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December 12, 2022

VIA ELECTRONIC MAIL

Honorable Carmen Diaz
Acting Secretary
State of New Jersey
Board of Public Utilities
Post Office Box 350
Trenton, New Jersey 08625-0350

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

Dear Acting Secretary Diaz:

Rockland Electric Company (RECO or the Company) submits these comments in response to the Board of Public Utilities' Notice dated September 29, 2022, in the above-referenced Docket. Please note that Rockland Electric Company 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.

Please contact me if you have any questions regarding this filing.

Respectfully submitted,
/s/ John L. Carley
John L. Carley
Associate General Counsel

In the Matter of the New Jersey Energy Storage Incentive Program

Docket No. QO22080540

Comments of Rockland Electric Company

Submitted December 12, 2022

Introduction

Rockland Electric Company (RECO or the Company) submits these comments in response to the Board of Public Utilities' (Board) Notice dated September 29, 2022, in the above-referenced Docket. New Jersey's clean energy goals, established in the Clean Energy Act (CEA) and updated through subsequent legislation, has set the State on a trajectory to be a clean energy leader and includes an energy storage goal of 2,000MW by 2030. New Jersey must ramp-up its deployment of energy storage to meet the State's ambitious 2030 goals.

RECO supports the State's efforts to encourage energy storage deployment and electric distribution companies (EDCs) have an important role to play in achieving the State's energy storage goals. The New Jersey Storage Incentive Program (NJSIP) Straw Proposal (Straw Proposal) acknowledges the financial needs of energy storage developers and its focus on leveraging third-party funds is a cost-effective way to minimize ratepayer support of energy storage assets. To further bolster the State's ability to meet its storage goals, the Board should permit EDCs to own energy storage assets as a means to kick start the market, leverage another business model of third parties to participate in, and to take advantage of the EDCs' expertise in operating the electric grid and unlocking the benefits that energy storage can provide.

In addition, RECO recommends that the Board approve full and timely recovery of the incremental costs that EDCs incur for energy storage related activities. Moreover, incentives paid to third parties to own and operate energy storage must be properly structured to encourage optimal deployment while minimizing ratepayer bill impacts. To accomplish this, incentives should account for other value streams earned by the energy storage asset owner and should be tied to the benefits provided to the electric grid. Receipt of incentives via the NJSIP requires mandatory action by storage asset owners when called upon to perform.

Benefits of Energy Storage

Energy storage can provide benefits to multiple stakeholders across a variety of applications:

- (i) Customer services: provide and enhance customers' peak load management capabilities, including demand charge reduction and bill management, and increase reliability and resiliency through backup power. This may be possible through time-of-use bill management and the coupling of onsite solar photovoltaics with energy storage to increase solar generation consumption at the premise.
- (ii) Wholesale services: provide value-add services to the electric grid through wholesale markets including energy arbitrage, frequency regulation, voltage support, black start, and spin/non-spin reserve services.
- (iii) Utility services: unlock system bottlenecks by enabling system upgrade deferrals, providing transmission congestion relief, and increasing resource adequacy (e.g., utilization of renewable and/ or clean energy, microgrids). Storage can also be used to provide benefits to

key demographics, for example by reallocating energy usage to times and locations that benefit low- to moderate-income communities.

It is critical that New Jersey develop various markets that will help realize the value proposition of energy storage for customers, wholesale markets, and EDCs. This becomes increasingly important with the acceleration of electrification of the heating and transportation sectors, as energy storage will help reduce the strain on an increasingly burdened electric system.

Challenges Facing Energy Storage Deployment

RECO, through its parent company, Orange and Rockland Utilities, Inc. (O&R), has significant experience in deploying energy storage in New York over the past seven years. While supporting the deployment of 3,000MW by 2030 as part of New York’s Climate Leadership and Community Protection Act (CLCPA),¹ O&R has seen firsthand the market hurdles that energy storage faces. In particular, New York has relied on third-party capital to meet its energy storage goals, resulting in slow market growth. Today, approximately 200MW of energy storage is deployed in New York. If New Jersey were to also only rely on third-party capital to kick start the market, it may make meeting New Jersey’s 2030 energy storage goal difficult.

New Jersey is not immune to some of the considerable challenges in designing, deploying, and operating an energy storage system that New York has experienced, including:

- (i) Financial pressure from lack of market revenues: the nascent state of wholesale and retail markets both nationally and locally has generated uncertainty among developers. This has driven up bid prices from vendors and developers. A lack of financial incentives due to markets maturing slowly means that subsidies are necessary to make project economics work. Without clear guidance on how to register, operate and optimize large scale energy storage in the wholesale market, value stacking becomes difficult for third-party developers.
- (ii) Supply chain and cost issues: supply chain issues and resulting input-cost increases have reversed the previously downward cost trend seen in the battery industry. This is driven by increases in both component and raw materials prices, as well as port congestion, labor shortages, and overall shipping costs. A recent PV Magazine study revealed the cost to deploy a lithium battery has increased significantly over the past 18 months – peaking at a 25% increase in the fully-installed costs in March 2022. This has led to an inability to procure energy storage components and systems reliably and efficiently, with a corresponding dampening of the energy storage market. This issue will continue to plague the battery industry, until reliance on lithium-ion technology is reduced. Obtaining raw materials for stationary energy storage has also become strained due to the heightened demand of the electric vehicle market for battery storage raw materials. The stationary storage market must be made attractive to encourage investments from those considering deploying batteries across a variety of use cases. Stationary storage will continue to be a small piece of the overall battery demand in North America – it is projected

¹ NY State Senate Bill S6599, Climate Leadership and Community Protection Act. Full text of the legislation is available online. See <https://www.nysenate.gov/legislation/bills/2019/s6599>.

This deployment target is expected to be revised and increased to 6,000MW

² PV Magazine: *LG Energy Solution unveils new battery storage solutions, moves to LFP*

to utilize less than 10% of the battery demand in North America (the largest use is expected to be passenger electric vehicles).³ An effective market design and proper incentives are crucial in cultivating a robust stationary energy storage deployment.

- (iii) Siting and permitting delays: due to the infancy of energy storage deployment and the nascency of the associated technologies, many jurisdictions are unfamiliar with siting and permitting issues. This has led to significant difficulty and delay in siting and permitting projects. The Company can play a vital role in educating and engaging with key stakeholders early to address opposition (from both the general public and local Authorities Having Jurisdiction (AHJ)) of energy storage, as discussed below.

All these issues have been exacerbated given the current uncertain economic conditions, as well as the lingering effects of the COVID-19 pandemic.

The Board Should Allow Electric Distribution Company (EDC) Ownership of Energy Storage

RECO supports the Straw Proposal as an incentive program that is critical to activate the energy storage market. However, as illustrated by the market hurdles noted above, the exclusive reliance on third-party development may result in limited deployment of energy storage. Therefore, the Board should allow EDC ownership of energy storage as part of its overall effort to meet the State's energy storage goals.

RECO recommends the Board carve out and allocate a portion of the 1000MW goal of the NJSIP for EDC ownership. These cost-effective EDC-owned projects would not seek incentives available from the NJSIP. Allocating a portion of New Jersey's energy storage goal to EDCs 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.

The benefits of EDC ownership of energy storage include all 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 operators. Through EDC-ownership of energy storage assets, EDCs can fully utilize the flexible nature of energy storage to provide real-time benefits to their electric systems while reducing the overall cost of deployment to ratepayers. Because of the EDCs' insight into system operations, EDC ownership will allow for easier system integration and real-time control and operation for reliability and resiliency purposes. As O&R has experienced in New York, the structure of and notification requirements in contracts with third-party owners often limit an EDC's ability to use third-party owned batteries for real-time system conditions and contingencies. EDC ownership would allow the EDC to prioritize developing projects based on system need and operate deployed batteries more efficiently for real time emergent system needs. Finally, any net revenues realized from EDC-owned energy storage deployment (*e.g.*, wholesale market revenues) could be credited back to ratepayers to minimize bill impacts.

In addition, EDC ownership will enable unique use cases to benefit the electric grid and customers. For example, EDC ownership of energy storage systems that are co-located with EDC infrastructure can reduce or eliminate the physical and cybersecurity concerns arising from third-party ownership. Similarly, EDC ownership will allow for more easily deployed transmission-connected assets. Finally, due

³ BloombergNEF: *Long-Term Electric Vehicle Outlook 2022*, published June 2022

to the Company’s 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 EDC ownership.

EDC ownership can overcome many of the challenges for energy storage deployment. For example, EDCs have longstanding relationships with suppliers and can work closely with them to mitigate supply chain constraints for both battery energy storage systems and medium/high voltage switchgear needed to pair with energy storage systems. Also, EDCs will deploy energy storage as a transmission and distribution asset to benefit their overall system and customers and therefore will not be as reliant on market revenues and value streams. This will allow EDCs to deploy energy storage quickly, thereby animating the energy storage marketplace in New Jersey and enabling value stacking. Markets for value stacking revenue streams, while critical for third parties, are still in the early stages of development and may produce minimal revenues for third parties in the near term.

Further, the Board should implement a robust education and outreach program to spread awareness of the benefits of energy storage and mitigate stakeholder concerns about energy storage risks. As O&R has experienced in New York, engagement with local Authorities Having Jurisdiction (AHJs), first responders and fire departments, as well as customers throughout the service territory is critical to the successful and timely deployment of energy storage assets. This engagement needs to occur early in the project lifecycle to address any potential public opposition and safety concerns that stakeholders may have. RECO has long-standing relationships with the local AHJs and can facilitate energy storage deployment in New Jersey by working collaboratively with AHJs to amend zoning and permitting laws to address energy storage.

EDC ownership of energy storage assets would not be unique to New Jersey and the PJM market. Indeed, EDC ownership aligns with industry trends, as EDC ownership is either in place or under development in markets and by EDCs across the nation. Proceedings in New York, Arizona, Texas, and California either have allowed or are considering EDC ownership as part of their clean energy future plans – California is expecting more than 30 percent of deployed energy storage to be EDC-owned. Further, several large, investor-owned utilities are developing EDC-owned energy storage projects such as Georgia Power (1,000MW),⁴ We Energies “WEC” (100+MW),⁵ Florida Power and Light (400+MW),⁶ and Entergy (30MW).⁷ Across the country there is a broad recognition of the benefits of EDC-owned energy storage in meeting clean energy goals and benefitting ratepayers.

⁴ Earlier in 2022 Georgia Power filed its Integrated Resource Plan, which included 1,000MW of energy storage proposed for ownership and operation: <https://www.georgiapower.com/company/news-center/2022-articles/georgia-power-files-plan-preparing-for-future-energy-landscape-building-upon-solid-foundation-to-meet-needs-of-customers-and-state.html>

⁵ The Wisconsin Public Service Commission approved We-Energies purchase in March: <https://news.we-energies.com/historic-renewable-energy-project-approved/>

⁶ Last year, Florida Power and Light installed the first battery components at the world’s largest solar-powered battery storage facility: <https://newsroom.nexteraenergy.com/FPL-installs-first-battery-components-at-worlds-largest-solar-powered-battery-storage-facility>

⁷ Entergy energized additional capacity at its solar + storage facility in AK this year: <https://www.entergynewsroom.com/news/entergy-arkansas-searcy-solar-facility-now-online/>

Properly Structured Incentives Will Encourage Energy Storage Deployment

RECO supports a model to enable deployment of energy storage assets that maximizes private capital, leverages multiple value streams, and encourages development of a market where incentives are steadily reduced and ultimately eliminated as the market grows.

Third parties should not recover the entire cost, including operating and maintenance expenses, via incentives only – they must be responsible for maximizing all revenue streams. Simply stated, energy storage developers/project owners must assume responsibility for performance, with the risk and rewards that such a role entails. Implementing a shared responsibility model similar to the Board’s model for Make Ready programs for electric vehicles will provide developers/project owners with the appropriate incentives, thereby facilitating the successful implementation of energy storage resources in New Jersey.

By supporting the nascent energy storage market in New Jersey without fully incentivizing the energy storage assets, the Board will encourage the development of a stand-alone market for these assets whereby third parties can deploy and finance these assets while minimizing ratepayer bill impacts. RECO supports a structure that manages customer bill impacts and streamlines the administrative responsibilities (and associated costs) of both the Board and the EDCs. RECO also recommends a periodic review by the Board of the incentive structure, targets, and incentive levels offered, as well as the various value streams available to energy storage projects.

Total Incentive Per Project

The Board should take a holistic approach to incentivizing energy storage projects and should account for all market revenues earned and benefits received during the entire useful life of the energy storage asset. This means that revenues and benefits generated after the incentive period ends (*e.g.*, years 11 through 25) must be considered when determining the amount of incentive to be provided under the NJSIP.

The calculation of the lifetime incentive for an energy storage project must consider the costs of the asset, operating and maintenance costs, revenue streams such as wholesale energy and capacity markets, and other sources of grants (*e.g.*, Federal, State, local) and tax credits. Particular attention must be paid to not over-incentivizing energy storage projects through the annual incentives so that the maximum number of energy storage projects can benefit from the NJSIP funding.

In particular, the Board must consider and evaluate “value stacking” revenues; Federal, State and local tax credits and incentives; and other income streams when determining the amount of any NJSIP incentives for a particular project.

Developing markets for future revenue potential is essential to the success of the NJSIP. Such markets may include wholesale markets developed in conjunction with PJM, various transmission and distribution use cases for energy storage that provide peak load support, as well as for reliability and resiliency needs. Customer-funded incentives should be structured so they support market development but do not leave customers overpaying for incentives over the long term.

Guaranteeing an incentive level that covers the full cost of deployment and operation of the energy storage asset will not encourage behavior that maximizes the benefits of energy storage and may even

discourage such behavior. Energy storage assets must be incentivized to operate in a manner that provides benefits to the bulk power system, the local electric grid, the environment, and thereby to all ratepayers. Leveraging multiple and varied value streams will encourage this beneficial behavior.

For behind-the-meter, or Distributed, projects, monitoring and enabling FERC Order No. 2222 will be essential for the success of this sector. FERC Order No. 2222 should enable the aggregation of smaller storage assets, thereby facilitating their participation in and financial benefit from the wholesale market.

In addition, the EDCs have a history of collaborating successfully with stakeholders to accomplish state goals including to develop new markets and products to support those goals. The EDCs' expertise can be leveraged as part of a collaborative process that involves multiple stakeholders and regulatory bodies both on a Federal and State level to help develop an energy storage market that can provide both new, future revenue streams, as well as enhancing existing value streams. This will lead to a more lucrative market for energy storage and a more beneficial value stacking for third-party developers.

Queue Management and Availability Blocks/Annual Targets

RECO supports an incentive structure that includes annual targets with an annual review process to evaluate block availability and make adjustments to the size of the blocks as needed to enable the successful achievement of the energy storage targets.

In addition, a NJSIP queue management system should be leveraged to identify energy storage projects that meet minimum standards and are likely to meet their anticipated in-service date. Eliminating energy storage projects that do not have the proper permits in place will free up incentive dollars for other viable energy storage projects. An energy storage project seeking NJSIP funding for the upcoming year should have local permits and a siting plan approved by the local AHJs in order to participate in the NJSIP.

Moreover, setting annual blocks will incentive projects that meet future emerging electric grid needs due, for example, to the accelerated deployment of the electrification of transportation, heating, and buildings. Annual blocks or targets, coupled with a periodic review of the incentive structure, will allow the Board to modify its approach as needed to achieve the State's energy storage goals.

RECO recommends that the annual targets be allocated among the State's four EDC service territories based on a load share ratio. This structure will offer the opportunity for deployment of energy storage assets throughout the State so that all residents can enjoy the benefits that energy storage offers.

The State and Board should take ownership of administering the NJSIP, particularly the imposition of any penalties associated with non-performance. While the EDCs may be able to help in collecting the data, any analysis, billing or settlement of incentives (fixed and performance based) should be executed by the Board.

Incentives Should Have Both a Performance Based Component and a Non-Performance Based Component

RECO supports the Straw Proposal's recommendation for an incentive that is bifurcated into performance based and non-performance based components. The Company expects energy storage, at both the distribution and transmission level, to play an increasing role in enhancing the design and operations of the electric system while providing benefits to ratepayers. Supporting storage assets that

deliver the promised, anticipated, and needed benefits to the electric grid, ratepayers, the environment, and New Jersey residents will further achievement of the State's clean energy goals and storage asset targets, and encourage deployment of storage projects that advance a modern grid.

Non-Performance-Based Incentive

In general, RECO supports the declining block incentive that was proposed by the Straw Proposal, with its parameters of annual block sizes and declining incentives. The energy storage market is still in the early stage of development and volatility in market revenues and equipment costs may cause additional strain on an energy storage project's economics. A fixed, declining block incentive will inject certainty into the third-party ownership model. Furthermore, and as elaborated below, RECO supports reducing incentives of participants depending on the EFORD calculation from PJM.

Performance-Based Incentive

Performance based incentives are critical to realizing the benefits available from energy storage. As recognized in the Straw Proposal, energy storage has the potential to produce multiple value streams, which should be leveraged to the extent reasonably practicable to minimize ratepayer impacts. Right-sized performance-based incentives will lead to increased energy storage and support increased deployment of other clean technologies such as offshore wind, meet environmental goals, and extend these benefits to overburdened communities. The approach to performance-based components and the benefits to be rewarded may differ between behind-the-meter storage and front-of-the-meter storage. However, both types of assets must produce the anticipated value in order to receive any incentives – whether performance or non-performance based.

Performance-based components for both Grid Supply projects, defined in the Straw Proposal as front-of-the-meter assets, and Distributed projects, defined in the Straw Proposal as behind-the-meter assets, should be EDC-specific and designed by the EDC to meet its needs and/or provide benefits to its electric grid. RECO supports the Straw Proposal's recommendation that EDCs establish a performance-based incentive in \$/kWh. This incentive should define hours when the EDC would benefit from dispatch of energy storage into its system.

Performance based components should not be voluntary; Distributed projects should be required to act when called on by the EDC. Reduction of incentives, and the potential for removal from the NJSIP, for not meeting the performance standard should be an essential component of the NJSIP. EDCs will design incentive rates that reflect local reliability, resiliency and local load pocket needs of the electric grid that can be offset by the operation of energy storage assets. If an energy storage asset does not meet the 95 percent performance requirement (as contemplated in the Straw Proposal), the incentive, including both the performance and non-performance-based components, should be reduced accordingly with the potential forfeiture of the entire incentive for the year. Assets that fail to dispatch at least 95 percent of the time when called upon either by the market or by the EDC (as measured on an annual basis) for multiple years should be derated and their annual incentive should be decreased accordingly. Moreover, if an asset fails to meet the 95 percent performance metric for three years or if during any one year, the asset's performance falls below 70 percent, the asset should be removed from the NJSIP. To enable a program where storage assets provide benefits, EDCs will need to execute contracts with storage asset owners to set forth the specific needs of the EDCs and detail the requirements to be part of the NJSIP.

Reduction and/or forfeiture of the entire incentive, including the non-performance-based component, is warranted because paying an energy storage asset that fails to provide any benefits to the electric grid, such as reliability or resiliency is not beneficial to ratepayers.

RECO recommends that a performance-based component for a Grid Supply be focused primarily on electric grid benefits and not on greenhouse gas (GHG) emission reductions as proposed in the Straw Proposal. Standalone energy storage may consume more carbon than it displaces. Moreover, in Board Staff's presentation on Grid Supply (held on November 2, 2022) on slides 27 and 28, a battery that solely tries to optimize for GHG reduction will charge during times of high load (12:00 PM – 2:00 PM). Charging during this time adds to an already high load on the electric system and increases the strain on the electric grid, thereby making bad system conditions worse. In lieu of an emission reduction-focused incentive, the Company recommends a \$/kWh performance-based incentive structure as discussed above. PJM Marginal emissions rate (MER) is volatile in nature and a storage asset that acts to optimize for MER can actually add significant strain to the distribution system, as mentioned above. Prior to adopting this standard, the Board should monitor MER pricing more closely to understand the relationship between energy storage optimization for MER and how it affects an EDC's daily system reliability and operation.

Even though energy storage is flexible in nature, energy storage assets that are deployed to support electric grid reliability and resiliency must prioritize these activities in order to earn incentives. Earning revenues from other value streams, such as from wholesale markets, must be secondary activities. Even so, storage assets should be encouraged to seek out additional value streams when not needed to meet its expected performance objectives, in order to minimize ratepayer supported incentives.

Finally, RECO does not support paying an incentive for performance over and above that called upon by the EDC or wholesale market. Over-performance by an energy storage asset may not provide additional benefits. Therefore, paying an increased incentive would have a negative financial impact on ratepayers and reduce the total program funding available to support other storage projects in queue. Moreover, an energy storage asset should not be incentivized for abstaining from charging during pre-determined times, such as system or area peaks. Indeed, interconnection agreements include criteria disallowing charging during system peak, therefore an asset should not be incentivized for complying with basic standards designed to maintain system safety, reliability and resiliency.

Minimum Standards for Incentive Eligibility

RECO recommends that energy storage assets that participate in the NJSIP must be online and available 95 percent of the year in order to be eligible for an incentive. Setting minimum standards that assets must meet to receive incentives, and be relied upon by wholesale market, EDCs and the electric grid, are critical to maximizing the benefits that storage assets can play in achievement of the State's clean energy goals.

Energy storage assets must be ready and available when called upon to provide the benefits they are being compensated for by both incentive components. This is in addition to the requirement mentioned above that energy storage assets must dispatch at least 95 percent of the time when called upon either by the market or by the EDC to be eligible for full incentive values.

Value Stacking Can Offset the Need for Ratepayer Funded Incentives

Value stacking – aggregating various sources of customer savings/benefits and electric grid revenues⁸ - is vital and should be encouraged to minimize the total amount of ratepayer-funded incentives available to projects. A well-developed market can provide certainty to third parties seeking financing, while encouraging cost-effective deployment. Sharing the responsibility for revenue generation will encourage developers to seek multiple income streams for the multitude of values produced.

In line with a shared responsibility model that requires third-party funding of energy storage assets, asset owners should leverage all potential value streams to maximize revenues from non-ratepayer sources at times that do not interfere with the needs of the electric grid. Minimizing ratepayer funded incentives available to each individual energy storage asset opens the opportunity for incentives to a larger pool of energy storage projects.

Although maximizing multiple value streams is important, it is critical that energy storage projects not be compensated twice for the same value stream. For example, a project that supplies energy to the electric grid cannot be compensated at both the retail and wholesale level.

The Company recommends that the Board explore programs that value projects based on the benefits provided to the wholesale market, energy grid and customers. This includes the development of non-wires alternative projects in which utilities identify grid needs and solicit the market for solutions that use a variety of distributed energy resource solutions (*e.g.*, solar, storage, energy efficiency) to defer and/or offset more traditional grid investments. This value stream is performance-based and can reduce the need for non-performance-based incentives. Pairing energy storage with traditional electric grid investments to add flexibility and resiliency can provide benefits to all ratepayers when operated in a manner that supports decreased traditional electric grid investments.

From an economic perspective, wholesale market participation is critical to meeting New Jersey's energy storage goals. RECO's parent company, O&R, has explored opportunities to reduce project (and customer) costs by requiring energy storage systems that participate in non-wire alternatives to participate in the wholesale and retail markets when not needed to meet distribution system needs.

The Board and the EDCs will need to collaborate with PJM to enable market participation of energy storage and clearly define rules and parameters for registration, interconnection, metering, operations, billing and settlement for a energy storage asset participating in the wholesale market. Rules and regulations will need to be established to allow for dual participation (*i.e.*, benefiting distribution system and earning wholesale revenue at the same time) that would prohibit dual compensation, as mentioned earlier in this section. The Board will need to assume a leadership role in this coordination effort with PJM.

Cost Recovery

The Straw Proposal was silent on the cost recovery mechanisms for the incentives provided to energy storage projects. RECO recommends cost recovery via a surcharge on customer bills that supports the energy storage projects deployed in an EDC's service territory. Calculation of this surcharge would include a forecast of the incentives to be paid by the EDC for the upcoming year with an annual true-up

⁸ Straw Proposal, p. 11

mechanism to be performed once actual incentives paid are known. The Board has established this type of surcharge in the Community Solar Pilot Program. Ratepayers should support only those energy storage projects deployed in their EDC's service territory, as those ratepayers will reap the benefits that those energy storage projects bring to the distribution system.

RECO also recommends that the Board authorize EDCs to recover, on a full and timely basis, their prudent incremental costs incurred to implement and administer the NJSIP, including an EDC's cost to deploy, operate and maintain EDC owned storage as part of the NJSIP.

Overburdened Communities

RECO recognizes the important benefits that energy storage can provide in overburdened communities. Leveraging funding from non-ratepayer sources, such as a Green Bank or State grants, can encourage deployment in these areas by increasing the financial support the energy storage project receives. Stakeholder outreach with impacted municipalities can encourage a joint effort to site energy storage assets in these communities at locations that provide greater benefits.

Term of Incentive

RECO recommends a term of ten years for both incentive components of the NJSIP. To the extent an energy storage project is not available, or fails to meet its agreed upon performance levels, and no incentive is paid for a year, the ten-year term should not be extended. To do so would reward an energy storage project's non-performance. Rather, the total potential incentive should be decreased to reflect the energy storage project's under-performance. As discussed above, projects must meet minimum performance standards, such as up time or participating in a minimum number of discharge events when called upon, in order to be eligible for a performance incentive in that year.