POWER EDISON

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Secretary of the Board

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REQUEST FOR INFORMATION

IN THE MATTER OF THE NEW JERSEY ENERGY STORAGE INCENTIVE PROGRAM
Docket No. QO22080540

This RFI contains five sections. The first four sections contain a brief summary of the applicable section of the NJ SIP, followed by questions for that section. The fifth section includes general questions or questions that address multiple topics. The questions are numbered – please number your responses accordingly.

1.0 Utility Ownership/Dispatch Control

The Straw "does not propose to allow for utility ownership or operation of devices," but notes that "EDCs will play a key role in building the grid infrastructure necessary to enable the effective dispatch of energy storage devices." This proposal was intended to encourage private ownership and operation of energy storage devices and the development of a robust energy storage sector in New Jersey's restructured competitive market.

1.1 What are the advantages and disadvantages of utility control versus non-utility control of energy storage systems?

We firmly believe that utilities should be allowed to own and operate storage systems. Advantages of utility ownership for Grid Supply storage systems include:

- *Utility has low cost of financing compared to 3rd party financiers and IPP balance sheet financing which lowers the overall cost to ratepayers.*
- *Utilities can procure through professionally run and managed RFP's ensuring low cost of supply.*
- *Utilities would ensure quality and safety of energy storage systems.*
- *Utility deployments address grid challenges that are aggregated for many customers in a load pocket. Rate-payer ownership is the most socially fair.*
- *Peak shaving is the most valuable and beneficial energy storage service as it reduces the costs attributed with peak generation and T&D infrastructure build-out.*
- *Utility ownership is the fastest path to procuring and installing grid-connected energy storage systems, helping NJ reach its energy storage targets.*

Regarding utility control, energy storage developers and/or private owners should be able to retain control over their energy storage systems as long as there is a mechanism through earning performance incentives or otherwise to dispatch assets at times dictated by the utility.

1.2 For Distributed resource Performance-based Incentives, should responding to a utility signal be compulsory or voluntary?
If the value of the performance-based incentive is sizeable, then it should be compulsory.

1.2 For Grid Supply resources Performance-based Incentives, should responding to a market signal be compulsory or voluntary?
If the value of the performance-based incentive is sizeable, then it should be compulsory.

2.0 Installed Storage Targets, Deployment Timelines and Capacity Blocks

The Straw set annual installed energy storage targets that increase over time (see section V. D. of the NJ SIP Straw Proposal for details).

2.1 How should capacity blocks be structured and proportioned, both within each component of the NJ SIP (Grid Supply and Distributed) and relative to each other?
Large emphasis on Grid Supply assets.

2.2 Should the proposed first-come, first-served application process be changed to a "FirstReady, First-Served" process?
No, it should remain first come first serve. However, there should be a set time to allow for developers to install an energy storage system. If this time is exceeded, then the incentive should be revoked and assigned to an entity next in line.

2.3 How should the program be designed to avoid or minimize interconnection delays? Should the interconnection process be modified for accommodating energy storage and if so, how?

3.0 Incentive Structure

The NJ SIP incentives are proposed to be comprised of two incentive payments, a Fixed Incentive and a Performance-based Incentive (see section V. E. of the NJ SIP Straw Proposal for details).

3.1 Incentives are meant to cover a portion of the fully installed cost of an energy storage system. What is the fully installed unit cost (in $/kWh) for energy storage systems at present, and estimated to be each year through 2030? How do New Jersey-specific costs vary from these estimates? Please provide links to your references.

3.2 What are the best public data sets for energy storage costs?

3.3 Should Fixed Incentives be assignable to an aggregator?[1] Why or why not?

3.4 Should a Distributed energy storage resource that can provide grid services have the ability to opt in to either the Grid Supply or the Distributed storage program, for both the Fixed and Performance-based incentives?

[1] An aggregator is a third party that has an agreement with the owners of multiple energy storage systems to manage the energy storage systems on behalf of the owner.

3.5 The Straw proposes the use of the PJM Marginal Emission Rate ("MER") signal as a basis for Performance-based Incentives for Grid Supply energy storage systems. Is or will the PJM MER be sufficiently developed to use to calculate NJ SIP Performance-based Incentives?

3.6 Is there a different methodology that can be used to determine Performance-based Incentives, such as a Peak Demand Reduction program?

3.7 If a Peak Demand Reduction program were to be developed, how should it be structured? What other states have similar programs that New Jersey should use as a benchmark?

3.8 What degree/percentage of Peak Demand should be targeted for reduction? What effect would such a program have on GHG emissions?

3.9 The Straw proposed that each EDC establish its own level of Performance-based Incentives. Should EDCs establish EDC-specific performance incentives, or should the incentive be standardized and common to all EDCs?

3.10 Should energy storage owners be permitted to opt in, or be subject to utility control, in order to be eligible for Distributed performance incentives?

3.11 How should incentives be structured for thermal storage systems?

3.12 Under what circumstances, if any, should Distributed resources be able to opt in to Grid Supply Performance-based Incentives?

3.13 Large projects and long duration projects have the potential to qualify for significant incentives. Should incentive caps be applied in this program? If so, how (for example, by customer, project, developer, duration or meter), or other method?

3.14 Should a cap be set such that the sum of federal and state incentives does not exceed a certain amount? If so, please provide details.

3.15 What provisions should be included in the program for monitoring, reporting and evaluation in order for deployed projects to maintain eligibility for incentives that are paid over time?

3.16 How can BPU structure NJ SIP Performance-based Incentives to both promote value stacking and prevent double compensation?

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?

5.0 Other Questions

5.1 What actions, if any, should BPU take to improve access to the energy storage value stack as part of implementing the NJ SIP?
NJ BPU should explicitly allow energy storage systems to be mobile to allow for unlocking value stacking as the storage system can be redeployed within its life and hence providing a more prudent investment for the ratepayers.

5.2 How will Federal Energy Regulatory Commission ("FERC") Order 2222 affect New Jersey's energy storage market? What changes should the Board make to the NJ SIP to take advantage of PJM's pending implementation of FERC Order 2222?

5.3 Are modifications to the NJ SIP needed to maximize the ability of energy storage developers to access federal investment tax credits or other federal incentives?

5.4 What provisions, if any, should be established for interconnection of zero-export energy storage facilities (that is, energy storage facilities that do not inject power back into the grid and only supply power to on-site load)?

5.5 What specific best practices regarding rates and tariffs from other states should be incorporated?

5.6 Should energy storage be utilized and compensated in the Triennium 2 Energy Efficiency /Demand Response proceeding as an allowable Demand Response resource? If so, what changes, if any, should be made to the NJ SIP design to avoid potentially providing double compensation for the same service?

5.7 How should energy storage systems be metered and measured? Can an inverter serve this function? What role should advanced metering infrastructure ("AMI") play in the NJ SIP?

5.8 Please provide any other comments on the NJ SIP.