

December 18, 2024

Sherri L. Golden, Secretary of the Board
State of New Jersey Board of Public Utilities
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Subject: Icetek comments on November 20 Staff Presentation and Draft Rules for NJ SIP

Secretary Golden,

The Staff of the New Jersey Board of Public Utilities (Staff) have requested comments on a 2024 Straw Proposal for the implementation of the New Jersey Energy Storage Incentive Program (NJ SIP).¹ The 2024 Straw Proposal builds upon a 2022 Straw Proposal and reflects comments from stakeholders provided through a Request for Information issued August 8, 2023.² On November 7, 2024, Staff provided notice of a webinar on November 20 to discuss the 2024 Straw proposal. Staff are requesting comments on the webinar presentation and the associated Draft Rules by interested stakeholders. Icetek Energy Services (Icetek) attended that webinar and welcomes this opportunity to provide comments on several aspects of the Straw Proposal presented on November 20. Staff have suggested significant changes from the 2022 Straw Proposal. Icetek compliments the Staff on its efforts to provide program details and design an implementation process to achieve substantial benefits for New Jersey ratepayers.

Since 2001, Icetek has been optimizing distributed resource assets in New Jersey and throughout the Mid-Atlantic and Northeast to meet economic and emissions goals. Our customers include large industrial, manufacturing, and commercial entities that have installed a variety of distributed technologies. Icetek provides proprietary applications to intelligently automate dispatch, market bidding, asset efficiency, and greenhouse gas reporting. Our customers focus on operating their businesses and Icetek optimizes their energy assets and technologies. Icetek is headquartered in Pennsylvania with an office in Cambridge and a data center in Philadelphia. We currently manage over 200 MW of assets from the Mid-Atlantic to Maine, including several universities, hospitals, and manufacturing sites in New Jersey.

Our comments address five elements of the Staff presentation provided for the webinar of November 20, 2024.

1. Support for the goals of the Storage Incentive Program and how specific key goals may increase overall benefits for NJ ratepayers;
2. Support for the rapid implementation of Grid Supply and Distribution resources and a suggested adjustment to the Staff's proposed timeline;
3. Support for block sizes and solicitation rules that are flexible, especially for the early years of the program;
4. Support for an upfront incentive (upon operation) and a performance incentive to help optimize hours of use and increase benefits; and
5. Responses to several specific questions posed to stakeholders in the November 20th presentation.

¹ Docket No. QO22080540.

² Icetek Energy Services provided comments in response to the RFI on September 12, 2023.

Icetek is participating in discussions with other stakeholders to determine areas of agreement regarding the Straw Proposal. Icetek may provide additional comments or join the comments of other parties in their filings.

Icetek Comments

1. Program Goals

Icetek fully supports the statutory goal of 2,000 MW of energy storage by 2030. As stated in the Draft Rules, the addition of energy storage is intended to provide primary benefits to NJ ratepayers in the form of energy cost savings, transmission cost savings, and improved air-quality. In addition, there will be secondary benefits to overburdened communities in the form of economic development, resilience, and environmental improvements.³

Other program goals provide specific guidance on how to maximize the benefits of the NJ SIP. Icetek believes that rapid implementation is critical to meet the statutory target of 2,000 MW by 2030. To help achieve rapid implementation, there need to be sufficient incentives for developers to access low-cost capital and schedule projects. Icetek also believes that flexibility in the annual auctions and throughout the development process will provide the best means of achieving the ambitious 2030 target.

2. Timing of SIP implementation⁴

Icetek understands the need to bifurcate the competitive solicitation of energy storage projects between Grid Supply and Distribution Supply resources. However, the current state of the PJM Interconnection study process may create a lengthy delay in the designation of energy storage systems as Planned Projects, a critical requirement for any project that seeks to participate in the NJ SIP annual solicitations as Grid Supply.

Shortly after the release of the draft straw proposal, PJM signaled to stakeholders and to their board that, due to several trends in the region, PJM territory could face a capacity shortage as soon as the 2026/2027 Delivery Year starting in June 2026⁵. Distributed storage resources can and do play a role in mitigating capacity scarcity conditions, including shaving peak loads, providing energy on call as a capacity resource, and providing ancillary services as a quick start resource. In addition, distributed resources can be interconnected more quickly in most cases than grid supply resources. Icetek believes that targeting 2025 for the Distribution Supply Resource block could provide the necessary incentives to investors to rapidly deploy resources that will contribute to the state's and region's power reliability ahead of the potential shortage.

As noted in our September 2023 comments, behind-the-meter Distributed resources can also provide grid support services.⁶ Icetek has customers with behind-the-meter resources who regularly schedule the operation of those systems to respond to PJM market signals while still meeting on-site needs. To the

³ Presentation slide 7.

⁴ Presentation slide 10.

⁵ <https://insidelines.pjm.com/pjm-board-supports-action-in-support-of-urgent-grid-reliability-needs/>

⁶ Icetek Comments, September 12, 2023, at pp 2-3.

extent that these Distributed resources can respond to PJM marginal emissions signals, they should be eligible for a performance incentive, just like Grid Supply resources.

Icetek encourages Staff to consider reversing the order of implementation and allowing Distribution resources to begin in 2025 and deferring the solicitation of Grid Supply resources to 2026.

3. Block sizes⁷

Icetek provided comments in September 2023 suggesting that initial block sizes be large and filled through rolling enrollments in order to maximize the number of projects that can compete in the solicitation process.⁸ Small block sizes filled in a single solicitation can be dominated by a small number of developers. Spreading the development risk among many entities and allowing replacement and substitutions throughout the development schedule will help ensure that ratepayer and program goals are fully achieved. As the NJ SIP matures and annual solicitations become more routine, a reduction in block sizes may be appropriate.

4. Compensation

Grid supply compensation

One of the significant changes to the Straw proposal from the 2022 proposal is the payment of the full incentive upon commercial operation. Icetek supports this change as a way to reduce some of the investment risk to developers. However, there should be an opportunity for ratepayers to recover all or a portion of the fixed incentive payment if the project fails to perform over time or shuts down its operations completely.

The Straw proposal plans to defer any performance incentives for Grid Supply resources until a suitable dataset is available through PJM or another entity.⁹ This uncertainty about when performance incentive payments for operational benefits will become available creates a compensation gap for project developers. Also, requiring a grid supply resource to be designated as a Planned Project by PJM assumes completion of interconnection studies, a process that is currently severely delayed in PJM. Grid Supply resources should also be encouraged to qualify for and participate in as many of PJM's markets as possible. This would include participation in the Regulation and Reserves markets along with both Capacity and Energy markets as applicable.

Distribution resources¹⁰

The straw proposal recommends deferring the implementation of Distribution resources until 2026. Such a delay is not necessary given the market's experience with behind-the-meter resources that are currently providing benefits to EDCs and to PJM (through their participation in applicable markets). As stated above, Icetek suggests that Staff consider reversing the implementation order for the NJ SIP and holding a competitive solicitation for Distribution resources in 2025 and Grid Supply resources in 2026.

⁷ Presentation slides 18-19.

⁸ Icetek Comments, September 12, 2023, at p 2.

⁹ Presentation slides 21-22.

¹⁰ Presentation slides 17 and 23.

As with Grid Supply, the full fixed incentive payment for Distributed resources upon commercial operation is an improvement from the 2022 Straw.¹¹ However, the uncertainty about when performance incentive payments will begin and how they will be established creates total project compensation risk. There is also uncertainty about when EDCs will establish their fixed and performance incentive programs. Variations between EDC incentives may discourage competitive offers from developers in some service territories. Providing additional incentives for overburdened communities may help address any disparities in the EDC incentive programs.

5. Responses to Questions

Icetek has responses to some of the specific questions posed by the BPU Staff in the webinar presentation of November 20, 2024. Our comments above already address some of the key ones, but we repeat them here for clarity.

Question 1-3: performance incentives¹²

A performance incentive based on net avoided emissions helps align several goals of the program. It helps maximize an overall improvement to air quality for the benefit of all ratepayers and specifically for overburdened communities where existing resources may be degrading air quality on a local basis. An accurate PJM based marginal emissions signal would be a good way to implement the performance incentive. However, this is not available now due to problems with the PJM data set. Icetek encourages BPU staff to continue to pursue this addition and review emission rate methodologies that parties may propose, provided they are considered to accurately reflect hourly marginal emission rates.

Question 4: Grid Supply upfront incentives¹³

As mentioned above, Icetek has concerns that the “one solicitation and done” approach for each block of projects may not work efficiently. Developers frequently encounter unexpected delays and may need to reconsider an entire project based on changing market conditions. A mechanism to recover upfront incentives for projects that cannot operate sustainably, or encounter problems after initial operation, should be included in the NJ SIP. As suggested above, allowing substitutions and replacements for projects that are being developed may also help mitigate the risks to ratepayers regarding non-performing or under-performing projects. In addition, accommodating substitutions and replacements can help achieve annual goals for MWs of installations.

Questions 5-7: incentives for projects that relieve over-burdened communities¹⁴

Icetek encourages BPU Staff to adopt a flexible performance incentive program for projects that reduce impacts on overburdened communities. Varying incentives based on the size of the project (to account for costs differences) is also appropriate. Similarly, project developers who can demonstrate larger benefits should be able to qualify for larger incentives.

Questions 8-9: EDC development of performance incentives¹⁵

EDC implementation (Q8-9). As stated above, Icetek is concerned about the variations in incentive approaches among the EDCs and the timeframe for their implementation.

¹¹ Presentation slide 17.

¹² Presentation slide 31.

¹³ Presentation slide 32.

¹⁴ Presentation slide 33.

¹⁵ Presentation slide 34.

Question 10: pending legislation¹⁶

Icetek has no specific comments on program changes that could be required if Legislature Bills S225/A4893 are signed into law.

This completes our comments at this time. We are eager to see the comments from other stakeholders and also look forward to the next version of the Straw Proposal and Draft Rules. Thank you for the opportunity to participate in this process and provide comments.

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¹⁶ Presentation slide 34.