Monday, December 12, 2022

via email: board.secretary@bpu.nj.gov

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

Re: BPU Docket Number QO22080540

Dear Acting Secretary of the Board –

NJR Clean Energy Ventures Corporation ("NJRCEV") appreciates the opportunity to submit the following comments on BPU Docket Number QO22080540, pertaining to the Storage Incentive Program (SIP).

NJRCEV is among the leaders in the New Jersey solar market. Since 2010, we have invested more than $1 billion in over 400 MW of solar projects across all market segments and counties in New Jersey, comprising about 10 percent of solar installed in the State. This investment has supported more than 1,000 local jobs constructed with union labor, helped our customers save on energy costs, and reduced 330,000 tons of greenhouse gas emissions.

A properly designed storage program is critical as the State continues to build its electric system [in part] around intermittent renewables. The State is well behind in achieving its storage goals, citing only ~75MW of battery storage installed versus a 2021 goal of 600MW and a 2030 goal of 2,000 MW. The SIP provides an opportunity to catch-up to these goals, supporting new jobs and economic development.

While NJRCEV agrees with many of the design principles in the program, including fixed and performance-based incentives, declining cost capacity blocks and reliance on private capital within New Jersey's deregulated market structure, we propose the following recommendations which we believe would significantly improve the SIP.

Program Design/Structure

- The overall program size is too small, particularly in the first three years of the program, which will support only 40, 60, and 90MW – respectively.
    - The fixed incentive budget for the program, about $5 million, is trivial given the overall spend required to execute the State's clean energy plan and the critical role storage plays in meeting these goals. For context, a 40 MW initial-year target is roughly equivalent to one month's solar installation, at the State's current pace. With current projects easily reaching 5-10MW, one or two could easily absorb the available capacity in the program.
    - The State's storage target should be revisited and updated based on a rigorous modeling and analysis. The most recent Integrated Energy Plan modeling assumes only 3,500 - 4,000 MW of offshore wind installed between 2030 and 2040, which has since been superseded by Governor Murphy's new goals of 7,500 MW installed by 2033, and 11,000

MW by 2040. These policy-driven capacity additions in intermittent renewables, along with uncertain growth in electric demand driven by consumer choice and technology, can have significant and material impacts on the electric system.

- The proposed decline in incentive levels, $2/kWh per block equating to a $6/kWh decline within the first year, is unjustified and doesn't provide sufficient certainty for development. We urge the BPU to align capacity blocks to the annual targets and reserve the ability to adjust future incentives based on battery cost declines.

- The allocation of 75-90% of capacity to grid supply projects versus net metered projects is too high. We understand Staff's rationale on the value of economies of scale for larger grid projects but placing so much reliance on grid-projects places an already-delayed program at further risk to interconnection delays in PJM. Instead, NJRCEV recommends a 20% allocation to grid projects and 80% to net metered projects during the first three years of the program, until the BPU and PJM interconnection/queue reform processes can take effect, followed by 40% allocation to grid projects and 60% to net metered, to include a residential carve-out. Net metered storage projects, which are not subject to PJM constraints, represent the fastest path to achieving the New Jersey's storage goals.

- A separate and distinct capacity allocation for Residential storage projects should be adopted in addition to the grid and distributed capacity blocks outlined in the straw. Residential customers should be encouraged to install solar and storage to provide resiliency and should be incented and engaged with performance incentives. Installation of these batteries on a distributed basis can reduce burdens on the electric system during periods of peak demand. We recommend a 10MW allocation to this market segment in the first 3 years of the program, which should support 1,000 projects, with a fixed incentive similar to then Connecticut program at $200/kWh, with a $100 adder for installations in disadvantaged communities.

- To further accelerate the adoption of grid storage and aid Staff in meeting the goals of the Energy Master Plan, an alternative interconnection process should be developed with the EDCs, whereby DG facilities with excess or unused interconnection capacity may apply for expedited approval. There are many such sites which could, with EDC support, incorporate storage quickly and in a cost-effective manner for the ratepayer, and avoid a protracted PJM process. During the first three years of the program, and/or until the BPU and PJM interconnection/queue reform processes can take effect, NJRCEV recommends a direct-connect [with the EDCs] approach for all assets, regardless of whether there is unused interconnection capacity at the existing project site.

- NJRCEV supports the definition of Energy Storage included in the straw, which provides broad interpretation for future technologies and does not limit the storage program to only batteries. Converting electrons to hydrogen for example, can provide long-duration storage above and beyond what is currently possible with battery technologies. We suggest the BPU set aside a budget across the clean energy program for all innovative projects leveraging new technology or business models. This is similar to the recommendations made in the BPU's Grid Modernization Proceeding, where innovative projects are given a "regulatory sandbox".

- Staff clarified in the Distributed Storage presentation that "mobile storage", or electric vehicles, will be eligible to participate under the SIP. NJRCEV strongly recommends precluding electric vehicles from the first stage of this program. At an average vehicle capacity of 75kWh, the entire energy storage goal of 8,000MWh could be met by only ~100,000 vehicles, which is a fraction of the total Electric Vehicle goal (330,000 by 2025 and 2,000,000 by 2035). The SIP in its infancy, should only include stationary storage, in order to scale these technologies into a mature industry.

Incentive Design

- The current proposal establishes a bifurcated incentive: a fixed incentive – based on nameplate capacity, and a performance-based incentive – set by each individual EDC. While NJRCEV supports the fixed incentive structure, a performance-based incentive based only on greenhouse gas emissions reductions is too complex, will take too long to develop, and ignores other important benefits of storage. Furthermore, uncertainty around incentive levels and the years it will take for the EDCs to set individualized prices will hinder robust development interest. NJRCEV recommends starting the program with the fixed incentive structure and altering the performance-based structure to operate in a "demand response-like" fashion, to award storage resources that perform when called upon during peak periods.
- We agree the EDCs should establish a performance-based tariff but are concerned over the likely delays associated with this effort, which [based on experience] could be a 12-18-month process and push back the first installations into 2025. We recommend Staff enforce a 120-day requirement on the EDCs to file performance incentives. This should be sufficient time to develop, using states like Connecticut as a basis for acceptable incentives, ranging from $25 to $200 per kWh, depending on market segment.

Other Considerations

- The EDCs are critical partners in the development and roll-out of energy storage within their service territories and should be encouraged and incentivized to enable growth of storage in New Jersey within our deregulated market framework, and to invest in storage investments as non-wire alternatives to T&D investments and upgrades recovered for under regulatory mechanisms. That being said, while we acknowledge the key role they will play in the success of storage in New Jersey, we agree with Staff's comment at one of the stakeholder meetings that this market can and will be adequately served by private investment and that EDC projects should not be eligible for incentives under the BPU storage incentive program
- Finally, while NJRCEV recognizes that the SIP Stakeholder process is not a Rate Design one, we feel it is important that the BPU explore in the near future ways in which a high-differential Time of Use (TOU) rate structure could incentivize the market and benefit ratepayers as in other states.

We appreciate the opportunity to comment on this proceeding. We look forward to working with Staff and stakeholders to ensure a successful program that will facilitate critical energy storage goals in the State's Energy Master Plan.

Sincerely,

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