

State of New Jersey Board of Public Utilities )  
New Jersey Energy Storage Incentive Program )  
Straw Proposal )

Docket No. QO22080540

**COMMENTS OF  
ELEVATE RENEWABLES F7, LLC**

**INTRODUCTION**

Elevate Renewables F7, LLC (“Elevate”) thanks the New Jersey Board of Public Utilities (the “Board”) for the opportunity to comment on the Storage Incentive Program (“SIP”) Straw Proposal (“Straw Proposal”), Docket No. QO22080540. Although the public comment period has officially closed, given that no action has been taken by the Board in this matter to date, we request that our comments be included in the record and considered in full in the development of the SIP.<sup>1</sup>

Elevate is a national developer focused on the development of grid-scale energy storage systems co-located with existing generation facilities which are owned by private equity funds managed by ArcLight Capital Partners. ArcLight currently holds indirect ownership interests in large scale generation resources totaling approximately 25,000 MWs in nine states nationally (New Jersey, Connecticut, New York, Maryland, California, Ohio, Illinois, Indiana, Arizona). Elevate currently has a brownfield development pipeline of approximately 5 GWs at over 20 project locations nationally. Elevate and its parent, ArcLight Capital Partners, are the largest merchant power producers in the state of New Jersey with over 7 generating facilities totaling over 4000 MWs.

As a national developer, electricity storage operator, and electricity generator, Elevate has a significant interest in the outcome of New Jersey’s transition to a carbon-free electric grid and the ultimate public benefits realized by New Jersey residents, businesses, ratepayers, and communities. Elevate is uniquely positioned to provide grid-supply energy storage, including battery storage, that maximizes the use of existing infrastructure and accelerates the State’s clean energy goals while increasing resiliency and system adaptive capacity during disruptive events, reducing costs, and supporting deployment of carbon-free, variable and distributed energy resources. Elevate is focused on a safe, reliable, and environmentally conscious energy transition that benefits all stakeholders, including historically disadvantaged communities.

Elevate appreciates the opportunity to provide the Board with recommendations that could move New Jersey closer to supporting a sustainable energy storage market by **a) supporting an increase of the energy storage procurement target from 2,000MWs to 4,000MWs by 2030; b) increasing the proposed \$20/kWh fixed incentive to \$24/kWh to galvanize the storage market and enable a self-sustaining energy storage market for grid supply projects; c) limiting the program to private ownership and operation of energy storage devices; d) providing an additional incentive adder for development of energy storage on Brownfields**

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<sup>1</sup> To the extent necessary, Elevate seeks leave to file these Comments out-of-time. Elevate was formed at the end of last year while this proceeding was well underway. Given the recent formation of Elevate, good cause exists to grant Elevate leave to file these Comments, which will help clarify certain issues in this proceeding, provide information helpful to the disposition of issues, and assist the Board in its quest to finalize the Storage Incentive Program.

**and Landfills; and e) supporting approaches that advance deployment of energy storage like a “First Ready, First Served” approach to incentive allocations.**

**I. Elevate Supports New Jersey’s Clean Energy Goals and Establishing an Energy Storage Specific Procurement Target**

Elevate strongly supports New Jersey’s decarbonization, grid modernization, energy efficiency, and grid resiliency initiatives, and sees the SIP Straw Proposal as an important milestone toward achieving true progress in these areas. The Board and the Clean Energy Program is clearly committed to the mitigation of climate change in this state and to creating a long-lasting suite of energy programs to support a pragmatic transition away from fossil fuels and towards clean, renewable energy sources. Elevate recognizes that the Board and its Staff, tasked with the implementation role of the State’s laudable clean energy goals, have designed the solar, storage, interconnection, and energy efficiency programs in record time and that together these programs will usher in New Jersey’s modernized grid.

Pursuant to Executive Order 315, the state has now established an aggressive clean energy goal of 100% of the electricity sold in the State to be derived from clean sources by January 1, 2035. Undeniably, as the state moves towards full reliance on intermittently available clean energy sources, a robust, effective, and well-run energy storage program will prove to be the backbone of the entire modernized energy grid. Because achieving the goals of the SuSI, energy efficiency, and demand response initiatives put forth by the state will depend on an expansive, functioning energy storage infrastructure, it is vital to the achievement of grid modernization and decarbonization in New Jersey that the SIP is structured to incentivize as much energy storage capacity as possible, as quickly as possible.

**a. The Energy Storage Procurement Target Should Be Increased from 2,000 MWs to 4,000 MWs by 2030 and Increased Gradually Over Time to 6,000 MWs By 2035 In Order to Meet The State’s Clean Energy Goals**

While fundamental changes to the energy storage target may not be within the Board’s authority, Elevate strongly encourages the Board to actively support advocacy at the New Jersey State House seeking to increase the State’s 2,000 MW energy storage procurement target to 4,000 MWs by 2030. Elevate supports other filing parties that recommend the storage target be increased to 4,000 MWs by 2030 and goes further to propose a gradual increase over time to 6,000 MWs by 2035. Grid-scale, dispatchable, in-state storage will be needed to accommodate the vast amounts of planned off-shore wind and other variable generation, achieve a decarbonized grid by 2035, and provide much-needed grid resiliency and grid support services.

**b. Stand Alone Energy Storage Must be In Place Now to Assist with the Influx of Offshore Wind and Accelerated Fossil Fuel Retirements**

There is unrealized value that energy storage provides to the grid and surrounding markets. Elevate believes it is important to recognize that energy storage should be put in place now to offer these necessary grid support services when the projected megawatts of Offshore Wind and other variable resources arrive. Energy storage is also a solution to the accelerated retirements of fossil

fuel in New Jersey. Energy storage can provide a replacement generating resource to the fossil fuel that is being mandated to retire by new air control rules promulgated by the New Jersey Department of Environmental Protection<sup>2</sup>.

The generation portfolio in the PJM region is currently comprised of approximately 7% renewables. The generation mix that's currently moving through the PJM queue flips that number on its head with approximately 97% of all resources in the PJM queue anticipated to come online in the near term to be renewable resources. Energy storage can assist with the integration of such quantities of variable, renewable resources.

## **II. The Proposed \$20/kWh Fixed Incentive May Not Be Adequate for Creating a Self-Sustaining Energy Storage Market for Grid Supply Projects in the Absence of Market Volatility**

As the energy storage market continues to demonstrate its value to the grid and provide necessary zero-emission resources that address accelerated retirements of fossil fuel facilities and assists New Jersey with transitioning to a clean energy economy that is sustainable for generations to come, we must get the initial structure of the energy storage market right. The current proposal of \$20/kWh fixed incentive may not be adequate to incentivize the development and sustain the deployment of the scale of energy storage that New Jersey and the country needs to manage the evolving grid and evolving generation portfolio. Without additional details regarding the performance-based incentive portion, it is challenging to speculate at this time whether the lower end of \$20/kWh fixed incentive will provide the necessary incentive signals and provide additional revenue or “missing money” to galvanize and sustain a thriving energy storage market.

Currently, there is little to no volatility in the market for energy storage to leverage energy arbitrage opportunities. These arbitrage opportunities provide necessary revenue streams for energy storage to become sustainable. Without the realization of the quantities of offshore wind and other variable energy resources projected to come online in PJM, the economics from the current markets without an adequate incentive structure could create barriers to a thriving standalone energy storage market despite all of the benefits it provides to the state, region, and nation.

While energy storage offers generation to meet resource adequacy needs, it also provides a multitude of grid resiliency and grid support services that must be valued, for example, voltage support to the distribution and transmission system, maintaining critical loads during grid outages, avoiding renewable energy curtailment during low system load conditions and

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<sup>2</sup> Department of Environmental Protection, Air Pollution Control, Control and Prohibition of Carbon Dioxide Emissions Adopted Amendments: N.J.A.C. 7:27-1.4, 1.36, 8.14, 8.15, 22.16, and 22.28; and 7:27A-3.2, 3.5, and 3.10 Adopted New Rules: N.J.A.C. 7:27F (Jan 3, 2023)

high variable renewable generation penetration, which ultimately avoids the need to curtail resources and shut off customers.

With that said, an adequate upfront fixed incentive payment of at least \$20/kWh will be necessary to galvanize a sustainable energy storage market in New Jersey and provide a multitude of reliability, resource adequacy, grid support and resiliency services, and other social and environmental justice benefits to its customers for generations to come. And keeping with neighboring states, a contract duration of at least 15 years will be vital to sustaining the energy storage market that is ramping up in New Jersey.

### **III. Elevate Strongly Supports the Straw Proposal’s Stated Policy of Limiting the Program to Private Ownership and Operation of Energy Storage Devices**

To achieve the rapid development and deployment of energy storage required for such modernization, New Jersey must effectively leverage its SIP program to incentivize major investment of private equity in this sector and, ultimately, to create a thriving, self-sustaining energy storage industry.

First, the discharge of stored energy onto the transmission grid should be treated as a generation function for the purposes of utility regulation, *i.e.*, it must be treated as a process of producing electric energy. The discharge of stored energy onto the transmission grid cannot be viewed as a transmission function as the energy produced from a storage facility must necessarily be viewed as that which has ceased to be in transit, *i.e.*, has stopped moving to some degree through the process of storage, and which then re-emerges from a single point of origin, the storage container or facility. A definition that includes an element of production captures this process while a definition that solely encompasses movement and transfer does not accurately describe the settling and re-emergence from a single point of origin inherent in the storage process. As such, under the Electric Discount and Energy Competition Act (“EDECA”), N.J.S.A. 48:3-49, *et seq.*, Electric Distribution Companies (“EDCs”) are not eligible to participate in the activity of producing stored energy for transmission onto the grid (generation services). Under EDECA, EDCs are limited to distribution services and energy storage should not change that paradigm.

Secondly, players in the private market are more agile and able to respond to and financially support the energy storage initiatives contemplated in New Jersey in a shorter amount of time than EDCs. As the many comments submitted by private industry stakeholders suggest, the private storage industry is well poised to assume this role and to begin project development across the state. However, there are other structures and arrangements that involve greater utility participation, such as long-term sales agreements between utilities and energy storage developers, through incentive regulation, that could be considered and prove beneficial to customers, developers, and utilities.

#### **IV. The Board Should Create a Separate Incentive or Adder for Projects Sited on Brownfields and Landfills**

New Jersey has a long history of demonstrated commitment to the encouragement of brownfield and landfill development. A series of statutes, including the *Spill Compensation and Control Act* (N.J.S.A. 58:10-23.11 *et seq.*), the *Industrial Site Remediation Act* (N.J.S.A. 13:1k-1 *et seq.*), and the *Brownfield and Contaminated Site Remediation Act* (N.J.S.A. 58:10B-1 *et seq.*), certain oversight regulations (N.J.A.C. 7:26C), and technical requirements for site remediation (N.J.A.C. 7:26E), together with other relevant state laws and regulations, establish the regulatory framework that demonstrates such commitment. Using this framework to carry out its brownfield development initiatives, the New Jersey Department of Environmental Protection (“DEP”) has taken an aggressive stance towards tackling brownfield issues in the state. According to the DEP website, “it is a local, state and national priority to put these sites back into productive use.”<sup>3</sup> The Board, as well, has been very active in encouraging and incentivizing the development of projects located on brownfields, areas of historic fill, and properly closed sanitary landfills in the area of solar development. The Subsection (t) program (N.J.S.A. 48:3-87) and, most recently, the CSI Program, which created the Tranche 3 incentive category for Grid Supply on Contaminated Sites and Landfills, demonstrate the Clean Energy Program’s commitment to addressing the environmental and public health impacts that these sites present and incentivizing developers to remediate and redevelop such sites. While the state is clearly committed to the development and reuse of contaminated lands, brownfields, and landfills, a separate tranche or adder was starkly missing from the Storage Incentive Program Straw Proposal.

In the alternative, the Board should create an incentive adder, similar to that provided in the CSI Program for storage paired with solar, in which projects sited on brownfields, contaminated sites, or landfills are eligible to receive an additional incentive to offset the added costs of development on these sites and in recognition of the additional benefit that the surrounding community receives by such redevelopment.

A ‘Brownfield Adder’, one that could be a percentage or per MWH calculation added to the base incentive for energy storage providers that optimize the use or reuse of brownfield sites, could offset the additional costs associated with developing on such lands, for example, fund needed site remediation. A brownfield adder or other incentive structure aimed to encourage development on brownfield and contaminated sites would acknowledge and support the development of these sites, which many are located in disadvantaged communities/environmental justice communities and other overburdened energy communities. This would allow Elevate and other energy storage and renewable providers to prioritize investments in environmental justice and environmentally overburdened communities that have historically been overburdened with assets that were not as clean or efficient. Developing storage on brownfield sites, particularly retiring fossil fuel generating facilities and facilities that can accommodate hybrid operations, will allow the employment and tax base to remain that may otherwise disappear as fossil fuel facilities are mandated to retire in many New Jersey communities that have relied on such economic structures.

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<sup>3</sup> <https://www.nj.gov/dep/srp/brownfields/>

**V. The Board Should Consider Implementing Proven Approaches to Timely Effectuate the Development and Deployment of Energy Storage Such As a “First Ready, First Served” and Pre-Registration Approach to Meet the State’s Goals by 2035**

New Jersey’s clean energy goals seek to achieve 100% carbon-free energy output by 2035. Energy Storage is critical to NJ meeting that goal as energy storage can assist with the vast projected amounts of variable clean energy resources expected to interconnect in New Jersey and the PJM region. The Board must consider approaches that will actually result in much-needed resources coming online and providing New Jersey the continued resource adequacy and carbon-free electricity it deserves.

**a. The Board Should Adopt a “First-Ready, First-Served” Approach to Replace the “First-Come, First-Served” Policy**

The Straw Proposal lacks clear direction as to how the “First-Come, First-Served” Policy will be implemented. To avoid administrative and industry confusion, the Board should determine specific project maturity requirements similar to the “First-Ready, First-Served” policy adopted by PJM Interconnection, LLC (“PJM”) and establish a detailed process to implement such a policy.

While a first-come, first-served policy may appear to be the simplest choice, it will not prove to be the simplest policy administratively. For example, there doesn’t seem to be a well-defined and fair process to determine which projects would receive the highest value incentive and which the lowest. It is also unclear how many project participants will benefit from the program if the program is oversubscribed in the first day. With only 30 MWs of 4-hour grid-supply storage capacity recommended to be procured in the first Energy Year and three separate capacity blocks are proposed with descending value, how, in this instance, would it be determined which will not be entered into the program until Energy Year 2? Under a strictly first-come, first-served policy, projects that apply at 5:00 am will be better positioned and will receive a higher valued incentive than projects that apply at 6:00 am, and 7:00 am, etc. When a declining incentive structure is involved, fundamental fairness requires more than a simple “first-come, first-served” policy or a faster internet speed.

**b. The Board Should Institute a Pre-registration Process, Inclusive of Project Milestones and Maturity Requirements to Complement a First Ready, First Serviced Regime**

The Board should develop comprehensive project maturity requirements and a pre-registration process similar to what was developed for the CSI-Program in which only program-ready projects may access the application portal at the opening of the registration process. The pre-registration process should be developed so as to mirror the principals of the “First-Ready, First-Served” process in adoption by PJM; projects that are not ready to move forward do not advance and unnecessarily clog the first years of the program in an attempt to obtain the highest incentive value. Once approved through the pre-registration process and first ready, first-served screen, projects that are able to demonstrate program readiness would then be eligible to register during a specific time period using the first-come, first-served approach.

**c. The Board Should Allow Up to Two Six-Month Extensions of the Program Deadline Before Projects are Required to Exercise the Option to Renew**

While the Straw Proposal acknowledges the commercial risk that strict adherence to program deadlines creates,<sup>4</sup> the proposed ‘option to renew’ is, at best, an imperfect solution to the problem. Because the option to renew forces developers to accept a lower incentive rate and restarts the three-year project deadline clock, kicking other projects out of line which may have been waiting significant amounts of time to secure their position in the program, it should be seen only as a last resort for projects in dire need of program assistance. Most projects will not fall into this category. The bulk of projects that run up against time constraints due to supply chain, permitting, or interconnection issues will be able to address those issues within a six- or twelve-month extension period. These projects should not be financially penalized because a municipal permit took three months longer than expected or because the finalization of their interconnection agreement was delayed due to unexpected EDC system upgrade requirements or similar delay-causing issues. Simply allowing deadline extensions in six month increments by way of application and explanation to the Board or the Board’s program administrator is more likely to encourage project completion than creating a single extension that may be viewed by program participants as a disincentive.

It is important to note that developers are already strongly incentivized to finish their projects from a purely financial perspective. Most developer’s projects are undertaken with the financial backing of investors who have calculated a return on their investment based on the projected commercial operation date of the facility. When a project goes over that anticipated timeline, there may be legal and financial ramifications for the project beyond that imposed by the Board.

Any state incentive program designed to attract private capital and to support the development of a private industry should not make imposition of program deadlines a primary concern, nor does the strict imposition of program deadlines affect the market conditions developers face. Rather, if the Board is concerned with promoting the deployment of private capital through the establishment of a stable market structure that attracts low-cost capital, the Board should create safety nets for developers and their investors that ensure that projects will maintain their incentives at the levels anticipated in the financial models of the projects, even if project completion occurs two or three months after initially expected.

**VI. The Board Should Consider Enhancements to the Incentive Allocation Process**

**a. The SIP Should Incentivize the Greatest Number Of Projects In The First Years and Gradually Step Down Its Procurement In The Latter Years Of The Program**

The Straw Proposal states, and the Board Staff reiterated in the SIP stakeholder meetings, that the Staff envisions a program that creates a “self-sustaining” market, meaning that the market becomes so vibrant by 2030 that no further incentives are necessary to prime the buildout of energy storage in the state. However, the proposed energy storage allocations, as presented in the Straw

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<sup>4</sup> SIP Straw Proposal, page 30.

Proposal in Table 2: Grid Supply and Distributed NJ SIP Allocations,<sup>5</sup> begin with the smallest procurements in Energy Year 1 (2023/2024) and gradually rise to the greatest procurements in the final Energy Year (2029/2030). The objective should be to create a “prime the pump” program that leaves behind a thriving, self-propelled private industry. Therefore, to jump-start the storage market in New Jersey, it would be judicious to begin with the largest procurements in Energy Year 1 and 2.

**b. The Board Should Review the Fixed Incentive Annually and Announce the Value of the Incentive Prior to Each Energy Year**

Elevate Supports the Board Staff’s recommendation that the Board reserves the right to adjust the fixed incentive amount prior to each year’s procurement. The Board should be prepared to review the incentive value annually as a matter of policy, rather than relying on under-subscribed capacity blocks to signal to program administrators that the incentive level is unattractive. Relying on capacity blocks to remain under-subscribed for a significant period of time is counterproductive to the overarching program goal of achieving 2,000 installed MWs by 2030 and, in practice, may slow the deployment of storage in the state.

Therefore, given that development costs do not reliably decrease over time, and given that unexpected market fluctuations do occur with some frequency, the Board should review the value of the fixed incentive on an annual basis as a matter of policy and should announce such value prior to the opening of that year’s procurement period.

The declining block structure of the fixed portion of the incentive assumes that “storage costs are generally expected to decline over the next decade.”<sup>6</sup> Because the Board is primarily concerned with promoting the deployment of private capital through the establishment of a stable market structure that attracts low-cost capital, the Board should not base its incentive program on the declining costs assumption. The reality of the market, as demonstrated by the experience of the solar industry, is that costs fluctuate over time. Private capital investors will be responding to market conditions as they are—not based on assumptions of declining costs.

While the Inflation Reduction Act (“IRA”) is assumed to drive down the cost of development in both the storage and solar industries, it is not a blanket solution to the interconnected global issues affecting supply chains, labor availability, international relations, and inflation. In fact, to date, the IRA is having the opposite effect on the storage industry – giving investors solar-industry tunnel vision and decreasing investment in the storage industry, as noted by the Mercom Capital Group in its latest storage funding report:

VC funding (including private equity and corporate venture capital) raised by Energy Storage companies in Q1 2023 came to \$1.1 billion in 19 deals, an 8% decrease year-over-year (YoY) compared to \$1.2

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<sup>5</sup> SIP Straw Proposal, page 14.

<sup>6</sup> SIP Straw Proposal, page 16.



billion in 22 deals in Q1 2022. Quarter-over-quarter (QoQ) funding was 35% lower compared to \$1.7 billion in 22 deals in Q4 2022.<sup>7</sup>

**c. The Board Should Not Assume that the Cost to Construct Energy Storage Resources will Decrease Overtime**

The Board should draw upon its experience in the administration of the solar incentive programs and the many petitions requesting deadline extensions based on unexpected delays and increased costs to developers to determine that the value of the fixed portion of the incentive. The incentive should not decrease over time based on an assumption of perpetually decreasing costs. An incentive that gradually decreases over time, regardless of market conditions, will not be attractive to investors and will not promote the deployment of private capital.

There are circumstances and broader market forces beyond the developers control that can impact timelines and cost assumptions for projects. For example, in March 2022, the U.S. Department of Commerce (“DOC”) announced an investigation into the manufacture of solar modules produced in certain Asian countries to determine whether Chinese manufacturers were using these countries to evade U.S. tariffs. Due to the investigation, solar developers were either exposed to skyrocketing prices for imported modules or suffered canceled purchase orders. These modules are critical components of the construction of solar panels and the developers were reliant upon them to achieve commercial operation of their projects. Faced with the necessity of purchasing the modules to complete their projects, solar developers absorbed the increased costs the investigation imposed upon them. Some estimates state that the DOC investigation affected over 80% of CSPV modules across the country.<sup>8</sup>

The increase, rather than decrease, in the cost of development seen in the solar industry over the course of the New Jersey TI and SuSI Program implementation periods is an obvious example of what difficulties may confront the storage industry as well.

**d. Capacity Blocks Should be Annualized Segments; Capacity Blocks Should Not be Divided into Tri-Annual Blocks.**

Each capacity block should be equivalent to one Energy Year of the program, rather than separated into three intra-year portions. The proposed capacity for Block 1 of Energy Year 1 is 5 MW. This may be the equivalent of a single grid-supply storage project. Should a 5 MW project apply at the opening of the SIP, and no other projects would be allowed to submit applications until the opening of Block 2? The capacity allocation in Block 2 is only 10 MW, possibly the equivalent of two grid-supply projects. Rather than accelerating the rapid development of energy storage in the state, the intra-year division of capacity blocks may also slow the progress of development.

In addition, because the value of the incentive is based on the declining structure, intra-year blocks create a program that assumes that storage will be less costly to develop over a period

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<sup>7</sup> Mercom Capital Group. Q1 2023 Funding And M&A Report For Storage And Grid. <https://mercomcapital.com/product/q1-2023-funding-ma-report-storage-grid/>

<sup>8</sup> McGuireWoods. U.S. Department of Commerce Investigation of Solar Panel Imports Puts Solar Projects at Risk. April 15, 2022. <https://www.mcguirewoods.com/client-resources/Alerts/2022/4/us-department-commerce-investigation-solar-panel-imports-puts-solar-projects-risk>

of months. This is an unrealistic assumption. It takes time for market conditions to change. Even with the implementation of the Inflation Reduction Act, it will take years for developers to obtain the actual benefits of the credits. Therefore, capacity blocks should be divided into annual segments, based on the Energy Year of the program.

## **VII. The Board Should Refine Its Proposed Definition of Energy Storage to Fulfill Its Objective for A Technology-Neutral Storage Incentive That Properly Reflects The Expansive Operational Capabilities and Market Realities of Energy Storage**

Elevate supports the Board’s recommendation for a technology-neutral storage incentive. However, while the Straw Proposal notes that the SIP incentive will be technology neutral,<sup>9</sup> the proposed definition for energy storage: *“A device that is capable of absorbing energy from the grid or from a Distributed Energy Resource (DER), storing it for a period of time using mechanical, chemical or thermal processes, and thereafter discharging the energy back to the grid or directly to an energy using system to reduce the use of power from the grid”* leaves room for misinterpretation or misapplication of the policy. For example, FERC Order 2222 defines Distributed Energy Resources (DER) as “small-scale power generation or storage technologies (typically from 1 kW to 10,000 kW) that can provide an alternative to or an enhancement of the traditional electric power system.” This definition limits eligible storage facilities to those paired with small-scale generators 10MWs and under, or which are connected to the grid. A technology-neutral incentive should be inclusive of energy storage facilities that absorb electric energy from all sources. To broaden the definition of energy storage to ensure that the SIP provides a truly technology-neutral incentive, the Board should provide the following definition: *“A device that is capable of absorbing electric energy from the grid, from a Distributed Energy Resource (DER), or from any other source of electricity, and which can store such electric energy for a period of time using mechanical, chemical or thermal processes, and thereafter discharge the energy back to the grid or directly to an energy using system to reduce the use of power from the grid.”*

## **VIII. The Board Should Open a Second Comment Period After the Performance Metrics and Formula Are Proposed for the Fixed and Performance-Based Portions of the Incentive**

While the Straw Proposal describes some of the basic ideas that will likely form the basis of the rules governing performance metrics for the fixed portion of the incentive and the formula for greenhouse gas reduction measurements for the performance-based portion of the incentive for grid supply resources,<sup>10</sup> there is no proposed rule for these aspects of the incentive. Administrative rules can only be promulgated in compliance with N.J.S.A. 52:14B-4; namely, by publication of a summary and explanation of the rule and providing the public with a reasonable opportunity to

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<sup>9</sup> SIP Straw Proposal, page 5.

<sup>10</sup> Language in the Straw Proposal includes statements such as: “In terms of determining the exact incentive rate, this Straw proposes that the Program Administrator work with stakeholders to develop the specific calculation. However, at the simplest level, Staff envisions that energy storage devices will be required to track the marginal emissions rate at the time the device is discharging (in pounds of CO<sub>2</sub>-equivalents/MWh) minus the marginal emissions rate at the time the resource is charging.” p. 24.

submit data, views, or arguments, orally or in writing, in response to such publication.<sup>11</sup> In order to comply with N.J.S.A. 52:14B-4 of the APA, we recommend that the Board issue a second notice and open a second comment period after the Board has selected a Program Administrator and after the Program Administrator has had an opportunity to work with stakeholders to develop and propose the relevant rules.

## CONCLUSION

The Storage Incentive Program's Straw Proposal demonstrates a clear commitment to achieving the State of New Jersey's clean energy goals. The program is well-crafted and is grounded in strong programmatic principles. For example, Elevate strongly supports the proposed private ownership model of the program, which is consistent with New Jersey's restructured competitive market structure.

However, some elements of the Straw Proposal require better alignment with the SIP's stated program goals. For example, the fixed incentive should be determined by annual review and announced prior to the procurement period each Energy Year; it should not be based on a declining block structure because a rigidly declining incentive value does not take into account the inevitable fluctuations of the market. In addition, each capacity block should be equivalent to one Energy Year and should not be further divided. Intra-annual divides create a degradation of the incentive amount without allowing enough time for market conditions to change enough to merit the degradation and without the administrative review necessary to determine whether or not such changes have actually occurred. Further, smaller capacity blocks do not allow enough projects to participate at a given incentive level, creating disparate treatment between projects subject to similar or equivalent market conditions. In addition, the SIP should provide up to two six-month extensions before requiring projects to accept a lower incentive level to provide comfort to private investors and create the supportive framework needed for a robust infusion of private capital. These changes to the SIP are necessary to promote the deployment of private capital and establish a stable market structure that attracts low-cost capital.

In addition, in order to achieve the program goal of creating a self-sustaining market, the procurement targets should begin with the highest level of procurement in Energy Year 1 and gradually descend to the lowest level of procurement in the final Energy Year. A gradual step-down in procurement coupled with a market-responsive fixed incentive that allows for some degree of necessary extensions will be highly attractive to investors and will create the prime-the-pump program outcome the Board Staff envisions.

Further, the Board should develop pre-registration project maturity requirements similar to those imposed in the CSI Program to incorporate the principles of "first-ready, first served" and ensure that projects not suited to entry in that energy year do not unnecessarily clog the program.

Importantly, the Board should either create a separate tranche for projects sited on contaminated lands, brownfields, and landfills with an extended timeframe within which projects must complete commercial operation or the Board should provide a 'Brownfield Adder' in which

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<sup>11</sup> *Woodland Priv. Study Grp. v. State*, 109 N.J. 62, 65, 533 A.2d 387 (1987).

projects sited on contaminated lands, brownfields, and landfills are eligible to receive an increased incentive to tackle the long-standing and complicated issues these sites present.

Finally, the Board should ensure that the program is truly technology neutral by defining energy storage as *“A device that is capable of absorbing electric energy from the grid, from a Distributed Energy Resource (DER), or from any other source of electricity, and which can store such electric energy for a period of time using mechanical, chemical or thermal processes, and thereafter discharge the energy back to the grid or directly to an energy using system to reduce the use of power from the grid.”*

These changes are crucial to a smooth implementation of the SIP that widely attracts private investment and creates a prime-the-pump program that can step away from a vibrant and thriving industry in 2030 without further investment.

Elevate is excited to participate in the development of this program and to partner with the people of the State of New Jersey in creating a clean energy future.

**Respectfully Submitted,**

A handwritten signature in black ink, appearing to read 'Tonja Wicks', written in a cursive style.

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