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New Jersey Board of Public Utilities
Acting Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350
Submitted electronically to Docket No. QO22080540

Re: Docket No. QO22080540: Public Comments of Center for Sustainable Energy® in response to New Jersey Energy Storage Incentive Program Straw Proposal

Center for Sustainable Energy® (CSE) appreciates the opportunity to provide these public comments in response to the New Jersey Energy Storage Incentive Program (NJ SIP) Straw Proposal.

CSE is a national nonprofit that is transforming markets for clean transportation and distributed energy resources through software-enabled program design, program administration, and policy analysis and guidance. CSE administers innovative programs for governments, utilities, and the private sector across the U.S. CSE's independence and data-driven approach have made it a trusted resource and partner for over 25 years. Our vision is a future with sustainable, equitable, and resilient transportation, buildings, and communities, and as such, we support holistic and long-term planning with an integrated approach.

CSE applauds the New Jersey Board of Public Utilities (NJ BPU) in their continued support of New Jersey's clean energy industry. The NJ SIP is an immense opportunity to build off the commitment New Jersey has made to clean energy generating technologies by fostering the growth and attachment of energy storage to the growing solar market. Energy storage can provide dual benefits to both the grid and customers. However, to unlock these benefits, the proper rates, tariffs, and programs must be in place. While the NJ SIP will provide support for standalone energy storage through incentives, the proper signals will also be needed to ensure operational efficiency of the technology. Much of what has been done in other programs and in other states to support energy storage can be looked at as a model to use and adapt for the NJ SIP. Accordingly, CSE provides these comments in response to the NJ SIP Straw Proposal and related stakeholder meetings.

The upfront incentive should be decoupled from performance.

The surest way to ensure success of the NJ SIP is to tie its program goals and incentives to an efficient process for applicants to apply for incentives. The NJ SIP Straw Proposal currently

proposes two types of incentive payments for energy storage: a fixed \$/kWh paid annually for a certain number of years based on a to-be-created performance metric; and performance-based incentive tied to the grid environmental benefits provided by the energy storage system. Regrettably, this incentive structure will likely fail to efficiently unlock the benefits of energy storage by pushing \$/kWh payments out numerous years with a performance metric that seems to already be tied to the Straw Proposal's second performance-based incentive design. Instead, the fixed \$/kWh should be paid as a lump sum \$/kWh incentive after the project has met all program requirements. In CSE's experience, requiring performance-based incentives involves an elaborate and costly administrative structure where a simple one-time payment easily can be made instead. For energy storage developers, a performance-based incentive structure will require the creation of an unnecessary performance metering infrastructure, requiring the program administrator to create an unnecessary vetting process, such as performance data protocols and a detailed data sharing method to collect the data from participants, in order to pay out the incentives. Collectively, this structure will only add cost and time to the incentive payment process for both energy storage developers and the program administrator, using valuable program resources that could otherwise be better spent providing education to participants or providing more incentives to support energy storage projects, as well as added complexity for customers.

Creation of a greenhouse gas emissions reduction signal for commercial and industrial projects applying for behind-the-meter incentives and front-of-meter grid supply projects should be investigated, and requiring participation in demand response programs should be considered for residential projects in order to provide the proper operational signals.

For the performance-based incentive tied to the grid environmental benefits provided by the energy storage system, CSE recommends NJ BPU investigate the use of a marginal greenhouse gas (GHG) emissions reduction signal, similar to what is used in California's Self-Generation Incentive Program (SGIP), for commercial and industrial (C&I) projects applying for behind-the-meter (BTM) incentives and front-of-the-meter (FOTM) grid supply projects. Because the NJ SIP will provide incentives to stand-alone energy storage systems, there is no guarantee that these projects will be charged by clean renewable energy; thus, another method will be required to ensure FOTM grid supply energy storage systems and BTM C&I projects do not increase GHG emissions. The SGIP GHG signal was created for large-scale energy storage projects in the C&I segment that are not on utility rates fully aligned with peak grid hours, such as time-of-use (TOU) rates. The SGIP GHG signal provides an emissions forecast to help energy storage developers optimize customer savings with GHG emissions reductions to ensure these systems do not add further GHG emissions to the grid during periods of high demand.

Furthermore, in lieu of NJ BPU requiring residential storage projects to opt into TOU rates, a GHG signal could also be a valuable method to ensure residential projects are injecting power into the grid when required. Moreover, requiring residential projects to participate in demand response programs is another method that could provide the proper operational signals for

residential projects. Nevertheless, NJ BPU should weigh the ease and efficiency of these various pathways to ensure the operational benefits of energy storage for residential projects before deciding on an approach. This way NJ BPU will ensure maximum energy storage benefits to customers and the grid while also ensuring these requirements are not burdensome to implement and create opportunity for the highest deployment of systems.

Each market sector should have individual MW capacity carveouts and goals.

One critical aspect to a market transformation program is to make sure program goals for each of the sub-markets are not comingled in order to optimize market performance. As an example, residential and C&I BTM energy storage markets have different use cases, operational capacities, and barriers. If one market is more mature than the other, but incentives are comingled in a single funding source, the more mature market may exhaust the incentives before the less-mature market has an opportunity to gain momentum. In this case, the growth of one market may be to the detriment of the other. Instead, each sub-market should have a MW capacity carveout and goal, allowing each sub-market to move at its own pace. Incentive rates should be aligned with the cost of each sub-market and decline at an appropriate tempo that guarantees sustainable growth.

This logic holds true for the low-income residential market in relation to the non-low-income residential market. NJ BPU should consider breaking down the BTM procurement targets into three market sectors that sum up to the whole of the BTM MW and MWh goals. While CSE does not comment on the allocation of MWs and MWhs within each annual target block for these sub-markets, we do suggest splitting the BTM procurement goals into three buckets that are commensurate with New Jersey's individual sub-markets' maturity. Each of these markets should then have an incentive rate that is designed to best encourage deployment.

Conclusion

CSE appreciates the opportunity to provide these public comments in response to the NJ SIP Straw Proposal and looks forward to continuing engagement in the development of a new program to support the adoption of standalone energy storage projects in New Jersey.

Sincerely,



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