575 5th AVE, SUITE 2501
NEW YORK, NY 10017
347.629.7100

December 18, 2024

Sherri L. Golden
Secretary of the Board
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350
board.secretary@bpu.nj.gov

Re: Docket No. QO22080540 – In The Matter Of The New Jersey Energy Storage Incentive Program, 2024 Straw Proposal

Dear Secretary Golden:

Thank you for the opportunity to comment on the New Jersey Energy Storage Incentive Program ("NJSIP") 2024 Revised Straw Proposal. We appreciate the Board of Public Utilities' ("BPU") continued effort and engagement with stakeholders to improve upon previous straw proposals and launch the NJSIP in 2025.

With nearly 3 GW of operating assets and a substantial development pipeline across the U.S., REV Renewables ("REV") is an industry leader in the development, acquisition, and operation of utility-scale wind, solar, and energy storage. REV owns the largest non-utility energy storage portfolio in the U.S. including five transmission-connected battery storage projects in California with several more in late-stage development, and three pumped-storage hydro facilities within the PJM region. In New Jersey, REV is the owner and operator of the state's largest energy storage facility - the 420 MW Yards Creek pumped hydro storage facility in Warren County. REV also has several New Jersey solar and energy storage projects in active development. REV's storage projects are positioned as a first mover to meet the state's 2 GW energy storage goal.

On May 23, 2018, Governor Murphy and the New Jersey legislature enacted the Clean Energy Act of 2018, P.L. 2018 c. 17, requiring the BPU to initiate a proceeding to establish a process and mechanism for achieving the goal of 600 MW of energy storage by 2021 and 2,000 MW by 2030. Energy storage is a cornerstone of the mix to achieve the state's accelerated goal of 100% clean energy by 2035 pursuant to Governor Murphy's Executive Order 315. According to a report prepared by Power Edison LLC to the BPU in 2019, "over 2.4 GW of new energy storage is needed to shave 1% of the peak hours. Significantly more GWs are needed to achieve 100% clean energy goals."

REV strongly encourages the BPU to develop a robust front-of-the-meter transmission-level storage program procurement beginning in 2025. New Jersey is in dire need of new in-state capacity, as illustrated by the 2025/26 PJM capacity auction that resulted in high prices for New Jersey ratepayers. Storage is the main resource in the PJM interconnection queue that can provide in-state capacity. It is critical to help these resources come online with a state procurement program to alleviate capacity shortages and prices.

Summary of REV Recommendations for Grid Supply Segment:

- REV supports an upfront fixed incentive for front-of-the-meter transmission connected storage but believes current funding levels allocated for the program are insufficient to attract investment and reach the state's energy storage goals.
- As an alternative to an upfront fixed incentive, REV recommends the BPU adopt rules to implement a partial-toll procurement mechanism for front-of-the-meter transmission connected energy storage.
- REV recommends that each procurement include projects that could come online within 40 months or by December 31, 2028.
- REV does not support carve-outs for specific storage technologies or durations.
- REV recommends the Legislature and BPU consider program designs to support the continued operation of pumped storage hydro.

REV supports the BPU's proposal for an upfront fixed incentive for front-of-the-meter transmission connected storage but is concerned that current funding levels allocated for the Grid Supply Segment will be insufficient to attract the investment needed to meet the state's energy goals. Therefore, REV proposes that an upfront incentive be paired with a partial toll procurement model which is widely used in California. In this procurement model, the developer/owner would receive a fixed price long-term contract of at least 10 years for the capacity portion of the storage resource only, and in return the resource would participate in the PJM capacity auction and return any auction revenue back to the ratepayers. REV highly recommends this model be included as a procurement mechanism for front-of-the-meter transmission-level storage projects, as also requested by the energy storage trade associations. We believe a partial toll procurement mechanism is consistent with the BPU's desire for "private investors [to] bear commercial and operational risks" as presented at the November 20, 2024 stakeholder meeting. In particular, the partial toll may lower risk to utility customers as the storage owner would bear the commercial risks for energy and ancillary services products. A partial toll also provides a financial hedge on capacity prices for ratepayers. We believe the BPU has existing statutory authority to implement such a program.

REV recommends adjusting BPU's proposal for projects to achieve commercial operation within 550 days of receiving an award from the Board. In particular, REV suggests extending that timeline to at least 40 months for front-of-the-meter transmission level storage, which have a much longer construction timeline compared to smaller behind-the-meter storage.

REV does not recommend establishing a minimum long-duration energy storage target, or any other storage class carve outs. It is important for the procurement to remain neutral and let the market response determine the appropriate quantities.

The Yards Creek Pumped Storage Hydro facility ("Yards Creek") is a long-duration energy storage resource that provides the same energy storage services to the grid as new battery storage. It pumps water to a higher reservoir to store energy and flows water to a lower reservoir to generate energy. However, as an existing storage resource, Yards Creek is not included in the NJ SIP and will not be incentivized to provide grid reliability benefits and maximize emissions reductions. While the New Jersey SIP Straw Proposal has taken an important step forward, staff has proposed to apply the incentives only to projects placed into service after the effective date of the program establishing the incentive. As New Jersey's largest energy storage facility with black start and voltage support capabilities, Yards is a cost-effective, dynamic resource that will only be more important in the future. Maintenance and capital costs at Yards Creek continue to rise due to the age of the facility and heightened federal and state requirements for dam safety. In Pennsylvania, pumped storage hydro is economically supported as an eligible technology for Tier II energy credits. This allows PSH in Pennsylvania to operate as a carbon reducing facility currently at much higher capacity factors than in New Jersey.

Grid Supply Questions for Stakeholders:

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?* REV does not believe a performance incentive based on net avoided emissions should be implemented. Applying a performance payment to only new capital distorts project cost-effectiveness criteria creating a higher cost per ton of GHG reduction. This program design does not tap into the lower-cost storage reductions that come from shifting dispatch to higher pricing models to optimize GHG emissions of charging current storage systems. Given the urgent need for additional capacity in PJM, it is important that performance-based incentive structures encourage the growth of clean energy resources in New Jersey.

2. *In the absence of a day-ahead emissions signal, should the SIP institute another form of performance incentive for Grid Supply projects?* Yes, the BPU should implement a partial toll procurement mechanism.

3. *How can the Board mitigate the risk of Grid Supply projects not operating/performing after receiving upfront incentives?* Should the BPU adopt a partial toll procurement model, Grid Supply projects will be subject to PJM's must offer obligation for capacity resources.

REV appreciates the BPU's consideration of our comments and looks forward to working with the BPU to launch an energy storage incentive program in 2025.

Sincerely,

/s/ *Joel M. Harrington*

Joel M. Harrington
Director of Government Affairs
REV Renewables
575 5th Avenue, Suite 2501
New York, New York 10017
jharrington@revrenewables.com