Generac Power Systems
S45W29290 WI-59
Waukesha, WI 53189

Jena Ginsburg
Senior Manager, Policy and Regulatory Affairs
Generac Power Systems, Inc.
S45W29290 Highway 59 Waukesha, WI 53189

December 18, 2024

Re: Docket No. QO22080540 New Jersey Energy Storage Incentive Program, Comments of Generac Power Systems, Inc. – November 7, 2024

Sherri L. Golden
Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350
Phone: 609-292-1599
Email: board.secretary@bpu.nj.gov

Dear Secretary Golden:

Generac Power Systems, Inc. ("Generac") hereby submits these public comments on the New Jersey Storage Incentive Program ("SIP") Straw Proposal ("Straw") pursuant to the Board of Public Utilities ("Board") Notice issued November 7, 2024. Generac is a leading energy technology company that provides advanced power grid software solutions, backup and prime power systems for home and industrial applications, solar + battery storage solutions, electric vehicle charging, virtual power plant platforms and engine- and battery-powered tools and equipment. We have extensive experience developing and participating in energy storage programs in multiple jurisdictions across the country, including Arizona, Connecticut, Massachusetts, New York, and Texas with our PWRCell solar + battery storage and other Generac systems.

Generac has followed and contributed to the development of New Jersey's SIP and applauds the BPU's commitment to integrating stakeholder feedback into the Present Straw. We believe the changes will make the program more competitive and accessible to better achieve the state's critical energy storage deployment and utilization targets.

In the Present Straw, Generac strongly supports establishing that distributed storage will be compensated on a pay-for-performance basis, that incentives will not be contingent to up-time metrics and that Staff has adopted the Clean Energy Act's ("CEA") 2030 storage mandate requiring New Jersey to procure four-hour storage systems capable of 8,000 MWh. These comments will largely address Staff's questions 6 and 9 regarding the *distributed storage* portion of the SIP but will also offer feedback related to whole-systems concerns for the grid-supply design.

Grid Supply:

Generac's technologies are primarily focused on supporting behind-the-meter storage deployments. Nonetheless, we submit the following concerns regarding the Present Straw's discussion of an avoided emissions target, tracking marginal emissions and the practicality of correlating peaker plant dispatches with BESS deployments.

First, Generac believes that establishing a performance incentive based on net avoided emissions may conflict with the grid's immediate need for load relief. In lieu of benchmarking to an avoided emissions target, we recommend that a locational marginal price (LMP) would more appropriately ensure grid stability in tandem with the integration of renewable resources. Generac also stresses that tracking marginal emissions associated with grid supply projects would be an incredibly complex assessment that would require accounting for myriad indirect costs and benefits before determining a net increase or reduction in GHG. Generac believes that factoring in forecasts for air quality conditions into day-ahead dispatch decisions – in-line with existing New Jersey Department of Environmental Protection regulations – can more effectively align emissions reductions with immediate load relief during peak demand periods.

In question 5, Staff asks if projects proving to correlate a reduction between the run time of fossil-based peaker plants in overburdened communities should receive additional weight or preference. Generac counters that establishing a quantitative link between the dispatches of peaker plants in overburdened communities and

the deployment of storage projects is likely impractical. As Staff's consultant has alluded to, there are various direct and indirect costs that make up GHG calculations. Peaker plants operate on LMPs or dispatch signals, regardless of the BESS presence because they serve the entire service footprint of the utility. However, Generac believes this underscores the need for significant deployment of storage both in-front-of- and behind-the-meter to begin meeting peak demand, which in the long-run would offset the need for peaker plants. As BESS presence scales, the impact and ability of distributed storage to attenuate peak demand periods will reduce the reliance of the system on peaker plants'.

Distributed:

(Question 6) Upfront incentive design: Staff asks if the proposed incentive levels are appropriate in the program. Generac believes that evaluating whether incentives are sized commensurately is difficult to determine given that annual performance incentives will be determined by the EDCs. Likewise, we are concerned that sizing incentives to the ESS systems themselves could inadvertently encourage developers to optimize for the incentives, rather than for full system benefits. As proposed, there is a disconnect between nameplate power and the energy provided. While incentives are based on kWh, block eligibility has been proscribed by kW, which will encourage under sizing inverters for larger systems. Instead, allowing the market and grid's needs to primarily drive the location and scale of BESS would be a more appropriate alignment of incentives. Under Connecticut's Energy Storage Solutions program, incentive blocks are set to depend on peak customer demand. This removes the barrier of incentives capping system sizes, while still providing benefits to smaller customers.

Generac appreciates the technical input of Staff's consultant and the contributions the data has made to this Straw Proposal. Nonetheless, it is difficult to assess our market experience with the "gap analysis" results for the block incentives without disclosing the full report. An anonymized or redacted report would support our and

other stakeholders' ability to provide input on this Straw. Stakeholder input on the incentive design would likely provide more depth if the "gap analysis" results are made available.

(Question 9) Requiring EDCs to implement a designated DERMS to manage and dispatch resources: Generac does not believe it is necessary to require EDCs to develop DERMS to successfully implement the SIP and that doing so would only delay the program's launch. There are various programs that are run without utility-operated DERMS, instead successfully utilizing third-party APIs. DERMS provide value and long-lasting broad system benefits, but the SIP should not be predicated on the EDCs developing this.

Generac thanks the Board and Staff for the opportunity to provide these comments on the Present Straw. We are encouraged by the SIP process and the integration of stakeholder input into developing the proposed grid-supply and distributed storage programs. We respectfully request that the Board adopt the recommendations provided herein to ensure a competitive and accessible storage market can continue to develop in the state. We look forward to continuing to work with the Board and welcome further discussion on the suggested modifications.

Respectfully submitted,

Jena I. Ginsburg
Senior Manager, Policy and Regulatory Affairs
Jena.ginsburg@generac.com | Phone: (305)-785-2084
Generac Power Systems, Inc. S45W29290 Highway 59 | Waukesha, WI 53189