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Sherri L. Golden
Secretary of the Board
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Trenton, NJ 08625-0350

RE: Docket No. QO22080540 - Comments of Convergent Energy and Power in the Matter of the New Jersey Energy Storage Incentive Program 2024 Straw Proposal

Secretary Camacho-Welch,

On behalf of Convergent Energy and Power ("Convergent"), we thank the New Jersey Board of Public Utilities ("Board", "BPU") for the opportunity to comment on the proposed structure for an Energy Storage Incentive Program (SIP). Convergent has been an active participant in this process and sincerely appreciates that in the 2024 Straw SIP Staff incorporates many changes proposed by stakeholders in response to the 2023 Request for Information ("RFI").

Convergent is a developer and lifetime owner-operator of distributed energy storage and or solar assets across North America, with over a decade of storage experience. We build behind-the-meter resources for commercial and industrial (C&I) customers, and front-of-the-meter solutions for utilities and states such as non-wires alternatives and other unique projects.¹ We seek to build storage assets in NJ and our development and operational experience across multiple markets gives us the unique perspective on best practices to successfully attract distributed storage investment to NJ; accordingly we offer the following.

Executive Summary

We are excited to see proposed timelines for implementation and appreciate the opportunity to offer these comments. Convergent incorporates by reference and supports the comments and recommendations submitted by Calibrant Energy responding to the 2024 proposed SIP in this docket. There are many details to be resolved, and so Convergent offers these narrowly focused comments and recommendations highlighting the key elements the BPU must resolve with the SIP structure for a successful implementation in Q1 2025. Specifically, we offer comments and recommendation herein focused on the following:

- I. Distributed Resource Allocations and Definitions - Sufficient storage targets and program size known in advance.
- II. Distributed Resource Incentive Certainty - Greater certainty on the amount of fixed incentive amount and establishing right to earn performance incentives.

¹ See [Convergent Energy and Power – We're building an energy landscape that is less expensive, more reliable, and increasingly sustainable.](#)



I. Distributed Resources Allocation & Definition

Resource Definitions

The proposal to separate grid supply (front-of-the-meter, “FTM”) and distributed storage resources (behind-the-meter, “BTM”) into separate programs is something we strongly support, however there is a lack of further differentiation between the important sub-categories of storage within those groups, specifically Transmission Grid Supply, Distribution Grid Supply, Distributed Behind-the-Meter Non-Residential, Distributed Residential. As Convergent has previously commented, we believe it is important to explicitly differentiate between the multiple unique segments of storage projects noted above.

Investors rely on radically different economic models when justifying the deployment of capital for storage projects dependent on the segment it belongs to. Accordingly, NJ’s SIP must account for those differences in the structure intended to attract that capital. For example, transmission Grid Supply and distribution Grid Supply are both FTM and as such both fall under the proposed SIP’s definition of Grid Supply. This creates an inherent advantage for the transmission connected over distribution connection Grid Supply resources because of the inability for the smaller resources to compete economically with much larger sized assets. The result of not differentiating will be a small number of Grid Supply resources with a lack of diversity. This unnecessarily increases risks by concentrating state funds with a handful of developers and resources which amplifies the impacts of delay or failure of any one project.

Convergent proposes that the BPU either create separate targets for transmission and distribution connected FTM resources in the Grid Supply program or create a separate category and allocation in the Distributed storage resources program for FTM connected distribution resources. Similarly, Convergent also proposes to set separate allocations and blocks for residential versus non-residential behind-the-meter storage resources in the Distributed storage resources program.

Allocation Amounts

Details on how much will be allocated to the Grid Supply versus Distributed resource programs should be better clarified by the BPU when issuing program rules. Convergent strongly believes that the BPU should allocate a greater amount of MWs and budget to the Distributed resources program given the multitude of advantages they offer beyond hitting NJ’s storage target.

As properly acknowledged by Staff, distributed resources can provide benefits that Grid Supply cannot, such as “contributing to local system resilience, helping integrate higher levels of distributed generation, and potentially reducing the cost of operating and maintaining the distribution grid.” (see page 11). Also acknowledged by Staff is that there is already a notable level of Grid Supply storage in the PJM interconnection queue, meaning these resources have already been developed sufficiently given the certainty of other available revenues. Allocating SIP MWs to those larger projects not only limits supply diversity as discussed above, but it also limits the total return on investment for NJ.

By dedicating a greater allocation to the Distributed resources, the BPU can ensure a much higher rate of return for SIP dollars spent because it will attract resources that would not have otherwise been built.



Additionally, for C&I BTM Distributed resources, the return on investment goes beyond the electric market and directly back to NJ businesses and industry.

Further, as Convergent has previously commented, focusing SIP allocations on Distributed resources yields a list of additional diverse benefits such as:

- Faster to COD timelines
- Reducing exposure to PJM interconnection delays because of direct connection to the distribution system
- Reinforcing reliability and creating hosting capacity on NJ distribution systems by reducing demand during peak times even when not dispatched for a Performance Incentive
- Avoiding siting complications that larger projects face because Distributed resources are sited on customer owned property, and
- Attracting a diverse type and amount of investment in NJ storage by leveraging private industry and reinforcing NJ's local economy.

Additional factors of consideration are timing of when allocation amounts are announced, and the size of the initial Grid Supply and Distributed block allocations. The proposal only indicates an intent to start with "relatively small" blocks and to then reset those amounts annually which could hamper investment in NJ storage. Convergent appreciates the BPU's desire to balance the benefits of storage deployment with budget considerations, however a small amount of incentivized capacity available in the first year would unnecessarily and artificially limit development in early years which can lead to speculative behavior.

Convergent supports Calibrant Energy's proposal to allocate at least 60% of the target to distributed resources overall (600 MWs), with an initial incentive block of one third of the distributed allocation (200 MWs). There are many large consumers of energy in NJ who would benefit from participating in the SIP, which could quickly absorb allocated MWs. Moreover, load forecasts continue to increase, meaning there is a greater need for interruptible load. Finally, for the large customers in NJ who have traditionally participated in demand response, the SIP can offer a more reliable and longer-term alternative.

II. Revenue Certainty for Distributed Resources

Currently it is difficult for developers to do the work necessary to advance Distributed resource projects in NJ because of the lack of certainty around either the fixed or the upfront incentives in the SIP. The BPU proposes eligibility requirements requiring advanced work that compels spending time and money that developers have no guarantee of recouping with a SIP award. The risk from inability to guarantee an award is further compounded when developers cannot model potential revenues if they receive an award. As currently proposed, developers do not know the fixed incentive rate for distributed resources *or* have certainty that they will be able to access performance incentives, and lack of both significantly reduces ability to effectively develop projects in advance.

The data from the BPU's gap analysis indicated capping the total incentive to 40% of fully installed costs. The current SIP proposal indicates that regardless of EDC proposals for Performance Incentive rates, the total of the two incentives will be no greater than 40% of project costs. However, as written the proposal does not guarantee Performance Incentive availability for any length of time or at any



dollar level which greatly increases the likelihood of speculative behavior. There are multiple ways the BPU can provide this certainty, such as the proposal from Calibrant to lock in the performance incentive at the time of a block award for ten years at the same rate each year.

Alternatively, the BPU has a gap analysis in hand from which it can lock in a fixed incentive rate for the first block to be released. The BPU can still cap total Distributed resource incentives to not exceed 40% of fully installed cost regardless of the Performance Incentive determined by the EDC. More specifically if the EDC determined Performance Incentive would lead to a total incentive *value* greater than 40% of fully installed costs, the *payments* can still be capped at 40%.

Conclusion

Convergent would like to reiterate its appreciation for the changes reflected in the current Straw SIP proposal. The BPU Staff is clearly listening and acting upon the interests of stakeholders in for the sake of launching a successful and effective program. Thank you again for the opportunity to contribute to finalizing the NJ SIP and for the BPU's significant efforts.

Respectfully,

Katie Guerry
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Convergent Energy and Power