December 18, 2024

Sherri Golden
Secretary of the Board
New Jersey Board of Public Utilities
44 S. Clinton Avenue, 1st Floor
Trenton, NJ 08625

Re: Docket No. QO22080540 - CPower Comments in the matter of the New Jersey Energy Storage Incentive Program

Dear Secretary Gordon,

Pursuant to the New Jersey Board of Public Utilities' ("Board's") November 7, 2024 Notice in the above referenced proceeding, Enerwise Global Technologies, LLC, d/b/a CPower Energy Management ("CPower") hereby submits comments on the New Jersey Storage Incentive Program ("NJ SIP") proposed in the Board's 2024 Straw Proposal ("Straw Proposal").[1] CPower is a leading Demand Response ("DR") and Distributed Energy Resource ("DER") Service Provider, with over six gigawatts ("GW") of capacity under management across the nation. CPower participates in all the organized wholesale markets as well as over two dozen retail programs designed to incent energy storage and load reductions. CPower was actively involved in the development of the recently launched Connecticut Energy Storage Solutions ("CT ESS") program and has qualified several resources for participation in that program. The NJ SIP proposal strongly resembles the CT ESS and many of the issues raised now in the Straw Proposal were previously addressed in the process to develop the Connecticut program. Generally, CPower's resources are behind the customer meter and, therefore, the comments below focus on the Distributed component of the proposed NJ SIP.

I. INTRODUCTION

CPower commends the Board's efforts to craft a program that will be critical to New Jersey's ability to meet its energy and climate goals. The Straw Proposal makes

[1] Docket No. QO22080540, In the Matter of the New Jersey Storage Incentive Program, 2024 Straw Proposal (Nov. 7, 2024) ("Straw Proposal")

clear that the Board thoroughly considered prior stakeholder comments in this proceeding, including those of CPower. CPower appreciates the Board's attentiveness and thoughtfulness in responding to those comments, particularly on such issues as private ownership and operation of the storage resources, stacking revenue streams, and the pay-for-performance incentive structure. The Board's thoughtful consideration of these issues in the Straw Proposal is a significant step towards successful launch of the NJ SIP.

However, as detailed in CPower's comments below, there is still much to do and little time to do it to implement an effective storage incentive program in time to meet the State's energy storage target of 2,000 MW by 2030. Although it represents significant progress, the Straw Proposal leaves several key program details undecided. One of the most significant undecided details is the incentive level and relative weighting of incentives between fixed and performance. While the level of incentive that each participant is willing to accept will depend in part on several outstanding program parameters, the preliminary incentive value in the Straw Proposal appears significantly below what is offered in other like programs, and therefore potentially insufficient to attract meaningful participation.

CPower also recommends looking to these other programs to help resolve other issues left open by the Straw Proposal, including the event performance requirements and process and the program application requirements and process. For example, CPower advises against risking program delays and costs by approving unnecessary technology upgrades like a designated distributed energy resources management system ("DERMS") to call performance events, which in other states is a relatively simple process, particularly for nonresidential customers. As explained further below, it would be prudent for the Board to incorporate the lessons learned from other similar programs, particularly given the urgency to implement the NJ SIP.

Given this urgency, CPower agrees with other commenters that the Board must move with deliberate haste to decide outstanding program issues and resolve ambiguity if it has any hope of deploying storage resources in the timeline established by the statute. This includes robust early incentive blocks for both Grid Supply and Distributed energy storage. Distributed energy storage, in particular, will play a critical role in New Jersey's energy transition, given the unique ability of this resource to help relieve local constraints and the relative speed with which it can be developed. CPower is aware of the timeline proposed by Calibrant Energy for program development and launch and is generally supportive, assuming key program issues like a minimum incentive level and participation requirements are resolved prior to releasing capacity.

The Comments below provide input on these important issues related to incentive levels, performance and application requirements, and the program rollout timeline, as well as other issues raised by the Straw Proposal. These comments first respond to the questions presented by the Straw Proposal, focusing on the questions related to the Distribution component of this program, consistent with CPower's experience and business model. CPower also addresses other issues not specifically raised by the Straw Proposal's questions, but which are still integral to program success. Board adoption of the recommendations outlined below will continue progress towards an energy storage program that is best situated to meet the State's storage goals and maximize the potential of this program.

II. RESPONSES TO BOARD STAFF QUESTIONS

A. Straw Proposal Question 6: *The distributed incentive level breakdown provides varying incentive levels for different sized energy storage systems to account for cost differences. Are the proposed incentive levels appropriate?*

Although currently unknown program parameters will influence the appropriate incentive levels, the combined incentives in the Straw Proposal appear significantly less than what is offered in other states, resulting in a relatively unattractive program for participants.

While identifying the right incentive level is critical to program success, the question of whether the proposed combined incentive levels are appropriate is difficult to answer without important program details that are currently absent from the Straw Proposal. In particular, the duration of guaranteed incentives, the relative split between fixed and performance incentives, available alternative revenue streams, and the performance requirements are critical inputs for customers to determine whether to participate in the program.[2] CPower addresses these issues below, but the final determination on such important program details will influence the combined incentives that customers are able to accept to participate in the program.

As to Staff's proposal, CPower initially notes that the 500 kW upper bound of the Medium Project Type is not consistent with the economics of these projects. In CPower's experience, the economies of scale associated with large energy storage projects are generally only realized for projects at a capacity of at least one megawatt. Accordingly, to the extent that the program provides for incentives based on the nameplate capacity of the energy storage resource, it should size the large project type starting at one megawatt or greater. In the alternative, there could be efficiency

[2] These comments elaborate on these important program design features below.

in simply mirroring the sizing parameters that will be adopted in the Board's modernized interconnection rules, currently proposed to be 25 kW or less for level one interconnection, 25 kW to 2 MW for level two, and greater than 2 MW for level 3.[3]

Of much greater concern, however, is the level of the net present value ("NPV") incentives proposed in in the Straw Proposal. In particular, the target combined incentive levels in Table 3 of the Straw Proposal appear more consistent with the upfront portion alone in other analogous programs,[4] rather than the combined upfront and performance incentive. The Straw Proposal contains few details on how its proposed combined incentives were calculated other than to say they are the result of a consultant's "gap analysis" which "estimated the revenue and savings potential of behind-the-meter storage projects" and determined a shortfall relative to "the total installed cost of the systems."[5] It is important to recognize that while the Straw Proposal's incentives may be sufficient to cover the gap in installed costs for certain customers, there are operational costs that should be accounted for in the performance incentives, including, for example, the opportunity costs associated with participating in program events.

Further, there is a value offered by the storage resources in responding to performance events that is not necessarily included in the gap analysis supporting the proposed combined incentive levels. The Straw Proposal correctly explains that "performance-based incentives for storage resources will be designed to encourage the operation of storage assets in a manner that produces environmental benefits and/or helps the electric grid during times of operational stress."[6] However, providing such benefits will come at a cost for participating customers and should be compensated accordingly.

Generally, CPower recommends using the incentives available in analogous programs in other states as a guide to what is needed to promote successful program participation. The net present value of the incentives available for the Connecticut Energy Storage Solutions ("CT ESS") programs, for example, appear significantly higher than what the Straw Proposal offers for the New Jersey SIP. In particular, for the CT ESS large customer class, participants receive a $100/kWh upfront incentive and a $225/kW performance incentive for years one to five and a $130/kW

[3] Docket No. QO21010085, In the Matter of Modernizing New Jersey's Interconnection Rules, Processes, and Metrics, Renewable Energy and Energy Efficiency Proposed Amendments: N.J.A.C. 14:8-4.2 and 14:8-5 Proposed New Rules: N.J.A.C. 14:8-5.10, 5.11, and 5.12, 14:8-5.2 (June 2, 2024) ("Interconnection NOPR").

[4] *Compare* Straw Proposal, p. 11, Table 3 *with* Attachment A (Connecticut Energy Storage Solutions Program Manual), p. 41, Table 5.

[5] Straw Proposal, p. 11.

[6] Straw Proposal, p. 12.

performance incentive for years six to ten.[7] Accordingly, based on CPower's calculations, large customers participating at program launch could receive an NPV combined incentive of $546/kWh.[8] In stark contrast, the combined NPV incentive contemplated by the Straw Proposal for the Large Project Type category is $150/kWh.[9]

Even with the higher incentive, the CT ESS program has experienced significant customer attrition. In particular, the attrition rate for nonresidential customers in the first tranche of the CT ESS has been 32.4 percent.[10] Although factors outside of economics may cause projects to drop out of the program, this data at least indicates that projects receiving CT ESS incentives still struggle to reach commercial operation. Accordingly, in order to attract customers to and retain them in the New Jersey SIP, the Board must offer incentives that account for both the gap in total installed costs and the operational and opportunity costs associated with these batteries.

B. Straw Proposal Question 7: *Are the incentive adders for OBCs too high, too low, or should the proposed OBC incentive otherwise be modified?*

CPower takes no position on the OBC incentive adder at this time but encourages the Board to avoid setting aside capacity exclusive to these customers.

Generally, CPower does not oppose the proposed OBC incentives adders, but is concerned with comments during the November 20, 2024 Stakeholder Meeting indicating that Staff is contemplating a set-aside of program capacity for OBC projects. CPower recommends against establishing a specific capacity block for projects in OBCs, as this could result in putting aside capacity that goes unused, which would adversely affect achievement of the Program goals. Such a set-aside would be particularly problematic if the capacity block devoted to the Distributed program is not sufficiently large. An OBC set-aside of an already small block of capacity could result

[7] Attachment A (Connecticut Energy Storage Solutions Program Manual), p. 41, Table 5 & p. 45, Table 8.
[8] Attachment B (CPower NPV Calculations of Combined CT ESS Incentives). To CPower's knowledge, the support for the Straw Proposal's incentive proposal is not available, so certain assumptions were required in the attach CT ESS Incentives calculation, including an average event length of 2.5 hours and a discount rate of 10 percent. These assumptions are consistent with CPower's experience in similar programs. The attached calculation also *reduces* the upfront incentive relative to what is provided in the CT ESS Program Manual consistent with the declining block incentive rates that were recently approved by PURA. Docket No. 24-08-05, Decision (P.U.R.A. Dec. 4, 2024), p. 11, available at: https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/5dfd10f7c319dfec85258be90050bf9c/$FILE/240805-120424.pdf. However, these details are of little importance, as even with modifications to the assumptions, the CT ESS Incentives will remain significantly larger than what is proposed by the Straw Proposal, which is the fundamental point of this exercise.
[9] Straw Proposal, p. 11, Table 3.
[10] Attachment C (Connecticut Green Back Annual Energy Storage Solutions Program – Year 4 Written Exceptions), p. 1.

in capacity blocks that are simply not meaningful in size and therefore would not attract much interest.

C. Straw Proposal Question 8: *How far along are the EDCs in implementing the technology needed to issue calls for the performance incentive portion of the SIP? Will this affect the design of the performance incentive?*
Straw Proposal Question 9: *Should the Board require EDCs to implement a designated distributed energy resources management system (DERMS) to effectively manage and dispatch resources across their systems?*[11]

CPower recommends that the Board approach an EDC request for expansive technology upgrades with skepticism, require redundant modes of communication for events, and clarify that the EDCs will not control nonresidential customers' storage resources.

Based on CPower's experience in analogous programs in other states, the communication of performance events is a relatively simple process, particularly for nonresidential customers. Wherever possible, the Board should avoid burdening this program with unnecessary costs and program delays associated with superfluous technology upgrades, particularly a complex DERMS platform. For the CT ESS program, for example, events are generally called using open API, and, to CPower's knowledge, the program did not necessitate significant technology upgrades for the utilities.

Although the Board should avoid costly technology upgrades, it is important that EDC communication protocols include redundant and unaffiliated modes of communication for performance events. In CPower's experience, although generally rare, it is possible for a single mode of communication to fail, resulting in missed dispatch signals for program participants. This unnecessarily undermines the value offered by program resources and creates administrative complications when calculating resource performance. Redundant communication protocols, including something as simple as an electronic message, are a straightforward measure that EDCs should implement to support smooth and successful program management.

Most importantly, if the Board wants robust nonresidential participation in the SIP, it must clearly provide that these customers are not required to cede control of their storage systems to the EDCs. This appears to be the intent of the Straw Proposal, as Staff recognizes the importance of private ownership and operation of

[11] CPower views Straw Proposal question 8 and 9 as intertwined and therefore responds to these questions together.

the resources and of "value stacking" potential revenues.[12] However, the Straw Proposal also indicates that distributed storage resources will be "expected to be able to respond automatically" to an EDC dispatch system.[13] It is not clear what the Straw Proposal means by "respond automatically", but this language at least creates doubt regarding participants' autonomy over their storage resources, which is inconsistent with the pay-for-performance model of the performance incentive.

Further, as explained in prior CPower comments in this proceeding, requiring customer-sited nonresidential batteries to be subject to utility control will create uncertainty about the ability to access value streams outside the proposed incentive program, discouraging investment in these resources and making achievement of program goals more difficult. A proper performance incentive will send market signals sufficient to ensure robust participation. However, resource owners and operators must be able to balance that participation with the other considerations like resiliency and safe operations of the storage system. Otherwise, the NJ SIP will likely struggle to attract meaningful participation, particularly from nonresidential customers.

Installing a battery at a nonresidential customer site requires a significant investment. As a result, such investments are pursued only if the expected net benefits over the life of the project yield a positive return. In order to estimate return on investment, the project sponsor must be able to model costs and benefits. If the battery is subject to utility control, however, this task becomes much more difficult because there is significant uncertainty about how the battery would be dispatched and the extent to which it would create on-bill savings and other benefits, such as resilience. Given this, it will be difficult to attract customer-sited nonresidential batteries to the NJ SIP Program if the program requires direct utility control of these batteries or otherwise limits the customer's ability to freely operate its system.

Notably, nonresidential customers are sophisticated energy consumers who will respond to price signals and incentives with the help of their energy service providers. As such, the NJ SIP Program would be better served by creating performance incentives that reward batteries that respond to dispatch calls during a select set of critical hours, with some limit on the number of dispatches each season. This would create benefits for the system while enabling the project sponsor to make reasonable estimates of future value streams so that they can justify investment in the battery.

[12] Straw Proposal, p. 4.
[13] Straw Proposal, p. 15.

E. Straw Proposal Question 10: *Do any aspects of this program need to be modified to address NJ Legislature Bills S225/A4893, should the bill be signed into law?*

This Bill is generally consistent with the Board's NJ SIP design in the Straw Proposal, but also reinforces the urgency of finalizing and implementing the program and the need to develop a performance incentive that accounts for more than the installed costs of the storage systems.

Although New Jersey Legislature Bills S225/A4893 ("Bill") have yet to become law, it is currently the best representation available of the legislative vision for an energy storage program.[14] The Board should therefore align the NJ SIP with the Bill requirements as much as possible to ensure a smooth process if it is eventually passed and signed into law. Fortunately, the SIP outlined in the Straw Proposal is already largely consistent with this Bill. However, there are at least two key points to pull from the contemplated legislation that can help guide the Board's process going forward.

First, there is clear Legislative intent to expediently implement an energy storage program and quickly develop projects. The Bill provides that the Board shall issue an order establishing a storage pilot program within 180 days of the bill's effective date.[15] Further, within a year after establishing the pilot program, the bill requires that the Board compose and submit a report to the Legislature reviewing varying aspects of an operational program.[16] In contrast, the Straw Proposal contemplates a "rollout" of the distribution piece of this program in 2026,[17] which would mean a one-year report would not be due until 2027, clearly inconsistent with the timing contemplated by the Bill.

Second, like the proposed SIP, the bill would provide both an upfront (*i.e.*, fixed) and performance incentive, but the bill identifies the purpose of the performance incentive, which goes beyond just bridging the gap in all-in system costs. In particular, the purpose of the performance incentive, according to the bill, is to:

> (1) provide fair compensation for the full value of services provided by the energy storage system, including improving

[14] N.J. Senate, No. 225, 221st Legislature, available at https://pub.njleg.state.nj.us/Bills/2024/S0500/225_I1.PDF ("S225").
[15] The bill contemplates an initial pilot program within 180 days and a permanent program within three years. S225, pp. 4 & 7. The process outlined in the Straw Proposal is generally consistent with this approach, as the initial capacity block could serve as the "pilot" phase of the program and the Straw Proposal has already built in annual review and refinement procedures that will help enable a more sustainable "permanent" program.
[16] S225, p. 7.
[17] Straw Proposal, p. 6, Table 2.

> the efficiency of the transmission and distribution system and reducing the peak demand placed on electricity generators;
> (2) increase the number of cost-effective energy storage systems that are connected to the transmission and distribution system;
> (3) facilitate the integration of distributed sources of electricity generation; and
> (4) increase the resilience of the transmission and distribution systems through the deployment of back-up power.[18]

The Legislature's articulation of the purpose of the performance incentive is consistent with CPower's explanation above of what is needed to foster customer participation. Specifically, the performance incentive must compensate the resources for the value they provide, not just cover the gap in total installed costs, which is more appropriately addressed by the upfront incentive.

III. ADDITIONAL COMMENTS

A. *CPower encourages the Board to develop the Distribution component of the NJ SIP with more urgency than is currently contemplated by the Straw Proposal.*

CPower joins other commenters in urging the Board to move as expeditiously as feasible to establish the Distribution storage incentive program. New Jersey's 2,000 MW by 2030 storage mandate is laudable, but will not be possible without urgent action by the Board that facilitates both Distributed and Grid Supply projects. The rollout must account for the fact that interconnection of the projects alone could take years to complete.

Therefore, the Board should strive to release the initial blocks for both Distributed and Grid Supply projects in 2025 and make the those blocks sufficiently large so as to ensure meaningful progress towards the 2030 target in the few years remaining. Given that even at this schedule there will only be five years remaining until 2030, CPower recommends procuring at least 400 MW of storage resources in 2025, with at least 200 MW dedicated to Distributed storage. This will provide an opportunity to develop capacity ahead of 2030 and account for the inevitable attrition of projects before COD.

[18] S225, p. 6.

However, key program details must be finalized sufficiently ahead of program rollout to enable customers to assess the full costs and benefits of program participation. This includes, at minimum, application and project maturity requirements, incentive levels, and participation requirements for the performance incentive. CPower is aware of comments suggesting that the Board can establish the fixed incentive quickly and then proceed with the initial block of Distributed storage procurement in parallel with the EDC proceedings to establish to establish the performance incentives. This may be feasible if the Board provides sufficient program details ahead of the initial block to enable customers to analyze the risks of participation, including a minimum guaranteed available incentive and clear participation requirements.[19]

Given the urgency, CPower stresses again that the Board should look to already established and successful storage incentive programs, like CT ESS, and incorporate as many of the parameters of those programs as make sense for New Jersey. Such an approach not only provides the Board with the assurances of a battle tested program, but also provides continuity and administrative efficiencies for many of the potential participants in the New Jersey SIP that also participate in these other storage incentive programs. Accordingly, CPower recommends that the Board draw from these other programs with the goal of finalizing as many program rules as possible by the first quarter of 2025 and rolling out the program by the end of the third quarter of that year.

B. *CPower supports incentive application requirements that effectively balance the need to prevent speculative projects with the risk of maturity requirements that are not within the control of the project owner or operator.*

CPower strongly supports appropriate project maturity requirements that prevent speculative applications while recognizing the realities of project development and financing. In many ways, the Straw Proposal does well in finding such a balance, including by requiring a completed interconnection application upon enrollment in the program. It is important that applicants demonstrate some progress towards and a meaningful likelihood of interconnecting projects.

Conversely, any such required demonstration should not result in projects that are unable to participate due to delays in the interconnection process that are outside of the applicants' control. The Straw Proposal's requirement that project owners submit an interconnection application before applying for NJ SIP incentives likely

[19] Important participation requirements to establish before program rollout include participation time windows (hours of day and months of year), event durations, and expected number of events per season or time period.

strikes the appropriate balance between these two competing concerns. Alternatively, CPower would be open to additional interconnection requirements that do not expose applicants to delays in the interconnection process outside of their control.

Similarly, the Board should provide flexibility in any development deadlines for recipients of upfront incentives for delays that are outside the control of the project owner. The Straw Proposal contemplates a guaranteed commercial operation date 700 days after execution of the interconnection agreement and sometime before December 31, 2030.[20] Development delays due to, among other things, interconnection backlogs and supply chain constraints are common and sometimes significant. It should be axiomatic that a project owner should not be penalized for delays in the interconnection process that are not the fault of the project owner. Although the proposed rules appear to allow for an extension of development deadlines for "good cause",[21] the Board should be explicit that such good cause includes delays that are not the fault of the project owner.

Finally, the Straw Proposal would require applicants for the fixed incentive to obtain "all Major Permits or [have] an execution plan for all Major Permits."[22] At this time, CPower has no concerns with requiring an execution plan for all Major Permits, although the Board should clearly define what it expects here to avoid confusion. However, in no event should the Board require that system owners obtain all Major Permits at the time of application. First, "Major Permits" is not currently defined and it is unclear what is included under this term. Further, in CPower's experience, it is often not possible to obtain major permits until after the interconnection process is complete, and therefore not feasible to include in the NJ SIP application. This is because the local authorities often require final designs before issuing permits, and designs can change during the interconnection process. Accordingly, the program rules should avoid requiring Major Permits at the time of application.

C. *The Board should clarify that participating storage resources are not required to respond for the entire duration of a call to receive credit for that call when calculating the performance incentive.*

Requiring performance for the entire duration of a four-hour event to receive credit for that event is inconsistent with the value provided by participating resources, the pay-for-performance model, and the approach of similar programs. The Straw Proposal would require a resource owner to provide "Response kWs for the entire

[20] Straw Proposal, Draft Rule 14:8-14.5(n)-(o).
[21] Straw Proposal, Draft Rule 14:8-14.5(p).
[22] Straw Proposal, Draft Rule 14:8-14.5(r)(1)(iv).

duration of a call (likely up to four hours). A missed call would be registered as 0 kW."[23] This language appears to require resources to respond to the full duration of a call up to four hours in order to receive credit for that call when calculating the performance incentive. In other words, a battery that only responds for 3.9 hours of a 4-hour event would get no credit for that event. Such an approach is simply inequitable.

First, similar energy storage programs generally limit dispatches to three hours, rather than the four-hour duration cap provided by the Straw Proposal.[24] CPower recommends that the Board likewise adopt a three-hour dispatch limit, which has worked well in other states and provides more operational flexibility for customers.

More concerning is the apparent requirement that for a storage resource to receive credit for an event, it must perform for the entire duration of that event. Again, other storage performance incentive programs that have adopted the "pay-for-performance" model that the Straw Proposal claims for its program simply average performance of a battery over the events, even if the battery does not perform equally across the entire duration an event. This is true, for example, for both the Connecticut Energy Storage Solutions program and the California Demand Side Grid Support, Option 3 program.[25] These programs recognize that even resources that only respond to part of an event are still providing value to the grid. It is simply not fair or reasonable to penalize a storage owner that might fall slightly short of full event performance by zeroing out the energy the resource did provide during the event. A true pay-for-performance approach would require that the EDC simply average resources performance over all events in a season.

The Straw Proposal approach of requiring performance for the full duration of a call will also be more challenging to administer than simply averaging out performance. If a battery goes offline for a few minutes in the middle of a four-hour event, it is not clear how the EDC would monitor for such brief periods of dispatch interruption and excluding the entire dispatch from the performance calculation would be harsh to the extreme. If the Board does allow for some limited period of nonperformance during an event, any such period would be arbitrary and difficult to administer. The Board should simply just follow the proven and simple approach of averaging out performance over the duration of the call.

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[23] Straw Proposal, p. 15.

[24] *See, e.g.*, Attachment A, p. 8, Table 2.

[25] *See* Attachment A, p. 46 ("Performance is measured as the average discharge capacity from the BESS across all Active events during the given season"); *see also* Demand Side Grid Support (DSGS) Program Guidelines, Third Edition, California Energy Commission, p. 26 (May 2024), available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=256254.

D. *Failing to provide a guaranteed term for performance incentives will limit interest in this program and undermine the potential of the program.*

Conspicuously absent from the Straw Proposal is any mention of a guaranteed term of performance incentives for the Distributed storage resources. This is a key element of the program that must be included in the NJ SIP rules. Otherwise, customers will not be able to account for the full value of performance incentives when assessing the potential benefits of program participation, needlessly limiting the potential reach and impact of the NJ SIP.

CPower recommends that the NJ SIP rules include a ten-year term for performance incentives, consistent with other like programs.[26] A reasonably predictable revenue stream is critical for the customer analysis necessary to justify the significant investments in energy storage systems. Otherwise, the investment risk will be too great for customers who might otherwise participate in NJ SIP, limiting the potential of the program to reach the storage deployment goals required by law. This is particularly true given that other potential sources of revenue, such as those from wholesale markets, are not readily quantifiable or reliable. The ten-year term for performance incentives has worked well in other programs and, to help limit investment risk, the Board should adopt it for the NJ SIP.

E. *Requiring two duplicative applications to different program administrators is inefficient and creates unnecessary risk for project owners and operators.*

Although not addressed in the Straw Proposal, the accompanying draft rules appear to contemplate separate applications to the Program Administrator for the fixed incentive and the EDC for the performance incentive.[27] However, the requirements for each application are essentially the same.[28] CPower is not aware of any other similar programs that require two substantially similar applications for the same program and it is not clear why such an approach is necessary here.

In addition to being administratively inefficient and unnecessarily burdensome for applicants, it creates risk that even after the Program Administrator approves the application for the fixed incentive, the EDC could deny performance incentives for the same project. However, there does not appear to be any justification for a project to receive one incentive but not the other, particularly as the applications for the incentives are substantially similar. There is therefore no reason to have two different

[26] See, e.g., Attachment A, p. 45.
[27] Straw Proposal, Draft Rules 14:8-14.5(j) & 14:8-14.6(j).
[28] Straw Proposal, Draft Rules 14:8-14.5(r) & 14:8-14.6(i).

applications. Instead, the Board should follow the generally accepted practice of requiring one application for both the fixed and performance incentives to a single entity, preferably the Program Administrator.

F. *The Board should explicitly provide in program rules that participating projects may access alternative revenue streams.*

In the Straw Proposal, Board Staff indicated that it "seeks to encourage energy storage owners to engage in 'value stacking'", finding that "[r]evenue from value stacking reduces the need for incentives to move the market at a desired pace."[29] CPower supports Board Staff's findings and was encouraged by the seeming recognition that the owners and operators of participating Distributed storage resources should be free to pursue other opportunities to monetize those resources to maximize the value they provide and minimize the incentives required from the NJ SIP. However, certain comments at the November 20, 2024 Stakeholder Meeting seemed to cast doubt over whether the storage owners and operators would enjoy such freedom.

As CPower previously explained,[30] the NJ SIP rules should be clear that storage owners are free to pursue other value streams, particularly value streams that compensate the resources for additional services beyond that which is being compensated by the NJ SIP. The potential value streams for nonresidential customer-sited storage (in addition to NJ SIP incentives) include, among other things: wholesale market revenues, savings in transmission costs, savings on demand charges, resilience, and net metering credits. The performance incentive can and should compensate resources for values or services that are not already covered by these other sources of revenue, including, for example, distribution system relief and environmental benefits. Accordingly, the NJ SIP rules should explicitly and clearly provide that participating storage resources are able, but not required, to monetize other value streams. Such clarity is necessary to enable customers to understand the full range of costs and benefits of participating in the program.

[29] Straw Proposal, p. 8.

[30] Docket No. QO22080540, CPower Comments in the matter of the New Jersey Energy Storage Incentive Program (Dec. 12, 2022); Docket No. QO22080540, CPower Comments in the matter of the New Jersey Energy Storage Incentive Program (Sept. 12, 2023).

G. *The Board should recognize the need to quickly interconnect storage resources participating in the NJ SIP when it modernizes its interconnection rules in Docket No. QO21010085*

Finally, one of the most significant impediments to achieving New Jersey's energy storage deployment goals by 2030 is the interconnection process. CPower understands that the Board is currently considering rules to modernize its interconnection regime in Docket No. QO21010085. As it does so, the Board should consider ways to expedite interconnection of these energy storage systems as much as possible without compromising the integrity of the utility distribution system. CPower has already provided detailed recommendations regarding the interconnection of these facilities,[31] some of which are consistent with the changes proposed to the Board's interconnection rules, including faster interconnection for export-limited or non-exporting storage.[32] CPower commends the Board for updating its interconnection rules at such a critical time and encourages it to consider in its final rules all practical ways to expedite and streamline the interconnection process for energy storage resources.

IV. CONCLUSION

CPower appreciates the Boards consideration of these and past comments on the NJ SIP and looks forward to continuing to work with the Board as the program takes shape through rulemaking and any subsequent proceedings.

Sincerely,

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[31] Docket No. QO22080540, CPower Comments in the matter of the New Jersey Energy Storage Incentive Program (Dec. 12, 2022); Docket No. QO22080540, CPower Comments in the matter of the New Jersey Energy Storage Incentive Program (Sept. 12, 2023).
[32] Interconnection NOPR, 14:8-5.2(k).