Rockland Electric Company Comments

In the Matter of the New Jersey Energy Storage Incentive Program

Docket No. QO22080540

Introduction

Rockland Electric Company (RECO or the Company) submits these comments regarding the Board of Public Utilities (Board) Staff's Energy Storage Incentive Program Straw Proposal (Straw Proposal) set forth in the Notice dated November 7, 2024 in the above-referenced Docket. RECO supports the State's efforts in the development and procurement of energy storage, as outlined in the Straw Proposal. Electric distribution companies (EDCs), such as RECO, are capable of playing a key role in achieving both the State's energy storage and overall clean energy goals. The Company notes the importance of both Grid Supply and Distributed Energy Storage Systems as a means to retire peaker plants and thereby mitigate their negative impact on local and overburdened communities, to accommodate large amounts of intermittent renewable generation, and to facilitate the shift to the electrification of heating and transportation.

The Company acknowledges the need for New Jersey to develop markets that will foster third-party development of energy storage and provide the best value proposition across customers, wholesale markets, and EDCs. The Company also supports EDC ownership of energy storage. Much like the State's new Community Solar Energy Program,[1] EDC ownership can unlock additional benefits that are critical to providing our customers with the best possible power quality, as well as meeting the State's 2,000 MW energy storage goal.

Incentive Structure

RECO supports the adoption of a model to enable deployment of energy storage assets that maximizes private capital, leverages multiple value streams, and encourages development of a market whereby incentives are steadily reduced. Both upfront and performance incentives are crucial to help developers deploy energy storage to maximize benefits to the bulk power system, local grid, and the environment. However, it is important that performance payments do not conflict with or allow for dual compensation with those available from other markets (*e.g.*, FERC 2222).

Developers often rely on incentives and subsidies to finance their projects, but non-performance (*i.e.*, upfront) incentives should not be structured so as to overly incentivize energy storage. By using an entirely upfront incentive, rather than an incentive paid out over 10-15 years, the overall risk to developers is reduced. However, an entirely upfront incentive shifts the risk away from developers and onto customers. To better balance the risks between developers and customers, RECO recommends that the Board implement a system by which incentives are paid out over 3-5 years. Such an arrangement should serve to maximize the benefits of energy storage in New Jersey. Energy storage assets must be incentivized to operate in a manner that provides benefits to the bulk power system, the local electric grid, the environment, and thereby to all customers. Although perhaps theoretically appealing, a clawback mechanism to recover costs for those energy storage systems that do not perform would be difficult to

[1] *In The Matter of The Community Solar Energy Program*, BPU Docket No. QO22030153.

implement, and administratively challenging to carry out in events of system non-performance or if systems cease operation.

RECO recommends that if a storage asset does not meet a 95% availability standard, the fixed upfront incentive should be reduced accordingly. If an asset fails to meet a 95% availability standard for three years, or if during any year the asset's performance falls below a 70% availability standard, the storage asset should be eliminated from the Storage Incentive Program (SIP).

RECO also proposes not to leverage greenhouse gas (GHG) emissions reduction via PJM's Marginal Emissions Rate as a mechanism for Grid Supply performance payment. Until renewable generation makes up a larger portion of the grid supply, depending on how Stand-alone storage is deployed, it can end up consuming more carbon than it displaces. By utilizing a mechanism either through availability, number of dispatches during peak loads, or peak load reduction, Grid Supply Energy Storage System developers can be incentivized to operate during the most beneficial times for the electric grid.

RECO supports the Straw Proposal's recommendation that EDCs establish a performance-based incentive in $/kWh. Having each EDC establish its own incentive parameters will allow for the compensation of Distributed Energy Storage Systems based upon their identified benefits to the electric grid. Moreover, due to the immature nature of this market, it is not appropriate for performance penalties to be assessed at this time. However, as the market matures and more distributed energy resources (DERs) come online, RECO recommends that the Board review the voluntary nature of DER performance incentives and the advisability of implementing penalties.

In addition, the Straw Proposal proposed that "each EDC should explain how its proposed payment structure meets the following criteria: (i) increases environmental benefits of storage deployment, (ii) cost-effectively reduces the need for traditional distribution investments, and (iii) otherwise minimizes the stress on the local distribution system and reduces operating costs."[2] In RECO's view, these benefits are closely related to the Board's ongoing Net Metering Proceeding[3] and should be tied in with that initiative.

RECO does not recommend that the Board mandate that each EDC develop a Distributed Energy Resource Management System (DERMS) on a specific timeline or scope to manage the call of Distributed Energy Storage System resources. The development of each utility's DERMS is specific to their own timelines and integration with existing and planned utility systems. Mandating the development of a specific scope or timeline of a DERMS has the potential to increase costs significantly and delay the distributed market performance incentives. Depending on the number of DERs under an individual EDC's control, an EDC can develop alternative processes to call on these assets until such time the utility determines a DERMS is needed. Alternatively, an EDC can choose to utilize Aggregators that already have telemetry in place. There are a number of benefits from a DERMS, other than managing the call of distributed resources, that should be considered when deciding if a DERMS should be deployed by a utility. If there are a limited number of assets that would be called by a DERMS, the cost of implementation wouldn't be justified, at least until a larger number of DER assets are installed.

[2] Straw Proposal, p. 14

[3] *In The Matter of Net Metering For Class I Renewable Energy Systems*, BPU Docket No. QO24090723

Cost Recovery

The Straw Proposal is silent on the cost recovery mechanism(s) afforded to the EDCs for the incentives they provide to energy storage projects. RECO recommends that the Straw Proposal specifically recognize the ability of EDCs to recover the prudent costs incurred to implement and administer the NJSIP, especially if the Board mandates a DERMS.

Depending on the nature and amount of costs RECO incurs, particularly to implement a DERMs, RECO reserves the right to file for cost recovery with the Board.

Board Questions:

Grid Supply

1. Should a performance incentive based on net avoided emissions be proposed only if PJM or another entity produces a day-ahead, marginal emissions signal?
   Response:
   RECO proposes not to leverage GHG emissions reduction via PJM's Marginal Emissions Rate as a mechanism for performance payment. Until renewable generation makes up a larger portion of the grid supply, depending on how Stand-alone storage is deployed, it can end up consuming more carbon than it displaces.

2. In the absence of a day-ahead emissions signal, should the SIP institute another form of performance incentive for Grid Supply projects?
   Response:
   RECO recommends instituting a peak load reduction, number of discharges during peak load, or some type of availability requirement (*e.g.*, 95% availability).

3. What other changes or alternatives would you propose to the GHG Performance Incentive?
   Response:
   RECO recommends instituting a peak load reduction, number of discharges during peak load, or some type of availability requirement (*e.g.*, 95% availability).

4. How can the Board mitigate the risk of Grid Supply projects not operating/performing after receiving upfront incentives?
   a) Are the reporting requirements proposed herein sufficient?
      Response:
      RECO agrees that the proposed reporting requirements are sufficient.

   b) Should there be a clawback clause to recover fixed incentive payments from energy storage systems that cease operating shortly after coming online?
      Response:
      RECO suggests that the Board implement a system by which incentives are paid out over 3-5 years, rather than an entirely upfront incentive. Although perhaps theoretically appealing, a clawback mechanism to recover costs for those energy storage systems that do not perform would be difficult to implement, and administratively challenging to carry out in events of system non-performance or if systems cease operation.

c) What should be the metric of success for a specific project be (e.g., discharging power during peak demand periods) for Grid Supply energy storage systems? In other words, what metrics should the Board consider when evaluating operation?

Response:
RECO recommends instituting a peak load reduction, # of discharges during peak load, or some type of availability requirement (*e.g.*, 95% availability).

5. Should Grid Supply energy storage projects that replace or demonstrably reduce the runtime of fossil-based peaker plants in overburdened communities be evaluated solely on price or receive additional weight or a preference in competitive solicitations? If additional weight or preference is warranted, please specify how.

Response:
RECO does not have any specific response to this question.

Distributed

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?

Response:
The retail incentives seem to be appropriate.

7. Are the incentive adders for OBCs too high, too low, or should the proposed OBC incentive otherwise be modified?

Response:
The proposed incentive adders for OBCs appear to be appropriate.

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?

Response:
Until further guidance from the Board on the specific technology to be implemented, the Company is unable to provide details.

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?

Response:
RECO does not recommend that the Board mandate that each EDC develop a Distributed Energy Resource Management System (DERMS) on a specific timeline or scope to manage the call of Distributed Energy Storage System resources. Given the integrated nature of the RECO and O&R service territory, we would want to implement a system that covers both territories. See DERMS section above.

Other

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?

Response:
RECO does not have any specific response to this question.

Conclusion

The Company appreciates the opportunity to comment on the Straw Proposal, and requests that the BPU accept its recommendations and comments.