



**Gabel Associates' Comments**  
**NEW JERSEY ENERGY STORAGE INCENTIVE PROGRAM**  
**2024 Straw Proposal**  
**Docket No. QO22080540**

December 18, 2024

Gabel Associates, Inc. (Gabel) appreciates the opportunity to comment on the Board of Public Utilities' (BPU) 2024 New Jersey Energy Storage Incentive Program (NJ SIP) Straw Proposal (the Straw).

Gabel is an energy, environmental, and public utility consulting firm headquartered in Highland Park, New Jersey. For over 30 years, Gabel has provided highly focused energy consulting services and strategic insight to its clients. We have successfully assisted hundreds of public and private sector clients implement energy plans and projects that reduce costs and enhance environmental quality. The firm has also been on the cutting edge of new technologies and is active in analyzing cost-saving sustainability initiatives, such as renewable energy, battery storage/resiliency, and electrification. Given our on-the-ground experience, we understand the importance of creating policies and rules that align with market and commercial realities.

Gabel supports the BPU's efforts to increase the storage capacity in New Jersey through an effective incentive program in accordance with the Clean Energy Act. Development of storage assets is one of the most critical actions needed to achieve the State's energy and sustainability goals, especially in support of renewable energy development, meeting reliability and capacity requirements, and achieving grid readiness needs in the face of rapidly evolving impacts from data centers, electric vehicles, and heating electrification. It is not an overstatement to say that the development of storage assets is the linchpin to the State's Energy Master Plan.

Given these considerations, we respectfully offer the following comments:

**1) The Budget and Capacity Blocks Used to Administer the Rule Must be Sufficient to Meet New Jersey's Statutory Storage Goals.**

The proposed rule should be amended to make it clear that the annual capacity blocks will be set in a manner that gives New Jersey a reasonable opportunity to meet its statutory storage goals. The Clean Energy Act sets a goal of 2,000 MW by 2030. To date, New Jersey

has only made extremely modest progress in reaching this goal.<sup>1</sup> We fully recognize that the BPU is highly focused on the affordability of energy costs in New Jersey, as it should be. However, strong and achievable budgets and capacity blocks to support the development of storage capacity will help address, rather than hurt, the affordability of energy in New Jersey. Specifically, battery storage can be a key element of New Jersey meeting its electric capacity and energy requirements in a way that is environmentally advanced, supports in-state economic activity, and can return benefits to New Jersey relative to other alternative sources that are also developable but have development challenges and greater environmental impacts. In fact, smart deployment of storage could actually reduce costs for all ratepayers by reducing peaks that are a primary driver of electricity costs.

In this context, the BPU's efforts and budgets must recognize PJM and New Jersey's looming capacity crisis. A combination of rapid load growth, retirement of aging generation, and sluggish entry of new generation resources is forecasted to result in resource adequacy shortfalls in PJM by 2029. Batteries are a key resource that can be developed in a reasonable timeframe to address these needs. New Jersey has not faced demand growth, and potential capacity shortfalls of this nature since the 1950s, and while demand growth in the 1950s was satisfied with a combination of oil, natural gas, and coal generation, today's looming capacity shortfall can be addressed with battery storage, which can optimize grid performance.

Stated simply, non-battery alternative capacity sources will be more costly to New Jersey ratepayers than battery storage (and those non-storage sources are subject to development, interconnection, and permitting delays as well, making them higher risk). Accordingly, the draft rule should be amended to clearly state that annual budgets and capacity blocks shall be set to meet no less than the statutory requirement of 2,000 MW by 2030 (after accounting for capacity developed through other programs and actions).

## **2) The Incentive Levels in the Straw Should be Adjusted to be Consistent with the Gap Analysis Conducted by the BPU's Consultant.**

Surprisingly, the incentive levels in the Straw do not match the calculated economic gap that will be needed to properly and reasonably fund the development of battery storage in New Jersey, as calculated by the BPU's consultant. The gap analysis is precisely what the term

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<sup>1</sup> In previous documents, the BPU took credit for a pump storage hydro facility that went into service in 1964 with a capacity of 420 MW. It is not reasonable to include these megawatts developed some 60+ years ago as "progress" toward meeting the mandated goals.

implies – it discloses the amount of payment that will be needed to reasonably support the development of battery storage in New Jersey. The results of the Gap Analysis showed a consistent shortfall of between 37% and 47% of the total installed cost of the systems (higher for residential systems).

Notwithstanding that the analysis in the Straw showed a shortfall as high as 47%, the incentive levels proposed in the Straw are designed to meet the identified need only up to a cap of approximately 40% of the fully installed cost. By not addressing the full 47% shortfall, these lesser payments proposed in the Straw will therefore be insufficient to allow development that meets New Jersey’s stated statutory goals.

Accordingly, the incentives provided in the Straw should be adjusted to fully reflect the gap analysis provided by BPU’s consultant. Additionally, this analysis must be revisited and adjusted over time to reflect any changes which occur if the amount or nature of federal incentives change, particularly given the change of Administration that will occur in January 2025.

The Straw indicates that the calculations supporting the incentive levels will not be made available to anyone due to confidentiality concerns. Without such information, we cannot provide comments on the development of these incentive levels at this time. In the interest of allowing the public to have an adequate opportunity to review and assure the reasonableness of these incentive levels, the BPU should release this documentation. In the event there are actual confidentiality concerns due to the sensitive nature of the inputs, the BPU should establish a process for executing non-disclosure agreements with participants who wish to review, as it has done in many other matters.

### **3) A More Supportive Approach Toward Public Entities Should be Included.**

The Straw proposes incentives only for storage assets owned by private entities – public customers (such as municipalities, public universities, sewerage and water authorities, and schools) are not eligible. While we agree that in many cases public entities will choose to “outsource” the investment and associated risk of battery investments, the BPU should not artificially restrict public entities from considering ownership of storage assets. In fact, the cost savings that could ultimately be realized by public entities could provide meaningful budget relief for New Jersey’s local public agencies.

In some cases, there may be valid reasons for the public entity to own the asset. As a primary example, public entities often have access to low-cost capital that would be advantageous for such projects. For example, sewerage and water authorities have access to extremely low cost financing in the neighborhood of 1%. In other cases, the public entity may be able

to draw from available federal support that is flowing out of the Inflation Reduction Act or other sources to help fund projects if the entity owns the project. In other cases, the public entity may have the resources and expertise to manage the risks of battery storage investment.

The BPU should permit local entities to make their own decision as to whether private or public ownership is more effective and should not artificially prohibit this evaluation and choice. Accordingly, the Straw and draft rule should be modified to permit both public and private ownership of storage assets.

**4) The Straw Should be Amended to Recognize and Explicitly Provide Incentives for Battery Storage Installations for Electric Vehicle Charging Infrastructure.**

Widespread adoption of Electric Vehicles (EVs) is a major policy initiative of the BPU (and the State) to clean New Jersey's air, with the associated cost savings of moving from petroleum fuels. Adoption of EVs is directly dependent on the availability of charging infrastructure, either for charging hubs for use by the public (i.e., public chargers) and also electrification of fleets (i.e., fleet chargers). An important part of the development of this charging infrastructure should be the associated installation of battery storage on the site to mitigate grid impacts (and grid readiness concerns), reduce electricity cost concerns, and allow for more efficient interconnection of charging infrastructure. This use also addresses key urban areas of the State where air quality issues are most acute, including overburdened communities.

Accordingly, this use case should be explicitly included and encouraged in the Straw with incentive levels based on additional Gap Analysis (since the Gap Analysis for this use case does not appear to have been provided in the Straw). The Gap Analysis should be amended to include this scenario and included in the incentive structure. Explicit coverage for EV charging infrastructure is appropriate given that in previous EV proceedings the BPU referred all EV-related storage consideration to the generalized storage incentive now being considered. Including specific coverage for EV charging scenarios would be consistent with previous BPU guidance on how it intends to address this need.

Gabel appreciates the opportunity to provide these comments.