



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

CleanCapital Comments on August 8th RFI

September 19, 2023

CleanCapital appreciates the opportunity to offer input to the New Jersey Board of Public Utilities (BPU or Board) regarding the New Jersey Energy Storage Incentive Program (NJ SIP).

CleanCapital is a diversified clean energy investment platform. Founded in 2015, CleanCapital's mission is to accelerate the flow of institutional capital into middle market clean energy projects to further the energy transition. CleanCapital invests in early-stage development, new construction, and operating solar and energy storage projects, as well as partner companies developing future pipeline opportunities. CleanCapital has successfully acquired and managed over 230 operating and new construction projects in 26 states and one U.S. territory, totaling 460 MW.

CleanCapital appreciates the hard work and leadership from BPU Staff in developing a thoughtful straw proposal, reviewing stakeholder comments, and seeking additional stakeholder feedback to inform a revised NJ SIP Straw proposal.

In general, CleanCapital supports the initial joint Solar Energy Industries-New Jersey Solar Energy Coalition comments on the NJ SIP Straw Proposal submitted on December 12, 2022, which addresses most, if not all, of the questions addressed in the RFI issued on August 8, 2023. CleanCapital further supports the joint industry comments submitted by the New Jersey Solar Energy Coalition (NJSEC), the Solar Energy Industries Association (SEIA), and Advanced Energy United (United) in response to the RFI issued on August 8, 2023. The breadth of signatories on these joint comments signifies a de facto consensus amongst the energy storage development and investment community around the preferred conceptual design for the NJ SIP.

While the Joint comments submitted by NJSEC, SEIA, and United in response to the RFI's specific questions serves as a general proxy for CleanCapital's response, CleanCapital reiterates the following:

- The BPU should maintain the NJ SIP Straw's emphasis on encouraging private ownership and operation of energy storage devices, aligning the emerging market for energy storage deployment with New Jersey's restructured competitive market structure.
- The NJ SIP should be structured in a way that is clearly accessible to distribution-connected front-of-the-meter energy storage devices, transmission-connected front-of-the-meter energy storage devices, and behind-the-meter energy storage devices.
- The fixed portion of the NJ SIP for all market segments should be designed as a declining block, fixed incentive paid in \$ per KWh for a contract length of between 10-15 years.
- The fixed portion of the NJ SIP should be designed as a true block program, without intra-year capacity blocks or blocks of capacity tied to an arbitrary energy year, in order to provide greater certainty on revenue streams and create a progression from one price level to another based on the response of the market.

- The performance-based portion of the NJ SIP for all market segments should be designed as payments tied to the voluntary dispatch of storage during specified peak events.
- The NJ SIP should be designed to allow existing storage resources to participate in the pay-for-performance-based portion of the incentive in order to encourage all energy storage customers to share their private resources– the battery and its stored electrons – to benefit the grid as a whole.
- The NJ SIP should be structured in a way that is flexible in its ability to add extra capacity, or additional blocks of capacity, to make up for any shortfall in the assumed 1,000 MW staff anticipates being awarded in the Competitive Solar Incentive Program’s dedicated tranche for storage in combination with grid supply solar.
- The NJ SIP should clarify that a solar+storage project with less than 5 MWac of solar paired with storage can participate in both the ADI and the NJ SIP.
- The NJ SIP should clarify that any site with an existing solar installation can add storage and participate in the NJ SIP.

Furthermore, the breadth of signatories on the joint NJSEC, SEIA, United comments signifies a de facto consensus amongst the energy storage development and investment community around the preferred conceptual design for the NJ SIP, including how capacity blocks (not annual blocks) should be structured and proportioned, both within each market segment of the NJ SIP and relative to each other:

Block	Transmission-Connected FTM (MW)	Distribution-Connected FTM (MW)	BTM-Non-Residential (MW)	BTM- Residential (MW)
1	100	70	50	30
2	100	70	50	30
3	100	70	50	30
4	100	70	50	30
TOTAL	1000 MW			

Additionally, parallel to the establishment of the NJ SIP, CleanCapital recommends that the BPU develop a strict timeline to support storage-specific tariff development. The development of a tariff should include storage rates for behind-the-meter and distribution-connected front-of-the-meter storage. We also encourage the BPU to review storage proceedings and studies underway in other states, particularly in Massachusetts and Connecticut, who are developing new wholesale distribution service tariffs to be applied to front-of-the-meter-distribution connected energy storage systems.

Finally, CleanCapital appreciates the robust and timely stakeholder process the BPU has engaged in to evaluate the conceptual design for the NJ SIP. However, the joint comments submitted by NJSEC, SEIA, and United demonstrate a de facto industry consensus amongst the preferred design for the NJ SIP. Whether the BPU staff and its consultants are persuaded by this consensus or not, CleanCapital encourages the BPU to finalize the design of the NJ SIP as soon as practically possible in order to avoid inadvertent market distortions and uncertainty derived from the need for the private sector to make investment decisions in the near term on project pipelines that emerged in response to the market signals created by the NJ SIP.

CleanCapital cautions that further delays may jeopardize early-mover development pipelines triggered by the anticipation of blocks of capacity opening in the 2023-2024 energy year and New Jersey's statutory mandate to achieve 2,000 MW of installed energy storage by 2030. Since the NJ SIP, as currently proposed, envisions that projects must not be placed in service prior to being awarded the SIP, the longer the BPU takes in opening the program from the initially proposed timeline, the more uncertainty for early-mover energy storage development that made initial investments that may soon be ready to commence construction.

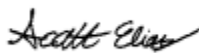
Based on where CleanCapital sits in the market, we are aware of mature projects with advanced interconnection that should be approaching 2024-2025 COD timelines, but will not be economic without additional revenue streams in the form of fixed incentives paid in \$ per KWh for a contract length of between 10-15 years. We are also aware of otherwise attractive investments in front-of-the-meter energy storage projects with signed PJM interconnection agreements, unimpeded by PJM's interconnection transition process, that are effectively impossible to underwrite without additional revenue certainty around the NJ SIP's performance-based incentive. Project maturity requirements are critical to a successful NJ SIP. However, the delayed roll-out of the NJ SIP, coupled with the reality of PJM's transmission reform process, also means that rather than promoting the deployment of private capital, otherwise mature projects that should be successful candidates in the early blocks of capacity in the NJ SIP may run into the unusual position of needing to suspend their attractive PJM queue positions or commence construction, which carries an additional risk of being placed in service prior to the uncertain finalization of the NJ SIP.

As a result, if the BPU's objective is to support the deployment of energy storage devices interconnected to either the transmission or distribution system of a New Jersey EDC and to promote deployment of private capital by establishing a stable market structure that attracts low-cost capital, CleanCapital recommends opening the SIP as soon as possible and/or considering the inclusion of a temporary waiver process in the first year of NJ SIP for projects—or at least transmission-connected projects—that commence construction or receive permission to operate prior to receiving a conditional acceptance for an application in the NJ SIP, consistent with the temporary waivers associated with the first year of the NJ's ADI program.

CleanCapital greatly appreciates the opportunity to provide input in this stakeholder process to inform a revised NJ SIP Straw proposal. We look forward to our continued investment in New Jersey's clean energy economy, and are happy to answer any questions and work with Staff to achieve the seven NJ SIP goals enumerated in the September 29, 2022 NJ SIP Straw and the forthcoming revised straw.

Thank you for considering these comments.

Sincerely,



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