NJUA
NEW JERSEY UTILITIES ASSOCIATION

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December 18, 2024

VIA ELECTRONIC MAIL
Honorable Sherri L. Golden
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Trenton, NJ 08625
board.secretary@bpu.nj.gov

In the Matter of the New Jersey Energy Storage Incentive Program 2024 Straw Proposal; BPU Docket Number. QO22080540

Dear Secretary Golden,

The New Jersey Utilities Association ("NJUA") represents investor-owned utilities that provide electric, natural gas, telecommunications, water and wastewater services to residential and business customers throughout the State. I am writing on behalf of the investor-owned electric distribution companies ("EDCs") that are members of NJUA to present comments on the draft rules ("Rules") included in the New Jersey Energy Storage Incentive Program ("NJSIP") 2024 Straw Proposal ("Straw"). NJUA's member companies also reserve the right to submit comments on an individual basis.

Executive Summary
As frontline service providers, the EDCs are committed to implementing sustainable solutions to meet the State's evolving energy needs. To that end, NJUA strongly supports the State's goal to provide for the deployment of energy storage systems throughout New Jersey and the Board of Public Utilities' ("Board") work toward developing and implementing financing mechanisms that will compensate owners of energy storage systems for the benefits that they provide to the electric grid.

NJUA also finds that, in addition to residents, businesses, and private developers, EDCs can and should play a meaningful role in meeting the State's energy storage goals. In light of that, NJUA appreciates the Board's clarification in the Straw that utilities may be permitted to prudently invest in and own energy storage devices. EDC ownership and operation of energy storage systems will open up another pathway for the State to achieve its ambitious energy storage goals more quickly, cost effectively, and with less risk to the residents of New Jersey.

However, NJUA does respectfully request one amendment to the Straw. Namely, we encourage the Board to include explicit cost recovery language for the expenditures that EDCs will incur as a result of this program.

Context of these Proposed Rules

New Jersey is facing a technological revolution, including the broad deployment of electric vehicles, artificial intelligence, data centers, new domestic manufacturing, and an increasing emphasis on beneficial electrification. These technologies are poised to reduce carbon emissions, create new, high paying jobs in New Jersey, and generally improve our quality of life. However, these changes will not occur in a vacuum. Adaptation to increasing electrical demand and a changing demand profile will result in significant externalities that are important for the State to consider when developing associated policies.

Notably, our regional transmission organization, PJM, recently tripled its load growth projections over the next decade. PJM also reported that power plants across the Country are being retired from service faster than new replacement generation resources can come online. In light of the growing misalignment between electricity supply and demand, PJM, the North American Electric Reliability Corporation ("NERC"), and the North American Energy Standards Board ("NAESB") have each emphasized the importance of taking steps to maintain reliability during the energy transition.

Energy storage is a key part of the broader solution for addressing impending resource adequacy concerns. With the right operational rules, energy storage technologies can be used to stabilize voltage and frequency, relieve momentary and prolonged stress on the electric grid, offset the need to build new power plants, and store energy for discharge during times of high price or peak demand. Investment in energy storage to stimulate its deployment across New Jersey will help keep pace with the increasing demand for electricity and will leverage the projected increase in intermittent renewable energy resources.

The Roles and Capabilities of EDCs

New Jersey's EDCs have a mandate to provide reliable and affordable electrical service for customers. EDC ownership and operation of energy storage systems will help to achieve these goals. Currently, EDCs have energy storage systems sited at many substations and other critical locations to provide backup power. With that experience deploying energy storage systems, they already possess a working knowledge of battery technologies, supply chains, permitting, and siting regulations.

EDCs are also particularly well positioned to make investments and rapidly deploy energy storage solutions. EDCs have sufficient resources to deploy, maintain, and operate large scale storage solutions equipped with command-and-control technology that helps to maximize the value of the energy storage system to the electric grid and utility customers. Their intimate understanding of the particular needs and constraints of the electrical infrastructure and customers in their service territories will also allow EDCs to strategically site energy storage in critical locations that are inaccessible to smaller distributed systems. This includes in the transmission network, in the distribution network near load centers, or co-located with intermittent renewable energy generators.

Well-sited energy storage systems can act as valuable grid resources, increasing grid reliability, mitigating congestion, absorbing intermittent renewable energy to increase hosting capacity, facilitating peak shaving, and enabling voltage regulation, frequency regulation, and energy arbitrage. If sufficiently large in capacity, such an energy storage system could even help defer the need for new transmission lines by meeting a portion of the peak demand with stored energy during a select few hours in the year. Each of these services can help EDCs keep electricity costs down for their customers. Thus, prudent EDC investment in energy storage systems will enable EDCs to provide even greater benefits to their customers and the State.

EDCs' Relationships with their Communities

EDCs' understanding of local electric systems and the needs of their communities, coupled with their resources and business model, will enable them to deploy, maintain, and operate energy storage solutions that will effectively and sustainably support and supplement localized needs. EDC customers and regulators can also have confidence that EDC-owned and -operated energy storage systems will be well maintained to provide for a long lifespan for each project.

Unlike many third-party developers, New Jersey's EDCs are locally based and have established strong relationships with the communities in which they operate. Notably, EDCs have close ties with low- and moderate-income ("LMI") customers and communities within their service territories. Third-party developers often avoid serving LMI communities out of concern for potential risk and decreased profit potential. Additionally, given their financial constraints, private developers may be perversely encouraged to walk away with incentive money, leaving projects for the community or EDCs to manage.

EDCs also have close ties with local and State government offices and services. EDCs work with first responders to develop emergency response guidelines. In case of emergency, EDCs have local representatives and service teams who can guide incident response, thereby improving safety for surrounding communities.

Cost Recovery

NJUA strongly encourages the Board to include explicit cost recovery language in the final program rules. As a result of the NJSIP, as currently written, EDCs will have to invest in necessary information technology and operational technology infrastructure, develop new rate classes, establish new programs, and make internal administrative changes, each of which will require EDC resources. Thus, EDCs will inevitably incur incremental administrative costs as a result of the NJSIP as well as operational and program incentive investments.

The Board should ensure full and timely recovery of all EDC investments and other expenditures required to support the NJSIP and its implementation to promote certainty and to maintain the rapid pace required to meet the State's energy storage goals. As with other incentive programs in which EDCs help to advance State goals, EDCs should also earn a return at the currently approved weighted-average cost of capital for the incentive portion EDCs will provide. EDCs earn a return on investing in both energy efficiency and electric vehicle infrastructure investments. Similarly, EDCs should be provided with an opportunity to earn on NJSIP investments.

Conclusions

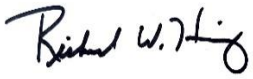
NJUA views investment in energy storage as one part of an all-of-the-above approach to meeting New Jersey's growing energy needs. The State must continue to incentivize and interconnect new renewable electricity generation resources while simultaneously maintaining robust support for gas service, which currently provides for a significant proportion of the State's energy needs. Each of these steps, when implemented collectively, improve resource adequacy, electrical reliability, and service affordability.

That said, the NJUA and our EDC members wish to reiterate our gratitude towards the BPU for recognizing the merit in EDC ownership and operation of energy storage systems. The clarification provided in the Straw indicating that EDC ownership and operation of energy storage systems may be

permitted represents a significant step towards achieving the State's clean electricity and energy storage goals. Due to their ability to deploy well-sited, large-scale energy storage systems rapidly and cost-effectively, combined with their local focus and community engagement, New Jersey's EDCs have the experience and the know-how to help the State meet its energy storage goals.

NJUA appreciates the opportunity to provide comment on this important matter and looks forward to working with the Board to develop policies that would help to grow New Jersey's energy storage capacity. Thank you for your consideration of our position.

Respectfully submitted,



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