Docket No. QO22080540

NEW JERSEY ENERGY STORAGE INCENTIVE PROGRAM (NJ SIP) 2024 STRAW PROPOSAL (STRAW)	**§ § §**	**New Jersey Board of Public Utilities (BPU) or (Board)**

STEM, INC.'s COMMENTS ON NJ SIP 2024 STRAW PROPOSAL

Stem, Inc. (Stem)[1] hereby submits these responses on Board Staff's 2024 Straw Proposal (Straw) for the New Jersey Storage Incentive Program (NJ SIP). Stem is a global leader in AI-enabled software and services to enable our customers to plan, deploy, and operate clean energy assets. We offer a complete set of solutions that transform how solar and energy storage projects are developed, built, and operated, including an integrated suite of software and edge products, and full lifecycle services from a team of leading experts.

Stem has 5+ gigawatt-hours (GWh) of energy storage assets under management across 1,000+ sites contracted or operating. Stem also has 25+ GW of solar assets under management across 200,000+ sites worldwide. Our customers include commercial and industrial companies, developers, energy traders, asset owners, independent power producers (IPPs), utilities and electric cooperatives.

We recognize and appreciate that the NJ BPU incorporated feedback provided by stakeholders throughout the SIP proceeding. As a result, we believe the updated Straw reflects a stronger path to reach New Jersey's statutory mandate to grow installed energy storage statewide to 2,000MW by 2030. The following are three recommendations for further Straw Proposal refinement:

[1] www.stem.com

First, the Straw Proposal is silent on the split between grid supply and distributed storage resources. We seek clarity on this point because this information is critical for project developers and investors to size the potential market, allocate capital and evaluate the economic return of new projects to accelerate energy storage development. We suggest that this information be shared as soon as possible.

In previous iterations of the Straw Proposal, the proposed mix of energy storage procurement targets was significantly weighted toward grid supply vs. distributed deployment. Stem believes a more balanced allocation between the segments will enable New Jersey to extract the maximum benefit from the state's energy storage investment. Customer-sited energy storage can add significant value by providing services to all segments of the grid, enabling storage to participate in multiple markets simultaneously and improving systemwide economics and net benefits. By net benefits in this instance, we're referring to broad value for New Jersey utility customers and/or the state grid, not incentives or compensation mechanisms. We ask the BPU to consider these benefits as they contemplate the program split.

Also, Stem supports the BPU's focus on distributed storage programs for both residential and commercial markets. We recommend setting specific targets and milestones for each customer segment, rather than combined goals, due to significant differences in the complexities, project timelines, and adoption criteria for commercial vs. residential energy storage adoption.

Our second recommendation is to launch the distributed storage program in 2025 vs. 2026. The BPU states that the launch is deferred to allow EDCs to develop mechanisms to call resources. We respectfully suggest that this mechanism can and

should be developed more quickly, and that the EDCs be directed with more clarity on interim development deadlines such that the program can be launched in 2025 and not delayed further.

Third, the Straw Proposal queried: “Should a performance incentive based on net avoided emissions be proposed only if PJM or another entity produces a day-ahead, marginal emissions signal?” At this time, we recommend against a performance incentive based on net avoided emissions. While we appreciate the BPU’s intent to design an incentive program that will reduce greenhouse gas (GHG) emissions, we believe a more effective approach is a simplified program, especially at the outset, based on economic dispatch signals.

Energy storage asset owners who respond to PJM market signals can contribute to lower GHG emissions, because the highest-priced performance hours are likely to align with system peak. Dispatching stored energy at that time, rather than a more carbon-intensive resource such as a peaker plant that may be called upon in periods of grid stress, can lead to lower emissions, although other factors such as available resource mix contribute to emissions as well. However, a program requirement to respond to emissions dispatch signals *rather than* economic dispatch can impact the other revenue streams available to the asset and, thus, the level of compensation required to deliver the emissions benefits.

Instead, we recommend a program requirement for asset owners and operators to track their charge/discharge and emissions data and report on it annually. Armed with that granular data, the BPU can assess performance against GHG emissions with economic signals and determine whether changes should be made. This approach

tracks the necessary information based on real world performance data but does not create unnecessarily complex operational requirements that could hinder program adoption and development in its early stages.

Stem appreciates the NJ BPU's consideration of these comments. Energy storage implementation is critical to realizing New Jersey's decarbonization goals while supporting customer needs and grid resiliency. Stem stands ready to work with the Board and stakeholders to support the Storage Incentive Program.

Respectfully submitted,

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