

VIA ELECTRONIC MAIL ONLY

December 9, 2022

Carmen D. Diaz, Acting Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625 -0350
Board.secretary@bpu.nj.gov

Re: In the Matter of the New Jersey Energy Storage Incentive Program
BPU Docket No. QO22080540

Dear Acting Secretary Diaz:

The New Jersey Utilities Association (“NJUA”) submits these comments in response to the Board of Public Utilities’ (“Board”) Notice dated September 29, 2022, in the above-referenced Docket. NJUA appreciates the opportunity to comment on Board Staff’s New Jersey Storage Incentive Program (“NJSIP”) Straw Proposal (“Straw Proposal”) and believes it is a first step toward achieving New Jersey’s energy storage goal of 2,000MW by 2030. NJUA is the statewide trade association for New Jersey’s investor-owned utilities which provide essential electric, natural gas, telecommunications, water, and wastewater services to customers throughout the state. Each NJUA member participating in this letter reserves the right to submit individual comments on the Straw Proposal. NJUA’s electric distribution company (“EDC”) members,¹ look forward to playing a central role in furthering the deployment of energy storage assets and partnering with the State and other stakeholders in this effort.

As a general matter, NJUA notes that market hurdles (*e.g.*, cost, supply chain, siting and permitting, immature revenue markets) and the exclusive reliance on third-party development may result in insufficient deployment of energy storage assets to meet the State’s goals. Therefore, the Board should enable and prioritize EDC ownership and operation of energy storage assets as part of the NJSIP. As noted by many of the participants who have engaged in the stakeholder process, if EDC ownership is not permitted/encouraged as part of the NJSIP, the Board will miss an opportunity to leverage a critical business model to spur market development of energy storage. Certainly, utility ownership, operation, and recovery mechanisms should not be limited in any way outside of the NJSIP, by way of this proceeding, as this would further hinder the State’s ability to meet the law’s aggressive goals.

¹ Atlantic City Electric Company, Jersey Central Power & Light Company, Public Service Electric & Gas Company, and Rockland Electric Company.

Storage resources can provide many different services across the electric system, and the Board should promote efforts to use storage for these different use cases to effectively meet New Jersey's goals for storage and other clean energy resources. While the NJSIP focuses on third-party energy market services for front-of-meter resources (e.g., capacity, energy, ancillary services, etc.), storage can also be used to provide distribution or transmission services, deferring the need for potential investments, increasing hosting capacity. These transmission and distribution services are more nascent and require piloting to develop utility industry knowledge and expertise in their cost-effective deployment.

The Board should consider allocating a portion of the NJSIP to the EDCs, as this would provide another avenue to advance the State's goals through a new business model, while allowing ample opportunity for third-party development and ownership of energy storage in the State. Indeed, EDC-owned storage assets will, in many cases, likely be procured, constructed, and built by third parties, to achieve the State's aggressive goal.

EDC ownership of energy storage offers all of the benefits provided by third-party owned energy storage, as well as several unique benefits given the EDCs' market position and role as distribution system operator. For instance, EDCs can fully utilize the flexible nature of energy storage to provide real-time benefits to the electric systems while reducing the overall cost of deployment to utility customers. EDC ownership also allows for easier system integration and real-time control and operation for reliability and resiliency purposes. Experience in other states, such as New York, demonstrates that the structure of and notification requirements in contracts with third-party owners often limit the ability of an EDC to use third-party owned storage for real-time system conditions and contingencies. EDC ownership would allow the EDCs to prioritize developing projects based on system need and operate deployed storage more efficiently for real time emergent system conditions. Finally, any net revenues realized from EDC-owned energy storage deployment (e.g., wholesale market revenues) could be credited back to utility customers.

In addition, EDC ownership will enable unique use cases to benefit the grid and customers. For example, EDC ownership of energy storage systems that are co-located with utility infrastructure can reduce or eliminate the physical and cyber security concerns arising from third-party ownership. EDC ownership will allow for more easily deployed transmission-connected assets. Further, EDCs can help explore and unlock additional use cases for energy storage such as real time use of storage for resiliency and reliability benefits, electrification and increased renewable penetration. Finally, due to the EDCs' insight into system needs, mobile energy storage systems that can be deployed during extreme weather or other system contingencies are a unique use-case for utility ownership.

NJUA suggests that a performance-based incentive based on Marginal Emissions Rate ("MER") may be counterproductive to an effective and reliant distribution system, as Staff recognized at the November 2, 2022 stakeholder session, as it may not achieve the intended benefits. Calculating MER and developing a new comprehensive system to administer the program will be complex and to date is untested. MER is volatile in nature and a storage asset that acts to optimize for MER can add significant strain to the distribution system. This was illustrated in Board Staff's presentation, at the November 2, 2022, Stakeholder Session, which indicated that energy storage that solely tries to optimize for GHG reduction may charge during times of high load. Moreover, standalone storage may consume more carbon than it

displaces. Instead of focusing on emissions, a performance-based incentive could focus on the benefits provided to the grid including reliability, resiliency, and load management.

Finally, NJUA recommends that the Board authorize EDCs to annually recover, on a full and timely basis, all prudently-incurred incremental costs associated with implementation, enablement and administration of the NJSIP and deployment and integration of NJSIP-supported storage.

Please note that NJUA is making this filing solely in electronic form pursuant to the Board's directive in its Emergency Order dated March 19, 2020, in BPU Docket No. EO20030254.

Respectfully submitted,



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