

Ecogy Energy  
315 Flatbush Ave. #393  
Brooklyn, NY 11217

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**VIA ELECTRONIC FILING**

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

**RE: QO22080540 - Response to Request for Comments on the New Jersey Storage Incentive Program Straw Proposal**

Dear Secretary Camacho-Welch,

Ecogy Energy, based in Brooklyn, NY and founded in 2010, is an experienced developer, financier, and owner-operator of distributed generation projects across the U.S. and Caribbean.

Ecogy's focus and niche is on the <1 MW arena, particularly on systems sited on rooftops, parking lots, and brownfields. Ecogy is committed to developing distributed energy resources, including battery storage both in front of the meter and behind the meter. Ecogy believes that with sound planning, proper development, and fair incentives for these types of projects, the State, its residents, and the clean energy industry as a whole will ultimately be more successful. Ecogy firmly believes that by focusing on such projects constructed in and on the built environment, the development community can preserve precious and limited natural resources while directing the benefits of local solar to small businesses, property owners, nonprofits, low-income individuals and other organizations that need them most.

Ecogy appreciates and supports the New Jersey Board of Public Utilities ("NJBPU," "BPU," or "Board") in its leadership in creating a storage incentive program for the state. Without ample storage capacity, the efforts to transition the state to have 50% clean energy by 2030 will be impossible. We commend the Board for engaging with stakeholders on this important issue.

Please accept the document below as Ecogy Energy's response regarding docket No. QO22080540 entitled IN THE MATTER OF THE NEW JERSEY ENERGY STORAGE INCENTIVE PROGRAM.

Ecogy understands that this specific docket is seeking stakeholder feedback on the New Jersey Storage Incentive Program (“NJ SIP”), and we address the NJ SIP straw proposal later in our comments, but we first want to discuss a better long-term strategy for New Jersey’s distributed energy and storage resources.

### **The VDER Mechanism**

Ecogy highly suggests that the Board consider implementing a similar program to the New York Value of Distributed Energy Resources (“VDER”) structure for this storage incentive program. With this new-to-state, thus uncharted incentive program, the Board has a unique opportunity to rewrite the framework for how distributed energy operates, incentivizes, and deploys in New Jersey. In order to minimize negative impacts on the distribution system and to maximize benefits to the grid, the BPU should seek out and select projects that help the local circuit and substation. Neighboring New York State has already implemented the VDER structure, to which the following comments refer.

The VDER framework attempts to calculate and assign the true value of a distributed energy resource (“DER”), and the premise for the Value Stack’s Standalone Storage calculation’s variables is as follows:<sup>1</sup>

- Energy Value (LBMP)
  - Wholesale raw power price, based on day-ahead, locational-based marginal pricing (LBMP).
- Capacity Value (ICAP)
  - Based on the installed capacity market (ICAP) prices multiplied by the output at a time of the single hour system peak.
- Environmental Value (E)
  - Fixed cost based on the latest Clean Energy Standard (CES) tier 1 REC procurement price published by New York State Energy Research and Development Authority (NYSERDA) or the social cost of carbon determined by New York’s Department of Public Service—whichever is higher.
- Demand Reduction Value (DRV)
  - Peak demand determined by the utility’s \$/kW-year value based on windows (summer months), and DRV gets reset at 11 years (fixed for 10 years and then reassessed at year 11 based on the then utility’s \$/kW/year value).
- Locational System Relief Value (LSRV)
  - Determined by being on dispatch to provide demand relief for 1-4 hours during at least 10 peak-period calls each year. The calls must be in the DRV window (summer months).

VDER, or the “Value Stack,” was a new mechanism implemented by the New York Public Service Commission (“PSC”) to compensate energy created by distributed energy resources

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<sup>1</sup> Excel Sheet under the heading “Value Stack Calculators.”

<https://www.nysERDA.ny.gov/All-Programs/Energy-Storage-Program/Developers-Contractors-and-Vendors/Technical-Assistance>

(DER), such as solar. The Value Stack compensates projects based on when and where they provide electricity to the grid and compensation is in the form of bill credits.<sup>2</sup>

## **Zonal Incentives**

Ecogy prides itself on investing in optimal land use projects such as rooftops, canopies, and brownfield ground mount installations. We believe the NJ SIP should encourage zonal incentives closer to load that place higher value on distributed-generation projects in the desired geographical area closest to load. The VDER framework in New York tries to assign projects the accurate value, including benefits to ratepayers, of being close to load. For example, one of Ecogy's projects located in a Locational System Relief Value (LSRV) area increases the compensation by \$0.10/kWh for 25 years due to its ability to offset grid and substation upgrades. Ecogy strongly believes that this is a missed opportunity by the Board and the utilities for greater system benefits, reliability benefits, and cost savings to the grid in urban environments.

Currently, developers are paid the same rate for electricity geographically, regardless of where the DER, such as a battery, is located. New Jersey should shift away from previous methods of compensation for DERs with limited accuracy and granularity, and instead move to a variable price mechanism that provides compensation based on the actual, calculable values that the generator output provides to the electric system. A variable price-based compensation mechanism such as VDER in New York can appropriately structure market signals, reflecting the true value of the DER. It made New York the leading 2020 U.S. community solar market because it creates stable, cost-reflective price signals that align developer compensation and innovations with societal benefits.

By failing to accurately reflect the values provided by and to the DER they compensate, the current mechanisms outlined in the NJ SIP Straw Proposal will neither encourage the high level of DER development necessary for developing a clean, distributed grid nor incentivize the location, design, and operation of DERs in a way that maximizes overall value to all utility customers. As such, these inaccurate mechanisms are unsustainable for New Jersey to continue incentivizing clean energy and storage development.

Ecogy's comments on the NJ SIP straw proposal in its current form are below.

## **Business Model Considerations**

Ecogy agrees with the recommendation for a storage business model that encourages private ownership and operation of energy storage devices.

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<sup>2</sup> NYSERDA Value Stack Information.

<https://www.nyscrda.ny.gov/All-Programs/NY%20Sun/Contractors/Value%20of%20Distributed%20Energy%20Resources>

Ecogy recommends that the Board reconsider its outlook on “reducing the need for incentives.” Storage devices are not easy to obtain or inexpensive to employ; it is imperative to the renewable energy industry that storage compensation and valuation remain robust to allow for the continuation of storage devices on the grid. The grid revenue drivers listed on page 11 of the SIP Straw Proposal are not sufficient to cover the costs associated with developing energy storage devices on the grid in New Jersey. We recommend that the VDER mechanism is employed instead, as outlined above.

## **Incentive Structure**

### ***Fixed Incentive***

*“Staff proposes making the fixed incentive payment available to storage resources contingent on the storage resource remaining online and available for dispatch in 95% percent of all hours. Staff further recommends that the Board utilize the PJM Equivalent Forced Outage Rate (‘EFORd’) as the metric for Grid Supply projects...Resources failing to meet the EFORd requirement would have their fixed incentive level decreased by the percentage of the unavailability.”*

Instead of decreasing a project’s fixed incentive by not meeting the 95% requirement, reward those that are online for 95% of all hours in a flexible, variable way using something like the VDER mechanism in New York.

### ***Performance-Based Incentives***

On pages 22 and 23 of the straw proposal, the Board writes that “As noted in the EMP, while ‘New Jersey does not currently have a means of pricing the benefits that batteries can provide at the distribution level . . . New Jersey is committed to adopting changes in regulatory policy that recognize the full wholesale and distribution value of batteries.’ EMP at p. 128.” Ecogy appreciates this notion of change to regulatory policy, and we suggest compensating DERs with the VDER structure outlined above, modeled after New York.

### ***Setting the Performance-based Incentive for Distributed Storage Resources***

Ecogy agrees that rewarding storage projects which are on call during peak summer windows of time is necessary and aligns with the VDER mechanism.

Ecogy supports an adder of a “to be determined” value per kWh of energy storage capacity to the fixed portion of the incentive for projects located in overburdened communities so long as that adder is allowed to be stacked with other payments determined by a storage resource’s value.

## **Conclusions from Ecogy**

The ability to have one-off islands of stored energy increases grid resiliency, which is highly valuable and necessary as extreme weather events, often resulting in power outages for long durations, increase in frequency and intensity.

This straw proposal opens the opportunity for an amazing, grid resiliency building, community-benefitting incentive program to be put into place. Ecogy suggests that the entire framework for approaching distributed energy and distributed storage resources be revamped. Some of the aspects of this straw attempt to calculate the true value of distributed storage and compensate those projects accordingly, but what's missing is a comprehensive mechanism to ensure that all value, not just performance by being on-call, is accounted for.

We thank you for your efforts toward achieving New Jersey's clean energy goals.

Respectfully submitted,

/s/

Brock D. Gibian  
Director of Development  
Ecogy Energy  
[www.ecogyenergy.com](http://www.ecogyenergy.com)  
Tel: 718-304-0945