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Aida Camacho-Welch
Secretary of the Board
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, New Jersey 08625

RE: Docket No. QO22080540, In the Matter of New Jersey Energy Storage Incentive Program

Secretary Camacho-Welch,

On behalf of Convergent Energy and Power ("Convergent", "we"), I would like to thank the Board of Public Utilities ("the Board", "BPU", "Staff") for the opportunity to comment on the Storage Incentive Program (SIP) proposal. Convergent has remained a committed and active participant throughout the process, both as an independent contributor and as a member of local and federal policy organizations. In light of the evolving discussion around program design, I would like to submit the following comments for your consideration.

Convergent Energy and Power is a developer and lifetime owner-operator of energy storage and solar assets across North America, with over a decade of storage experience. We provide a variety of solutions, including non-wires alternatives, behind- and front-of-the-meter storage, community solar, and other unique projects. We are a technology-agnostic developer that crafts systems to suit client and community needs and budget, while delivering safe, efficient results.

Program Structure

As proposed, the paradigm of upfront and performance incentives is both a popular and effective one, as demonstrated in other states. The emphasis on value stacking is imperative, especially as state- and region-level markets gain greater understanding of how storage assets can be leveraged across unique services.

Industry would benefit from greater detail around the performance incentive—the framework of Grid Supply's, and greater certainty for the Distributed segment. The Board indicates that the Distributed segment's performance incentive will be determined heavily by input and administration of utilities. To ensure market confidence, transparency, and stability, there should be a moderating function in the development and any changes to the program, as seen in New England analogues. Incentives should be provided and "locked" on a multi-year term and revisited with scheduled regularity and stakeholder session opportunities. As indicated in stakeholder sessions, the Board could consider a wider availability of the performance incentive to extend market signals beyond its current reach—such as to existing storage assets, storage paired with Administratively Determined Incentive projects, and/or projects sited in municipal and cooperative utility districts.

Presently, the Board has envisioned that the program will be driven predominantly by Grid Supply development, eclipsing the Distributed segment by a factor of 3 to 10 during individual years of the

program. However grid-scale storage assets are challenged by ongoing complications with interconnection and siting, which can lengthen timelines to reach commercial operation and can erode cost assumptions upon which developers found their investments. The Board should therefore grant a higher proportion of capacity to the Distribution segment in individual Program Years and across the entirety of the program, to allow for smaller, (often) less administratively complex projects to help accelerate progress in a timely fashion. Providing a greater opportunity for Distribution projects also allows the state to leverage the powerful trend of commercial and industrial interest in carbon reduction, electrification, and the wider world of “green” commitments to drive uptake and investment in the state.

As highlighted by multiple stakeholders, the proposed distribution of capacity available for incentive across the lifetime of the program is inappropriately meager in early program years. In both the Grid Supply and Distribution segments, program capacity could be reserved by as little as a single or few projects. Hinging the success of a Program Year upon such a narrow portfolio of selected winners also risks upending progress in the event of project default or rescission. The resulting impact would further delay state progress towards the development target, and skew expected incentive values for other industry members given the steep inter- and intra-year blocks.

The implicit assumption that funding storage technologies and their development will become linearly or even exponentially cheaper over time is concerning and has been upended by recent market trends. “Backloading” the program in a manner that schedules capacity to be awarded—not completed—in the later years of this decade means it is unlikely that 2 GW of installed capacity will be operable by 2030. Based off the Staff’s estimation of storage presently existing in the state, it won’t be until approximately 2025 that the state reaches its 2021 goal—and this assumes the inclusion of an existing 420 MW pumped hydropower asset. Condensing development in these final years compounds stress upon state, utility, industry, and workforce organizations to deploy and enable assets; conversely, early and significant introduction of storage development processes allows all entities to “cut their teeth” refine expertise specific to New Jersey—allowing preventative hurdles to be discovered and resolved early on.

Early and significant promulgation of storage is also essential for maximizing New Jersey grid investments and evolutions. As articulated by the New York State Energy Research and Development Authority (NYSERDA) in its May 2022 Capture the Energy conference presentation, “timing of large-scale renewables interconnection, transmission upgrades, load growth, and fossil plant retirements all require storage to be in place *before* these changes occur Without storage, each [process gets] more expensive and less efficient, potentially overpaying for solutions to issues that will be solved when storage comes online”.

Utility Participation

Cooperation and aligned efforts across utilities, industry, and state organizations will be essential to spur investments at an efficient, effective level in grid development. However, allowing utilities to participate and own projects under the proposed program risks skewing market signals.

If utilities are allowed to participate in SIP, they would presumably be incented to “compete” for prime siting and perhaps perpetuate information asymmetry. Imperfect information has historically hindered the private sector’s ability to strategically site projects to meet specific needs. As other states have

documented in analogous discussions, to entirely insulate the risk of asymmetry is difficult to execute and record.

The private sector utilizes private sector risk and dedicated storage industry expertise, therefore optimizing investments for ratepayers. Though, as noted, success of all storage is contingent upon timely and complete provision of good-faith information and resources.

NWA programs are great opportunities for utilities to get more involved in partnership with solutions provided or operated by the private sector. For instance, Connecticut's recently established NWA program limits utility participation to avoid market manipulation, while fostering competition and creativity amongst private sector solutions.

Alignment with Other New Jersey Programs

Though Staff has indicated that this program will be aimed at standalone storage, a gap remains in a crucial, impactful segment. Distributed solar at or under five megawatts is addressed in the state's Administratively Determined Incentive program, but there is no acknowledgement or opportunity for assets of this size to be paired and optimized with storage. Though the Competitive Solar Incentive was presented as the forum for solar-plus-storage hybrids, assets of this size are at a disadvantage when competing in a "race-to-the-bottom" auction as their economies of scale pale to those available to what is often considered "utility-scale" solar. There are multiple methods to incorporate storage with the ADI program—such as an adder or permitted participation of the asset in the aforementioned performance incentive.

The Board should explore opportunities to reflect the additive benefit of hybrid assets for the distributed non-residential segment. This segment also often sites within the footprint of an offtaker's property, thus coincidentally alleviating distributed energy project siting concerns expressed in concurrent discussions with the Board.

Other Details

Equity adders can manifest in numerous ways— though if the state's intent is to meaningfully incorporate select communities in the Storage Incentive Program, it should be through an adder and carve-out to ensure that this priority is not eclipsed by rushed interest for limited capacity. The Board should explore equity through the lens of "good for the greatest" by enabling entities with broad public reach—such as critical infrastructure—to participate.

To protect ratepayer investments, simplify program administration, and procure dependably efficient capacity for the state of New Jersey, we advise the Board to only incentivize commercially viable storage technologies under this program. It may be appropriate to reassess the suite of eligible technologies in later program years relative to advancements in research and development; as in California, New Jersey could use the Department of Energy's Technical Readiness Level scale to determine relative maturity. However, it should be noted that many states segment policy initiatives and programs to reflect the unique profiles of burgeoning technologies in the storage space. Tools like designated pilot programs or

grants can provide the necessary financial support under relaxed performance requirements that many early technologies seek, without deviating the intent of the Storage Incentive Program.

Thank you again to you and your colleagues for your continued engagement with a broad range of stakeholders throughout this and adjacent proceedings. We look forward to being involved in future discussions regarding the program, and I encourage you to contact me should I be of assistance in clarifying the aforementioned. And thank you, as always, for your patience and commitment as we navigate these exciting themes together!

Most respectfully,



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