BLUEWAVE

VIA ELECTRONIC FILING

December 12, 2022

Acting Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350

re: Docket No. QO22080540 – Bluewave Comments on New Jersey Storage Incentive Program Straw Proposal

Dear Acting Secretary,

Bluewave appreciates the opportunity to submit comments to New Jersey Board of Public Utilities ("Board") regarding New Jersey Storage Incentive Program ("NJ SIP") Straw Proposal. The Straw Proposal lays the foundation for the successful development of an energy storage program.

As a solar and storage developer and owner/operator, BlueWave's vision is to protect our planet by transforming access to renewable energy. Our portfolio includes agrivoltaics, community solar, and standalone energy storage, which has the potential to unlock additional renewable energy and provide cost-effective grid efficiencies for the state's ratepayers.

The NJ SIP Straw Proposal creates a pathway to meet the state's 2,000 megawatt ("MW") by 2030 energy storage goal. BlueWave appreciates the thoughtful design proposal and offers comment, focused on the Grid Supply segment of the program, on specific topics with the goal of enhancing program outcomes and ensuring energy storage is delivering value to state policy, the grid, and ratepayers.

Ownership Model

The Straw Proposal envisions third-party-owned energy storage as the program participants. This structure aligns with New Jersey's restructured electricity markets, which have leveraged private capital to develop and deploy the clean energy technologies needed to transition away from fossil generation and towards a cleaner, more efficient grid for the state's ratepayers. The Board is acting in the best interest of ratepayers by ensuring third-party ownership through the NJ SIP, as the risk will be borne by private capital, as opposed to utility customers.

Program Design

The NJ SIP is designed as a two-part program: fixed incentives and performance compensation. BlueWave appreciates this thoughtful approach which provides certainty to the industry in order to drive deployment and also ensures that deployed energy storage resources will operate beneficially. In order to potentially expand the MWs that are able to be supported through the program at the lowest possible cost, we request that resources be given the option to participate in only the performance compensation portion of the program and forgo the fixed incentive and its associated requirements,

should they so choose. This flexibility would reduce the total cost of the program and provide an additional path to deployment for certain resources.

Fixed incentive

The fixed incentive portion of the NJ SIP would provide annual, fixed payments to resources, so long as those resources meet availability requirements. This will afford comfort to financiers of energy storage projects that there is bankable value to the program and is a smart design element. Given the size of some projects in the PJM queue that would be eligible for the Grid Supply portion of the program, implementing an incentive size cap is prudent. BlueWave suggests that the fixed incentive be capped at 20 MW. Projects larger than 20 MW could still receive an incentive for the initial 20 MW and the entire project would still be eligible for the performance compensation piece of the program. This will prevent entire blocks (or even multiple blocks) from being filled by a single large-scale project and promote a more orderly development of the industry in the state.

As drafted, the Straw Proposal provides no additional incentive, or carve-out, for Grid Supply projects to deliver benefits to Overburdened Communities. Given that the Grid Supply portion of the program is responsible for 88% of the program MWs, it is imperative that the Grid Supply segment deliver equity benefits to Overburdened Communities. Thus, the SIP should include a carve-out for Grid Supply projects serving Overburdened Communities and allow for Grid Supply projects to qualify for Overburdened Communities adders. The criteria for Grid Supply projects to receive the Overburdened Community adder needs to be carefully considered such that those projects are actually delivering a community benefit. Siting energy storage in Overburdened Communities that play host to fossil-generating plants will provide a tangible benefit to residents in those communities and should be encouraged. Storage sited in such communities and operated on an emissions signal would offset the usage of the fossil plants and improve the emissions profile in those communities. We recommend that the Board provide a carve-out and enhanced incentive for storage resources located in Overburdened Communities that host fossil generating plants. We further recommend that the Board solicit input from Environmental Justice groups on other ways that Grid Supply storage could provide tangible benefits to Overburdened Communities and low- and moderate-income customers such that this program can drive equitable outcomes.

Performance compensation

For Grid Supply projects, the performance compensation portion of the program would provide payments to energy storage resources for reducing emissions intensity at local nodes. At the highest level, this is a worthy objective. We do not have enough information at this time, however, to determine whether this concept will provide enough value to energy storage resources to drive development. The magnitude of the performance compensation is critically important, as energy storage resources will be forgoing other revenue streams in order to respond to the emissions signals. Other details, such as what happens to a resources compensation as grid emissions decrease due to renewable energy proliferation, will have a material impact on the success of an emissions signal.

Given the outstanding uncertainties regarding the emissions signal, it may be prudent to move forward with a grid efficiency compensation structure for the Grid Supply segment, similar in structure to the Distributed segment, while more information is gathered on how an emissions signal could work. Such a

grid efficiency structure could deliver significant ratepayer and grid benefits. Recent analysis performed for the Connecticut Green Bank found that a structure like the Distributed compensation structure would deliver $2.83 in ratepayer benefits for every $1.00 spent.[1] This is before even factoring in societal benefits. This could be a worthy interim compensation program until there is sufficient information to implement the emissions-based compensation.

Regardless of which option the Board proceeds with, it is important that the program stick to one objective. If the program is intended to reduce emissions, that should be the primary focus of the program. Layering performance hours on top of the emissions signal will make it challenging to finance projects and will be asking storage to perform two potentially conflicting tasks. Storage can operate to achieve many state policy objectives if given the right incentive, but it cannot achieve all objectives simultaneously.

Other Comments

BlueWave appreciates the Board's recognition that some Grid Supply projects may be directly interconnecting to the distribution system (as opposed to the transmission system). Such resources may be able to deploy more quickly than resources subject to the PJM interconnection process, and explicitly allowing these resources to participate provides flexibility in meeting the program objectives.

Our experience in other states is that distribution-connected energy storage resources will likely be subject to burdensome retail charging tariffs typically reserved for large industrial customers, and which do not appropriately account for the actual costs and benefits that energy storage imposes on the distribution system. We urge the Board to proactively address this issue and direct the utilities to design revenue-neutral, cost-based charging tariffs that do not impede the development of the storage industry in the state.

Staff pose a question in the Straw Proposal regarding the Inflation Reduction Act ("IRA") and whether its passage should influence the incentives in the NJ SIP. There are two significant reasons to not adjust incentive levels to reflect IRA passage at this time. First, in order to receive the full 30% Investment Tax Credit, projects must adhere to certain enhanced labor requirements. It is not yet well-understood what cost impact those labor requirements will have on projects and it is premature to adjust incentives for IRA passage. Second, the ongoing crunch on supply chains, coupled with high inflation, has driven costs for energy storage up dramatically over the past year. Unless and until the global market challenges abate, cost savings from the passage of the IRA are largely offset.

Conclusion

Thank you for the opportunity to provide these comments. BlueWave is committed to energy storage as a critical component of a modern, reliable, and cost-effective grid and wishes to see New Jersey's policies promote storage deployment to create that future clean grid. The NJ SIP provides the

[1] Customized Energy Solutions and Sustainable Energy Advantage (June 2022). *Front of the Meter Energy Storage Projects in Connecticut Barriers, Opportunities and Benefit Cost Analysis,* pp. 56-7. Available at: https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/434aa27c309ed0838525885d00643350/$FILE/FTM%20Energy%20Storage%20Projects%20in%20CT%20-%20BCA%2006102022.pdf

framework for the successful development of the industry in the state and we urge the Board to continue progressing the Straw Proposal, with our suggested enhancements. Please contact me if you have any questions.

Sincerely,

/s/ Sean Burke
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