAAC	81.5%	5,050	3,766
	MAAC	100.0%	6,197	
PSEG	PSEG	40.2%	4,264	5,647
	EMAAC	81.5%	8,644	9,166
	MAAC	100.0%	10,606	
RECO	EMAAC	81.5%	342	0
	MAAC	100.0%	420	

**c. Cost of Fixed Resource Requirement**

PJM does not comment with respect to the cost of an FRR for New Jersey. Instead, PJM cautions the BPU to look critically at any outright claims offered at this point in the proceeding that an FRR *will* prove less expensive for New Jersey consumers. Such a claim is advanced under the premise that through an FRR, the FRR Entity procures capacity only to their IRM (i.e., their *fixed* resource requirement), while under the RPM’s downward sloping demand curve (i.e., its *variable* resource requirement), LSEs may procure above their IRM; therefore, procuring less capacity automatically ensures lower overall costs. At this point, such a claim is theoretical.

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<sup>30</sup> Artificial Island – Salem and Hope Creek nuclear units – is internal to the EMAAC LDA, not the PSEG LDA.

<sup>31</sup> Eligible megawatts would also include eligible demand response resources. Values are not listed zonally, however, eligible state-wide demand response historically averages 500 – 700 megawatts for New Jersey.

### **III. CONCLUSION**

PJM offers these comments to explain its existing Tariff and RAA provisions for LSEs to secure resource adequacy, including both the RPM and the FRR alternative. With BPU staff seeking specific comment on the FRR mechanism in this proceeding, PJM's comments focus on outlining the procedures to initiate the FRR and present observations on reliability requirements applicable to New Jersey under an FRR.

In sum, participation in the FRR is available to those LSEs that are: (i) investor-owned utilities; (ii) municipal public power entities; or, (iii) electric cooperatives. Eligibility to elect the FRR, however, does not include alternative retail suppliers, individual communities or individual customers that are served by an aforementioned utility. An FRR service area may apply to: (i) each IOU, Municipal and Co-op service territory within a state; (ii) only a single IOU, Municipal or Co-op service territory; or, (iii) a subset geographic region within an IOU, Municipal or Co-op service territory that is fully metered. Thus, a state seeking an FRR opportunity to satisfy a particular policy initiative need not develop an FRR Plan for the entire state. The state would need to identify the policy initiative and match that initiative with corresponding in-state load, representing a type of "partial-state FRR."

As a transmission-constrained state, FRR Plans will require that a minimum level of capacity resources are sourced from within specific LDAs. At this time, there appears to be no structural deficiency between a zone's Internal Resource Requirements and the location of presumably available capacity such that a New Jersey FRR Entity would be prevented from developing a compliant FRR Plan.

PJM does not comment with respect to the cost of an FRR for New Jersey. Instead, PJM cautions the BPU to look critically at any outright claims offered at this point in the proceeding that an FRR *will* prove less expensive for New Jersey consumers.

PJM appreciates the opportunity to comment in this docket and is readily available to answer any and all inquiries from the BPU staff within this proceeding.

Respectfully Submitted,

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