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Sherri L. Golden
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Ave., 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350
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Submitted Electronically

Prologis Comments on New Jersey Energy Storage Incentive Program Straw Proposal

Introduction

Prologis appreciates the opportunity to provide comments on the New Jersey Energy Storage Incentive Program (NJ SIP) Straw Proposal under BPU Docket No. QO22080540. As the global leader in logistics real estate and the second-largest commercial on-site solar generator in the United States, Prologis brings extensive experience deploying solar and battery storage solutions across our vast industrial portfolio. With over **500 MW of operating solar and battery storage** worldwide and a goal of **1 GW by the end of 2025**, we are committed to supporting New Jersey's clean energy future and meeting its ambitious goal of **2,000 MW of energy storage by 2030**.

Our **extensive footprint in New Jersey** – encompassing over **53 million square feet across 220 properties** – uniquely positions us to advance the deployment of rooftop solar and energy storage solutions at scale and close to load centers. Prologis is an active participant in New Jersey's successful community solar program. Pairing energy storage resources with community solar projects can maximize infrastructure utilization and accelerate clean energy deployment.

Battery storage is a critical tool for enhancing grid resilience, reducing emissions, and enabling the further integration of clean energy resources into New Jersey's grid. As such, we commend the Board of Public Utilities (BPU) for its leadership in crafting this proposal and offer recommendations to maximize the program's success.

In these comments, we respond directly to the Board's Request for Comments and provide:

- An overview of how distributed **front-of-the-meter** storage solutions accelerate deployment.
- Recommendations to enhance program incentives, market access, and implementation clarity.
- Suggestions to ensure equitable benefits to **overburdened communities (OBCs)** and alignment with broader state goals.

To ensure program success we also recommend streamlining the interconnection process by establishing a fast-track option that will ensure storage projects interconnect efficiently and launching a pilot for the Distributed Storage Segment Incentive Program in 2025.

We look forward to partnering with the BPU to advance a robust, scalable, and equitable energy storage market in New Jersey.

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?

While the concept of a performance incentive tied to avoided emissions aligns with New Jersey's broader GHG reduction goals, the lack of a day-ahead marginal emissions signal presents significant challenges. Private investment decisions for Grid Supply energy storage projects are unlikely to be based upon the possibility of a net avoided emissions performance incentive, since details of the incentive are not available at this time and no readily available historical data set exists that would predict how an asset would perform against a net avoided emissions benchmark. Rather, investment decisions in the near term will be based upon the assurance of a fixed incentive won through a competitive solicitation, plus revenues associated with participation in established PJM energy and capacity markets.

It is also important to consider that projects developed under the original incentive regime may be sited in a location that in the future could be determined to have disadvantageous marginal emissions rate (MER)[1] characteristics, depending on the ultimate selection of a data regime and accompanying rule set that governs the MER measurement. By the same token, the grid is dynamic and generation and load resources may shift the MER characteristics of a given location. Since it is not possible to move Grid Supply storage resources once constructed, great care should be taken not to penalize resources that are established earlier in the Storage Incentive Program based on characteristics that they had no way to measure or ascertain at the time of application or qualification.

The policy goal of ensuring market participation can be achieved by other means, such as a minimum number of charging / discharging cycles per year, or a requirement to register in the PJM wholesale markets or execute a Wholesale Market Participation Agreement (WMPA). We would also suggest that the performance-based incentive for reducing emissions could be layered onto the Storage Incentive Program and administered separately as part of a project's revenue "stack".

For distribution-connected batteries, Prologis is supportive of the development of a utility-specific tariff that allows storage assets to respond to operational signals administered by the distribution utilities managing the grid in that area.

2. In the absence of a day-ahead emissions signal, should the SIP institute another form of performance incentive for Grid Supply projects?

Prologis recommends exploring simpler emissions proxies for performance incentives, such as discharge events aligned with system peak load events. This would achieve the incentivization goals, since peak events tend to lead to dispatch of higher emissions generators further up the PJM supply curve. In addition to aligning incentives with peak load events, the Board should consider implementing geographic criteria, such as proximity to retiring fossil generation or overburdened communities. This approach can amplify GHG reduction and criteria pollutant impacts and guide developers toward high-priority locations. Co-location or proximity to large loads could be another factor to consider when awarding incentives intended to cause more flexibility in the grid.

[1] The marginal emissions rate (MER) refers to the emissions produced by the marginal unit of generation required to meet additional electricity demand.

3. What other changes or alternatives would you propose to the GHG Performance Incentive?

Prologis encourages the Board to explore some of the incentive programs under development or implemented in other northeastern states, such as the Indexed Storage Credit in New York and Clean Peak Incentive in Massachusetts, which are aimed at similar policy goals. Alignment among state incentives makes it easier for market participants to scale programs and manage incentives across state boundaries. We are pleased that New Jersey is considering leading the way with a storage incentive program that is perhaps the first of its kind in the PJM region.

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?

After review of this proposal, it is not clear what the reporting requirements are for the incentive program. It is important to developers that these requirements are clearly delineated. Data from system operations should be readily available and required for PJM market participation, and reporting requirements should not be unduly burdensome.

b. Should there be a clawback clause to recover fixed incentive payments from energy storage systems that cease operating shortly after coming online?

If the fixed incentive is delivered up front, the State is well within its rights to expect that the incentive be returned if the system does not resume operations after a lengthy period. With that said, battery commissioning at the start of life is known to be a challenging process and can take many months or even a year to fully complete. Therefore, a grace period of 12 months should be built into any clawback structure, and the deadline for achieving continuous operations should, at a minimum, be 24 months following initial system operations.

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?

Prologis' view is that energy storage's main benefit to the grid is to provide intra-day flexibility such that grid operators can make different decisions about where generation is going to come from at different times of day. As such, the way in which a Grid Supply battery is operated may change from day to day as a result of different market dynamics or in response to different operating requirements, such as a seasonal system peak or a single day spike in the Day Ahead price due to an outage. While granular measurements such as hourly output and depth of discharge will tell a story about what happened, it will not form a complete picture of why batteries dispatch, charge, or remain idle day to day. Measuring a number of hours dispatching as a "success" depends heavily on the viewer's perspective and priorities. We feel greater overall flexibility to serve as a resource is most helpful, and, as such, uptime should be prioritized.

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.

Prologis supports weighting competitive solicitations to favor projects that demonstrably reduce the runtime of fossil-based peaker plants in OBCs. Potential evaluation criteria include:

- Percentage reduction in peaker plant utilization.
- GHG and pollutant reduction metrics.
- Enhanced resilience for local communities.

As stated above, a simple and easy way to incentivize entrance of new battery storage projects likely to have an impact on this policy goal is to create a geographic criteria such as physical or electrical proximity to operating or retiring fossil plants or large load. This criteria would be easy to observe and could help guide siting and project investment decisions.

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?

Prologis believes the incentive levels will not be adequate to meet the State's 8,000 MWh 2030 target. Based on Prologis's experience, the proposed incentive levels would only offset 10-20% of the installed cost of energy storage, contrary to what the straw lays out on page 11 (section VII ii).

A revised approach could include: (1) increasing the initial incentive levels to cover at least 40% of installed costs (based on real market prices) and (2) a dynamic mechanism to adjust incentives based on market uptake and project economics.

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

Prologis recommends a two-tiered approach to the OBC incentive, instead of the blanket 30% adder. We propose a baseline adder for all distributed storage projects that operate in an OBC, then a secondary adder for distributed storage projects that serve critical facilities such as hospitals, emergency shelters, or public safety infrastructure. This could be modeled based on California's Equity Resilience Adders under its Self-Generation Incentive Program (SGIP).

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?

Prologis has concerns about EDCs' readiness to manage performance-based incentives effectively, given the lack of a uniform framework. We recommend a phased rollout, potentially starting with a pilot in early 2025, to refine EDC capabilities and ensure equitable implementation.

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?

Prologis supports a requirement for EDCs to implement DERMS. A standardized statewide DERMS program would provide added predictability and confidence in the market to increase the adoption of storage.

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

If enacted, these bills may necessitate additional program adjustments. Prologis encourages the Board to:

- Incorporate provisions for community-scale storage participation.
- Address the role of virtual power plants (VPPs) and aggregated DERs in advancing state goals.

Additional Guidance Requested

We request additional clarity on the following topics:

- How the declining block structure will be structured in a way that provides sufficient certainty to developers for revenue projections.
- Whether the 95% availability requirement only applies to top 4 hours only.

General Comments

Prologis believes the key to incentivizing behind-the-meter (BTM) storage in New Jersey is to ensure asset owners are able to effectively stack Coincident Peak reduction activities with the Performance Incentive and other value streams. If Coincident Peak and Performance Incentive revenue streams are competing for energy storage capacity, the pricing mechanisms in New Jersey will not sufficiently incentivize BTM storage.

Instead, the Board should:

- Build upon Commonwealth Edison's successful program in Illinois by allowing BTM systems to participate in frequency regulation and other PJM Wholesale or capacity markets to improve project economics.
- Ensure performance-based incentives can be stacked on Coincident Peak based revenue streams by ensuring these events occur in concurrent or adjacent hours.

We also recommend that New Jersey encourage market participants with many storage assets in the state to apply as aggregators (i.e., as virtual power plant operators) with compensatory performance incentives and requirements. In this case, it will also be critical that there are consistent criteria by which EDCs treat and manage aggregator resource management.

To enhance transparency and stakeholder confidence, Prologis recommends publishing quarterly dashboards tracking deployment progress, incentive usage, and performance metrics. These updates will foster collaboration and public accountability.

Prologis also urges the Board to streamline the interconnection process through a fast-track option for energy storage projects. This approach will reduce administrative bottlenecks and ensure timely deployment, aligning with the SIP's ambitious timeline.

Finally, to keep on pace to meet New Jersey's 2030 energy storage goal, we recommend launching a pilot for the Distributed Storage Segment Incentive Program in 2025, rather than waiting until 2026.

Conclusion

Prologis applauds the BPU's commitment to developing a forward-thinking energy storage incentive program that supports New Jersey's clean energy and grid modernization goals. By integrating stakeholder insights and aligning program elements with proven regional frameworks, NJ SIP can become a national model for energy storage deployment. Prologis is committed to collaborating with the Board to ensure these measures drive long-term success.

We strongly encourage the BPU to:

- **Expand support for front-of-the-meter (FTM) energy storage**, particularly projects co-located with existing distributed solar facilities.
- **Adopt a standardized framework for incentives and performance payments** to drive market confidence.
- **Prioritize equity and environmental justice** by enhancing incentives for storage projects in overburdened communities.

By focusing on aggregation of behind-the-meter systems as well as front-of-the-meter systems, New Jersey can immediately unlock cost-effective energy storage deployments that align with existing grid needs." Performance-based incentives for FTM systems should prioritize grid-level contributions during peak events, while ensuring uniform program frameworks across EDCs to attract investment.

Prologis remains committed to leveraging our industrial properties to support New Jersey's transition to a cleaner, more resilient energy future. We welcome the opportunity to collaborate further with the BPU and stakeholders to ensure the NJ SIP is a resounding success. For any questions or further discussion, please do not hesitate to contact us.

Respectfully submitted,

Paul Augustine
Director of Energy Policy and Government Affairs
Prologis
Pier 1, Bay 1
San Francisco, CA 94107
paugustine@prologis.com