



RISE
LIGHT & POWER

September 18, 2023

Ms. Sherri L. Golden
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
PO Box 350
Trenton, NJ 08625 – 0350

Via email to: Board.Secretary@bpu.nj.gov

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

Dear Secretary Golden,

Rise Light & Power, LLC (“Rise”) appreciates the opportunity to provide the Board with responses to the Request for Information (“RFI”), dated August 8, 2023, issued in connection with the preparation of a revised New Jersey Storage Incentive Program (“NJ SIP”) Straw Proposal.

We support the BPU’s and the Murphy Administration’s renewed emphasis on energy storage resources to help New Jersey achieve its 2,000 MW target by 2030. We agree that energy storage resources will not only enhance the resilience of New Jersey’s electric grid, but such energy storage resources will facilitate the reduction of carbon emissions and enable New Jersey’s transition to 100% clean energy. As such, Rise is committed to contributing to the successful implementation of the NJ SIP in the most sustainable and cost-effective manner.

We appreciate the opportunity to provide comments and share our insights on select questions from the RFI. Based on our team’s experience in developing large scale projects in New Jersey and energy storage projects generally, we offer several suggestions that we believe will help the State meet its energy storage goal in a manner that minimizes risks and resulting costs to New Jersey’s ratepayers.

We also look forward to future stakeholder meetings on the NJ SIP. Please do not hesitate to reach out to us if we can be of further assistance.

Respectfully,

Richmond Young
Director of Development
Rise Light & Power



Background on Rise

Rise Light & Power (“Rise”) is an energy transition specialist focused on helping New Jersey and New York achieve their clean energy goals. Our strategy is simple: transform legacy fossil fuel generating facilities and sites into clean energy hubs. Rise is a subsidiary of LS Power – a New York based development, investment, and operating company which has raised over \$49 billion in debt and equity financing, over the last 30 years, to support building out North America’s power and energy infrastructure.

Rise owns three principal assets: (1) the Ravenswood Generating Station, the largest power plant in New York City; (2) the Werner Power Station property (“Werner Property”), the site of a now retired coal-fired and oil-fired generating facilities in South Amboy, NJ; and (3) an ownership interest in Attentive Energy, LLC, which owns lease area OCS-A 538 and is developing offshore wind facilities for New Jersey and New York.

The Werner Property consists of 26-acres of waterfront industrial brownfield and 24 acres of riparian land, that hosted a coal plant from 1929 to 2015. Rise is currently completing remediation of the site, in accordance with the State’s Industrial Site Recovery Act.

Rise plans a large-scale development to transform Werner Property into a clean energy hub to support New Jersey’s clean energy transition through 3 primary initiatives:

1. **Offshore Wind:** New Jersey has established itself as a national leader in this fast-growing sector and Rise is committed to helping the State achieve its ambitious goals with two projects anchored on this site.
 - a. **Outerbridge Renewable Connector:** The Werner Property is an ideal location to connect power cables from offshore wind to the onshore grid because it avoids impacts to recreational beaches. Rise proposed the Outerbridge Renewable Connector under the 2021 SAA and is advancing the project in anticipation of SAA 2.0.
 - b. **O&M Port for Offshore Wind:** With 24 acres of riparian rights and deep-water access, the Werner Property is an ideal host to an O&M port facility to support offshore wind projects by converting barge-served infrastructure to support crew transfer and service operation vessels.
2. **Utility Scale Energy Storage:** Helping to balance the intermittent nature of renewables by developing a battery energy storage system (“BESS”) on the Werner Property. Rise has proposed to the BPU an approximately 100 megawatt BESS to balance the intermittent energy supply from offshore wind and help meet the State’s goal of 2,000 MW by 2030.
3. **Green Hydrogen:** Leveraging access to renewables, the existing electrical infrastructure, and 24 acres of riparian rights on the Raritan Bay, Rise is developing plans for a large-scale green hydrogen facility to help decarbonize the most challenging sectors of New Jersey’s economy.

Our team has extensive experience in developing, building, and operating large-scale energy assets. More importantly, our team has a successful track record in delivering complex projects in close collaboration with local communities. Rise is working in close partnership with the City of South Amboy to ensure that the Werner Property development would not be inconsistent with the city’s long-term vision.

Rise RFI Responses

2.0 Installed Storage Targets, Deployment Timelines and Capacity Blocks

2.2 Should the proposed first-come, first-served application process be changed to a “First-Ready, First-Served” process?

Rise recommends that the BPU consider shifting to a periodic proposal submission window (i.e., similar to the procurement of Offshore Renewable Energy Credits) to process applications, rather than a “first-come, first-served” or a “first-ready, first-served” process. A periodic proposal window would provide the BPU with the following benefits:

First, having a periodic proposal window would require applications to be submitted by a pre-established due date. This would help the BPU manage resources to ensure that applications are evaluated expeditiously – providing developers with increased schedule transparency and minimizing delays in program implementation. Having a specified due date would also minimize the incidence of incomplete applications as developers would not be rushed to “secure” the available capacity blocks – which would occur under a “first-come, first-served” or “first-ready, first-served” process.

Second, a periodic proposal window would enable the BPU to evaluate all project proposals submitted in response to a proposal window at the same time – allowing the BPU to evaluate project proposals with the benefit of a contemporaneous assessment of the competitive market landscape and providing a means to award project(s) that results in the lowest cost and lowest risk to New Jersey ratepayers. In addition, Rise believes that this approach is more favorable in assessing the impact to the grid, compared to an approach that evaluates projects individually (as received), as it would be consistent with the planned interconnection queue reform to be instituted by PJM. Moreover, utilizing a periodic proposal window would allow the BPU to diversify the projects awarded (e.g., by size, developer, location) and mitigate concentration risk.

Third, a periodic proposal window allows the BPU to institute stakeholder meetings in between submission dates and incorporate any necessary adjustments to the NJ SIP program. Rise recommends an active stakeholder engagement process to be part of the NJ SIP as the developers and BPU will need to work collaboratively to launch a successful NJ SIP program. Under the NJ SIP Straw Proposal, Rise understands that Staff contemplates mechanisms that would allow the BPU to make adjustments every year. However, Rise believes that a robust stakeholder process would complement a staff review and provide more transparency to any changes made by the BPU to the NJ SIP as the market evolves.

4.0 Overburdened Community Incentives

The Straw proposed three methods to support OBCs with energy storage incentives.

- **An incentive adder in kWh**
- **A separate incentive block**
- **An additional up-front incentive**

4.1 Staff is considering establishing both an adder and a capacity block for OBCs. What size should the capacity blocks be over time as a percentage of the overall Distributed segment? How much should the adder be in 1) \$/kWh or 2) as a percentage of the base incentive?

4.2 How can BPU assure that the incentive structure chosen will in fact provide benefits to OBCs?

Rise commends the BPU for proactively designing the NJ SIP to encourage the development of energy storage projects in overburdened communities (“OBCs”) – which could benefit from increased grid resiliency. However, Rise does not recommend incorporating mechanisms in the NJ SIP that provide additional incentives (i.e., “adders”) to projects in OBCs. Such additional incentives may divert resources away from projects with the lowest cost and risk, and disregards the potential for additional federal incentives that are available under the Inflation Reduction Act. Attracting additional clean energy assets to OBCs could be achieved by establishing capacity blocks under the NJ SIP. However, this approach could lead to a concentration of projects and unintentionally drive up the cost of real estate in OBCs – potentially hampering further opportunities for development.

To encourage proposals across the State that would benefit OBCs, Rise offers the following recommendations to the BPU for consideration:

First, the BPU should seek diversity in project proposals – across size, developer, and location. This would reduce the concentration risk as the failure of a single developer, or the inability to interconnect at a particular location, would not impede the State’s ability to meet its 2,000 MW target by 2030. With respect to project sizes and locations, Rise recommends that BPU provide guidelines (via “soft” capacity targets) on energy storage projects to be located in OBCs. As not all OBCs are equal, the BPU can be more prescriptive by creating different OBC zones (e.g., North, Central, South, West) and establish guidelines for each zone. Having explicit guidelines for each OBC zone would “nudge” developers to find solutions that meet the State’s policy objectives, while minimizing the risk of project concentration. Moreover, it would provide the BPU with flexibility to consider all options, and weigh the benefits of project diversity against overall program costs to rate-payers.

Second, Rise understands the BPU currently does not envision encouraging grid supply storage projects in OBCs because such projects tend to have fewer localized benefits (i.e., does not add to the resilience of the local community). To provide a more quantitative guideline, the BPU may want to consider incorporating *Locational Net Emissions Reductions* (or “LNER”) in its evaluation process. The concept behind LNER is that a net emissions reduction figure will need to be provided/estimated in the proposal response from placing the energy storage resource in-service, which would be compared to a status quo (or baseline) over the contract period. To achieve this, baseline emissions data will need to be provided as part of the NJ SIP so that all developers could measure their impact, and possibly assist in siting projects. Thus, the LNER would be factored into the scoring criteria and weighed alongside any resiliency benefits. To address the lack of local benefits, the BPU could require grid supply storage projects in OBCs to include a local economic benefits package as part of the proposal submission. This would allow the BPU to consider all options and weigh the merits of each project accordingly.

5.0 Other Questions

5.8 Please provide any other comments on the NJ SIP.

Fee Structure for Grid Supply Projects

Rise urges the BPU to reconsider the fee structure for grid supply projects in the NJ SIP. The proposed fee structure – consisting of both fixed and performance fee elements – results in increased complexity and administrative burden for the BPU.

The fixed fee, measured in \$/kWh of storage capacity (and intended to cover approximately 30% of a project's total cost), seems arbitrary – raising the risk of setting the fee too high or too low. Rise recognizes that the BPU posed several questions related to the fixed fee to stakeholders and expects responses to vary. First, the total project cost will depend on the size of the storage project – with larger projects having economies of scale advantage (i.e., lower cost in \$/kWh basis) compared to smaller projects. Second, costs will depend on the technology used. The NJ SIP straw proposal provides flexibility in technology type, so long that it is commercially available. This begs the question on what technology to benchmark in setting the fixed fee. Third, should the fixed fee be calculated before or after any Federal incentives? The Inflation Reduction Act provides several benefits, including an additional 10% investment tax credit for those that are located in brownfields. Establishing a fixed fee to account for the various scenarios will add to the program's complexity.

The performance fee, as proposed, which is tied to marginal carbon emissions reduction during operations, seems equally arbitrary. Again, project size will be a determining factor as larger projects would require a lower fee compared to smaller projects (all else being equal). In addition, the NJ SIP would require tracking of actual emissions to ensure the operation of storage projects do not actually increase carbon emissions. Though not perfect, the level of carbon emissions and energy prices are strongly correlated as fossil-fired peaking units tend to come online when prices are high. Storage developers are naturally incentivized to maximize the economic performance of the project – which entails charging when prices are low, and discharging when prices are high. As such, the current proposed approach that requires storage project operators to manage operations to minimize carbon emissions could lead to higher fees, and higher costs to New Jersey rate-payers.

As an alternative, Rise recommends that the BPU consider a more simplified fee structure – one that is similar to the OREC. Under a Storage Renewable Energy Credit (“STOREC”), developers would bid on a specific fee in a \$/kWh basis over the contract term. Any actual revenues and incentives earned by the project (e.g., energy supply, capacity, ancillaries, tax credits, etc.) would be remitted to the State to minimize the cost of the STOREC (and impact to rate-payers). The BPU could then tie additional programs to the STOREC that incentivize measurable carbon reductions (as described further below). A STOREC-like structure provides several advantages for the BPU:

- 1) ***Simplifies the Incentive Fee Structure.*** Developers bid on a single price metric that provides objectivity and allows comparability across the State. Eliminates the need for BPU to establish fee levels, and instead defers to the market. Moreover, it maximizes competitiveness as developers retain the flexibility to maximize revenues – minimizing cost to rate-payers.
- 2) ***Utilizes Existing Contractual Mechanisms.*** BPU can leverage its experience from the OREC program, and the contract mechanism utilized – which would facilitate deployment of the NJ SIP. The OREC contract has been proven to protect rate-payers from additional costs and risks – which would help ensure that well qualified projects are proposed to the BPU.

- 3) ***Incorporates Impacts of Project Size and Technology.*** A STOREC price bid would reflect differences in project size and technology – features that the BPU seeks to remain flexible on. All else being equal, larger projects would have a lower STOREC price, which lowers the cost to rate-payers.

Rise understands that the carbon emissions reduction on storage projects is of paramount importance to the BPU. One way to encourage this in operation of storage projects is to provide bonus payments when such reductions are achieved (relative to a pre-established baseline) The BPU could look to several mechanisms to facilitate a bonus payment in the following year/period as a result of achieving measurable reductions to carbon emissions (e.g., “adders” to the STOREC, tax credit/refund, etc.) The bonus payment could also be structured in a scaled manner based on actual emissions reduction versus the baseline.

Capacity Block Size for Grid Supply Projects

Rise recommends that the BPU reconsider its proposed grid supply procurement schedule in light of the STOREC fee structure as discussed. The NJ SIP as proposed provides a very slow ramp up to reach the State’s storage goal, and in doing so discourages developers of larger projects – which could quickly help New Jersey meet its 2,000 MW goal by 2030. Rise understands that the straw proposal program has limited funding, which is why we urge the BPU to consider adopting a STOREC fee structure to minimize the cost to rate-payers and encourage applications from larger projects.

Contract Term

Rise agrees with Staff’s recommendation that the contract term under the NJ SIP should be between 10 to 15 years. This provides the long-term certainty to enable developers to secure low-cost project financing on the storage projects. Rise respectfully requests that the BPU lean towards the 15-year contract term as the extra tenor would help lower the program’s cost to the State and rate-payers.