



200 Clarendon Street, FL 55. Boston, MA 02116

State of New Jersey )  
Board of Public Utilities )  
New Jersey Energy Storage Incentive Program )

Docket No. QO22080540

In the Matter of The New Jersey Energy  
Storage Incentive Program 2024 Straw Proposal

**ELEVATE RENEWABLES F7, LLC COMMENTS**

**INTRODUCTION**

Elevate Renewables F7, LLC (“*Elevate*”) thanks the New Jersey Board of Public Utilities (the “*Board*” or “*BPU*”) for the opportunity to provide further comments regarding the proposed New Jersey Storage Incentive Program (“*SIP*” or “*Program*”) and for incorporating recommendations made by Elevate in several of its earlier submissions to the Board.<sup>1</sup> The current 2024 strawman has some deviation from the earlier BPU proposals, and Elevate is thoughtful to provide constructive recommendations and modifications that can easily be adopted without adding any delay in a final issuance of a BPU Energy Storage Request for Proposal (RFP).

Elevate is excited that the state of New Jersey is at the precipice of change as storage resources are positioned to provide the needed supply resources to fill the gap, especially in light of new New Jersey air emission rules that could accelerate retirements of thermal facilities beginning this year. It is imperative that utility-scale front-of-the-meter (FTM) Grid Supply energy storage projects be built in New Jersey to maintain reliability and resource adequacy in in the State and the PJM Region, but also move the needle toward reaching the State’s laudable clean energy goals.

The latest iteration of the SIP clearly evidences the BPU’s recognition of New Jersey’s renewable and clean energy goals – among them, to provide 100% clean energy across the state by 2035 – and as drafted encourages private participation in the Program to help meet the vast

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<sup>1</sup> New Jersey Board of Public Utilities Docket QO22080540, “*ELEVATE RENEWABLES RESPONSE TO NJ BPU SIP RFI FINAL*” (Sept. 20, 2023); “*Elevate Renewables NJ BPU SIP Straw\_Proposal Comments FINAL*” (June 23, 2023)

amounts of electricity needed to reach those goals. With that said, there are a few key areas where the proposed SIP design requires further nuance with more detail recommendations below:

- *Institute a Multi-Year Energy Storage System Review Program*
- *Fixed Incentive Should Be Allocated Over A Ten Year Period To Enhance Financeability Of Large, Utility-Scale, Grid Supply Projects; Alternatively, Bilateral Incentive Mechanisms, i.e., Tolling Agreements, Considered In Program's Latter Years*
- *Grid Supply Competitive Solicitation Should Consider Price And Non-Price Factors*
- *Performance Incentive Should Be Developed By A Date Certain*
- *Deploy Largest SIP Grid Supply Procurement At The Outset Of The Program To Realize The Maximum Level Of Storage Benefits-500MW*
- *Peaker Affiliated Storage Projects Should Have A Capacity Block Carve Out Equal To 30% Of The Entire Grid Supply FTM Storage Procurement And Receive A \$20/Mwh Adder To The Fixed Incentive*
- *Projects Must Have A Valid PJM Interconnection Reference Number And Not A Completed System Impact Study*
- *Energy Storage Assets Should Be Independently Owned And SIP Incentives Only Applicable To Independent Developers*

As written, the proposal stands to introduce barriers to participation in the BPU Storage Incentive Program and may have the unintended effect of creating some of the same infirmities that plagued the Successor Solar Incentive (SuSI) programs. In the early years of the SuSI, insufficiently low incentive rates for non-residential project classes led to lagging incentive uptake in the ADI subprogram and subsequent revisions to incentive levels and capacity blocks needed, and the CSI's restrictive "confidential price cap" meant the first Program Year yielded no contracted projects.

Elevate recommends the Board consider the very timely minor changes and enhancements to the following elements of the SIP to ensure successful implementation of the Program. The following recommendations feature more nuanced suggestions to the SIP aimed at enhancing reliability, promoting accessibility to the Program, reducing barriers to entry, and aiding the Board in charting a realistic path towards reaching New Jersey's statutorily mandated clean energy and energy storage goals. These thoughts are accompanied by the essential benefits and cost-efficiencies for New Jersey ratepayers that result from the development and operation of energy storage.



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## **I. COMPANY BACKGROUND**

Elevate and its parent, ArcLight Capital Partners, are the largest merchant power producer in the State of New Jersey with seven generating facilities totaling over 4,000 megawatts. Elevate currently holds indirect ownership interests in large-scale generation resources totaling approximately 23,000 megawatts in ten states nationally (New Jersey, Connecticut, New York, Maryland, California, Ohio, Illinois, Indiana, Arizona, Texas, and West Virginia). Elevate, by virtue of its asset portfolio and business model in New Jersey-- is one of the largest developers of utility-scale, Grid Supply energy storage in the State and is uniquely positioned to offer credible experiential insights on the proposed SIP. Elevate seeks to co-locate BESS on existing generating facilities of our parent company and affiliate. This approach provides insulation against many of the most challenging issues most developers face, e.g., site control, capacity interconnection rights, existing infrastructure, permits, supply chain constraints, and capital to bring a project awarded incentive funding to fruition. With projects such as the Kearny Generating Station, the Burlington Generating Station, and the Bergen Generating Station within its portfolio, Elevate has an intimate understanding of the factors impacting energy project development and the minimum standards necessary to ensure the viability of such battery energy storage projects that could yield immense societal, environmental and economic benefits to New Jersey.

## **II. COMMENTS**

These recommendations are offered to the Board after careful consideration from the perspective of an experienced storage project developer with a detailed understanding of the factors impacting the financial viability of these projects and with consideration to the overall success of the Program and attainment of the State's energy storage goals. If the Program is to successfully launch in 2025 and 2026 for Grid Supply and Distributed Storage projects, respectively, regulatory and procedural requirements must recognize the current interconnection landscape and account for uncertainties created that are out of the control of the developer. Additionally, and importantly, the proposed design of the fixed and performance-based incentives must be enhanced and expeditiously deployed to achieve both the objectives of the SIP, the clean energy goals of the state, and the reliability needs of the New Jersey and PJM grids.

### **A. MULTI-YEAR ENERGY STORAGE SYSTEM REVIEW PROGRAM**

As New Jersey rolls out its first storage procurement program in 2025, it is imperative that it has a process in place to assess the positive progress of the program and the ability to make program adjustments towards its 2030 storage program target and clean energy goals. The Board should consider opening an annual docket to review the SIP and its progress, akin to other neighboring jurisdictions, beyond the one-time Year 1 Review process as currently proposed.

For example, Connecticut established a nine-year Energy Storage Solutions (ESS) Program to support electric storage in Connecticut, starting on January 1, 2022 and continuing through at least December 31, 2030. Under the program, the state regulatory body, the Public Utilities Regulatory Authority (PURA), reviews key ESS Program metrics on an annual basis to ensure alignment and achievement with storage program goals, e.g., (1) deployed megawatts (MW), (2) evaluation of the existing program design to ensure that the ESS Program is delivering on the expected value to Connecticut’s ratepayers; and (3) is meeting seven stated Program Objectives.<sup>2</sup>

The Authority then has the opportunity to make strategic adjustments as necessary to support the program objectives.

Elevate encourages the BPU to adopt a regular cadence of review of the SIP progress along identified objectives to guide development and implementation of the Program, as well as make adjustments as needed.

## **B. UPFRONT FIXED AND PERFORMANCE INCENTIVES**

In developing the upfront and fixed performance incentives, the Board has deviated from the previous straw namely by proposing that the award of fixed incentives to Grid Supply energy storage systems be made through an annual competitive bidding that may have a “confidential price cap” that is unworkably low and only selects projects based on price without considering crucial “non-price factors” to ensure viability of the projects selected and by deferring Grid Supply performance incentives until a workable Net Avoided Emissions Performance Incentive is established.

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<sup>2</sup> 1. Provide positive net present value to all ratepayers, or a subset of ratepayers paying for the benefits that accrue to that subset of ratepayers.

2. Provide multiple types of benefits to the electric grid, including, but not limited to, customer, local, or community resilience, ancillary services, peak shaving, and avoiding or deferring distribution system upgrades or supporting the deployment of other distributed energy resources.

3. Foster the sustained, orderly development of a state-based electric energy storage industry.

4. Prioritize delivering increased resilience to: (1) low- to moderate-income (LMI) customers, customers in environmental justice or economically distressed communities, customers coded for medical protection, and public housing authorities as defined in General Statutes § 8-39(b); (2) customers on the grid-edge who consistently experience more and/or longer than average outages during major storms; and (3) critical facilities as defined in General Statutes § 16-243y(a)(2).

5. Lower the barriers to entry, financial or otherwise, for electric storage deployment in Connecticut.

6. Maximize the long-term environmental benefits of electric storage by reducing emissions associated with fossil-based peaking generation.

7. Maximize the benefits to ratepayers derived from the wholesale capacity market

***1. Fixed Incentive Should be Allocated Over a Ten Year Period to Enhance Financeability of Large, Utility-Scale, Grid Supply Projects as 2022 Strawman Proposed and, in the Alternative, Bilateral Incentive Mechanisms, i.e., Tolling Agreements, Considered in Program's Latter Years***

A one-time, upfront incentive is materially weaker than a levelized alternative that is payable, for example, annually over a ten-year period. This concept was initially proposed by the Board and was supported by many stakeholders for its ability to enable project financing when developing battery energy storage projects. Such financing relies heavily on the presence of what the finance community terms "contracted" cash flows — revenues or cash flows whose amounts and timings carry high degrees of certainty for lenders and investors and can form the foundation of an underwriting thesis. Even without other revenue contracts, a levelized incentive payment could supply a contracted revenue stream that materially improves a project's risk profile. Financial institutions value these contracted cash flows far more highly than “merchant” revenues, which derive from volatile market revenues. By offsetting lender concerns about any residual merchant exposure, the presence of contracted cash flows from a levelized incentive or annual incentive disbursement over a ten (10) or fifteen (15) year period can enable higher leverage ratios and more favorable financing terms that ultimately benefit ratepayers through lower project costs.

Additionally, the presence of long-term contracted incentive payments enhances portfolio management capabilities and strengthens risk mitigation strategies. Unlike one-time, upfront payments that provide no ongoing contracted cash flows, distributed incentive payments serve as predictable revenue streams that help stabilize portfolio returns for asset owners. The structure of upfront payments creates a particular challenge during asset sales: when sellers have already received the entire incentive payment, the project's contracted cash flows are materially reduced, making it a riskier investment for potential buyers and potentially limiting the pool of interested purchasers. In contrast, distributed payments maintain their value through ownership transitions, allowing asset owners to transfer projects while preserving the contracted revenue stream as a tool for reducing volatility and increasing underwriting certainty. This enhanced liquidity attracts a broader pool of investors and creates more efficient price discovery mechanisms.

Finally, the timing and structure of incentive payments will have significant tax implications that directly impact project economics. An upfront lump-sum payment creates an immediate and substantial income tax liability that reduces the real value of the incentive in its first year. This tax burden can materially impact project returns when projects are most financially vulnerable. In contrast, distributing incentive payments over time offers a sophisticated solution: developers can leverage bank financing against these future contracted payments to access capital immediately, effectively replicating a partial upfront payment, while benefiting from more favorable tax treatment as the incentive payments are realized gradually over the project's life. This approach preserves the present value of the incentive while creating a more manageable tax profile

that aligns with the project's operational timeline, which makes more efficient use of the incentive and benefits ratepayers through lower costs.

In order to avoid any delay in the 2025 launch of the SIP, Elevate offers these small tweaks to the currently proposed fixed incentive structure. However, as the SIP launches in Year 1 and data and analysis from the deployment become available, it would be prudent to revisit in subsequent years the effectiveness of the current financial incentive mechanism undergirding the SIP. Elevate suggests, as it has advocated for in the past, the **use of tolling agreements** to bridge the gap articulated above between market revenues and costs to develop and operate energy storage. The procurement of Grid Supply storage resources benefits from greater certainty of costs and risks by developers, regulators, and ratepayers alike. Greater certainty is provided to developers if the incentives are understood at a time closer to the commercial operation dates of the projects— and to when the resources are of the greatest value to rate payers. A long-term tolling agreement provides for credible long-term pricing unaffected by technology increases and equipment or energy prices.

***2. Grid Supply Competitive Solicitation Should Consider Price and Non-Price Factors to Avoid Race to the Bottom and to Select Projects Most Viable***

The Board's "competitive" bid proposes the annual release of a solicitation asking participants to identify the level of fixed incentive needed to support project revenue requirements. We support the Board and the proposal's objective to award incentives to projects with a reasonable likelihood of successful and timely completion that are cost-effective. Elevate's concern, however, is that this "blind-bid" approach where the selection is determined totally on price with a "confidential price cap" in place and no "non-price factors" as part of the consideration for award will encourage a race-to-the-bottom amongst developers who may lower labor quality standards, or embellish ability to complete the storage project just to succeed in the bid. Further, rather than send realistic, stable signals to investors and developers to encourage energy storage projects, the imposition of a blind-bid with a pre-determined confidential price cap is yet another variable a "first ready" prospective developer must account for, increasing uncertainty and risk.

Elevate strongly recommends the Board revert the Grid Supply upfront fixed incentive to match the proposal of the prior Straw. If the Board instead elects to continue with the "competitive solicitation" it must develop, prior to solicitation, an internal understanding of the realistic cost of development of these energy storage projects. The Board must have the ability to review bids from prospective developers to identify signs of speculative behavior. It benefits neither the State, Board, ratepayers, or developers to blindly award incentives to the lowest bid without considering and providing weighting to other non-price factors, to determine if that project is speculative in nature and has no possibility of being constructed and delivering benefits to the grid and New

Jersey ratepayers. Elevate, with its vast development pipeline of battery storage projects, has an intimate understanding of the costs of business and the margins by which these projects may succeed or fail, in addition to the qualitative factors that must be considered to avoid award to speculative projects.

Competitive solicitations should **consider both price and non-price factors** in the evaluation and selection of projects, including **geographic distribution, project viability, and the economic and societal benefits to New Jersey** the project would provide, especially those that complement other State reliability, climate, workforce, and environment initiatives. Price cannot be used as the sole determinant of eligibility of incentive award, as doing so could encourage speculative, "race-to-the-bottom" behavior and overlooks an opportunity for the BPU to encourage and compel developers to offer creative design approaches and services in the development of storage. Non-price criteria would be evaluated qualitatively as a component of project applications, prompting developers to articulate the unique attributes of their assets. Examples of such non-price factors utilized in the evaluation process in neighboring jurisdictions include supply chain strategy, creditworthiness and financing, system reliability and peaker displacement potential, curtailment reduction potential, land reuse potential, and job creation and economic impact.<sup>3</sup>

***3. Performance Incentive Should Be Developed by a Date Certain to Provide Further Financial Assurance for Developers and Customers in New Jersey***

The Board has proposed delaying performance-based incentives for Grid Supply Storage projects until such time as sufficient data, in the Board's view, becomes available upon which to determine such incentive. The Board cites to both the lack of forward-looking marginal emissions rate data and PJM's inability to provide day-ahead emissions signals as the driving forces behind the need to defer the performance-based incentives. While understanding the need to determine the appropriate performance metrics, a contracted performance structure often utilized in neighboring jurisdictions can be considered and implemented in a short timeframe.

The Board should identify a date certain for which to implement the performance incentive portion of the program. Additionally, the performance incentive, which was initially proposed by the Board in several iterations of its SIP strawmen, should be **available to all SIP respondents**. The performance incentive was initially meant to cover a certain percentage of a storage

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<sup>3</sup> New York State Public Service Commission Case 18-E-0130, "Bulk Energy Storage Implementation Plan Proposal" (Oct. 18, 2024), page 10

developer's costs as a "supplement" to the fixed incentive accounting for 30% of costs. At no time was it ever envisioned that a developer selected for an SIP fixed incentive award would be prohibited from receiving a performance incentive if already in receipt of the fixed incentive award at the time the performance incentive is rolled out.

To be clear, Elevate strongly urges the Board to allow fixed incentive awardees to also be eligible for the performance incentive when it is finalized and rolled out, if after the initial launch of the first tranche of the RFP in 2025. The Board recognized that both incentive funding classes were needed to firm up economics for storage developers and should retain that programmatic design.

Elevate agrees with the Board that the Net Avoided Emissions Performance Incentive is too underdeveloped at present to institute. In the interim, as Elevate suggests and has advocated for in the past, the Board should consider the use of a partial tolling agreement to bridge the gap between market revenues and costs to develop and operate. The primary benefit to the use of such tolling agreements would be to eliminate the possibility that the Board will set an incentive price reflective of project costs too far into the future.

The procurement of Grid Supply storage resources benefits from greater certainty of costs and risks by developers. Greater certainty is provided to developers if the incentives are understood at times closer to the commercial operation dates of the projects, to wit: when the resources are of the greatest value to ratepayers. A long-term tolling agreement provides for credible long-term pricing unaffected by technology increases and equipment or energy prices.

Elevate strongly recommends the Board consider the tolling agreement solution for the performance-based piece of the incentive program.

**4. Board Must Deploy Largest SIP Grid Supply Procurement At The Outset Of The Program to Realize the Maximum Level of Storage Benefits-500MW 2025 Inaugural Procurement**

The initial SIP Grid Supply storage procurement must be sufficient to meet New Jersey reliability and clean energy targets and not be "backloaded" in later program years. Artificially constraining development in early Program Years can spur speculative behavior and subsequent project default, cascading into later effects of potential incentive repeal and reallocation, segment resizing, and market uncertainty. The SIP's capacity blocks must also account for present interconnection queue conditions, in which hundreds of megawatts of mature projects sit poised. To that end, Elevate recommends that the 2025 Program Year begin with a 500 megawatt procurement for Grid Supply projects to meet market interest. Energy storage is needed now to provide needed reliability and grid supporting services, such as voltage support, peak shaving, and



load shifting—all attributes and services needed as thermal generating facilities that have historically provided these services exit the New Jersey market.

Additionally, as New Jersey prepares for increased integration of intermittent renewable resources to meet its clean energy targets, energy storage and its ability to enable the integration of vast amounts of anticipated variable renewable energy resources further underscores the need to have energy storage projects come online as quickly as possible.

Past iterations of the SIP straw proposal have projected small capacity procurements in early years, with capacity towards the energy storage target "backloaded" in later Program Years; the underlying logic for this choice was said to be "expected declines in the installed cost of storage over time"<sup>4</sup>. However, as the Board also recognizes, there has been a "disruption to this trend"<sup>5</sup>. Grounding a delay in procuring substantial storage capacity upon the assumption that there will be a linear cost decline year-over-year sacrifices the certainty of near-term action; while the costs of development in four years are unknown and can only be speculated, the cost of development today can also be thought to be paired with the benefit of sooner deployment of incentive funds and subsequent developer investment capital and project development. Said otherwise, early and significant development of storage enables the State to capture cost savings elsewhere in planned investments in grid modernization sooner.

In presentation by NYSERDA's during the May 2022 Capture the Energy conference, the Agency indicated that "timing of large-scale renewables interconnection, transmission upgrades, load growth, and fossil plant retirements all require storage to be in place *before* these changes occur .... Without storage, each [process gets] more expensive and less efficient, potentially overpaying for solutions to issues that will be solved when storage comes online". Under this logic, NYSERDA's Energy Storage Roadmap features ambitious deployment of incentives earlier to kickstart development and allow greater runway for project delivery ahead of its storage target milestone years.

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<sup>4</sup> New Jersey Board of Public Utilities QO22080540, "2024 Straw Proposal" (Nov. 7, 2024), page 9

<sup>5</sup> *Ibid.*

**C. CAPACITY BLOCK OR PROCUREMENT PERCENTAGE CARVE OUT AND INCENTIVE ADDER FOR PEAKER-AFFILIATED STORAGE**

The advancement of New Jersey’s clean energy goals is greatly benefited by the development of co-located, hybridized, and peaker-affiliated energy storage projects. Such projects provide a method to replace or augment existing infrastructure into more modernized clean energy systems – providing enhanced grid reliability, efficiency, and accelerated emissions reductions to those plants which are disproportionately located in disadvantaged communities. So, to answer the Board’s question, Yes, Grid Supply energy storage projects that replace or demonstrably reduce the run-time of fossil-based peaker plants in overburdened communities should receive additional weight or a preference in competitive solicitations and not just evaluated solely on price.

The Board is right to recognize the immense benefits that such projects provide residents, customers, communities, and businesses in New Jersey. New Jersey has long championed brownfield redevelopment, especially in locales with high emissions. It is therefore in line with the State’s goals to incent Storage development at energy facilities, particularly peaker generating facilities in New Jersey. For those projects which meet SIP goals and are either a co-located, hybridized, or replacing a peaker-facility, Elevate strongly encourages the Board implement both a separate percentage carve-out or capacity block of the overall procurement and solicitation, in addition to providing said projects an adder to the fixed incentive portion of the SIP because of the many reliability, health, and societal benefits these projects confer on both the State and general population.

- 1. Peaker Affiliates Storage Projects Should Have a Capacity Block Carve Out Equal to 30% of The Entire Grid Supply FTM Storage Procurement And Receive A \$20/Mwh Adder To The Fixed Incentive For Peaker-Affiliated Storage Projects Selected.***

Elevate proposes both a carve-out and adder akin to the treatment of over-burdened communities under the Distribution segment of the SIP. In the event the Board keeps the “competitive solicitation” component of the fixed incentive model, a peaker-affiliated project should be classified as its own project class against which a percentage of the overall procurement is allocated for peaker affiliated Storage FTM Grid Supply projects. To provide more detail, Elevate proposes that **30% of the entire Grid Supply FTM Storage procurement** be carved out for Peaker-Affiliated Storage projects and a **\$20/MWh adder to the Fixed Incentive** for peaker-affiliated storage projects selected.

***2. There Are a Multitude Of Benefits To Be Realized By New Jersey Residents By Incenting Storage Resources To Co-Locate At Brownfield Peaker Facilities***

There are many reasons and much support for why the Board should further its proposal and implement this category in the final SIP RFP. The remediation, redevelopment, and reuse of power plant brownfield sites for clean energy redevelopment yield quantifiable health, economic, and societal benefits. Elevate continues to support the proposal to earmark 30% of program funding to projects that deliver benefits to communities in the locale of peaker generating facilities, which by definition are environmental justice and Disadvantaged communities and these storage configurations on the sites of peaker facilities can also yield fossil fuel peaker plant emissions reductions.

***3. Storage as a Replacement Resource to Fill the Thermal Generation Retirement Gap and Enable Carbon Reduction***

The RFP should contain a separate capacity block or procurement carve out of 30% of the overall SIP procurement solicitation for projects that are co-located with peaker facilities or existing thermal generating facilities, create hybrid configurations and operate in tandem reducing the run time of the peaker, or replace retiring Peaker facility with energy storage facilities. These configurations will be a key issue in decarbonizing the grid and addressing numerous state goals for grid benefits. Additional adding a \$20/MWh adder to the Fixed Incentive for peaker-affiliated storage projects selected for the eventual replacement with energy storage would avoid delays in replacing older resources with cleaner, new resources and will disincentivize extending the life of such older facilities. As energy storage output is ramped up, fossil fuel resource output could then be ramped down. This adder will also have the dual benefit of maximizing existing interconnection assets and on-site equipment that support and minimize the risk of projects failing to be developed or withdrawing (which is one of the drivers of this RFP) by reducing approval time and interconnection and soft costs.

***4. Brownfield Reuse and Redevelopment***

An added incentive for brownfield reuse will encourage the use of suitable sites for energy storage, help fund needed site remediation and lower development pressure on greenfields. The proposed \$20/MWh adder to the Fixed Incentive for peaker-affiliated storage projects selected would incent energy storage providers to optimize the use or reuse of brownfield sites.

**5. *Disadvantaged/Environmental Justice Communities***

Elevate strongly encourages the Board to maintain its commitment to disadvantaged communities/environmental justice communities and other overburdened energy communities by including a separate capacity block or procurement carve out of 30% of the overall SIP procurement solicitation and a \$20/MWh adder to the Fixed Incentive for peaker-affiliated storage projects that engage with and locate in such communities. These adders would be consistent with the goals of New Jersey's environmental statutes and the Interim Implementation Guidance for the Justice40 Initiative and would ensure that an equitable share of energy storage resources are placed into the communities that have historically been overburdened with assets that were not as clean or efficient.

The proposed carve-out and adder advances the energy goals of the State and program goals of the SIP by encouraging development of co-located, hybridized, and peaker-affiliated projects, and as such Elevate strongly recommends the Board adopt this framework.

**6. *The Board Should Consider Incentive Adder for Distribution-Connected Storage Resources Located in Overburdened Communities***

While Elevate stresses that large, Grid Supply, transmission-connected storage resources located in overburdened communities can provide direct benefits to residents and should be eligible for a designated incentive block, as well as enhanced incentives, in the form of immediate incentive adders and a capacity block or carve out, **Elevate strongly supports the SIP prioritizing clean energy investments in OBCs and strongly incentivize Distribution-connected storage located on Brownfields in OBCs.** The Board should target traditional energy infrastructure sites with the purpose of addressing the unwanted public health outcomes associated with them and ensuring that the local economies that have depended on the presence of industrial fossil-fuel powered plants are included in the clean energy transition. Without this kind of targeted evolution, the Board risks incentivizing the construction of distribution-connected, front-of-the-meter, clean energy systems in communities that have historically received the benefit but not the burden of traditional energy infrastructure and leaving overburdened communities without a new economic market to replace the fossil-fuel plants that will eventually be closed in them. The SIP Program has an opportunity to begin incentivizing this transition and to guarantee that distribution-connected energy storage facilities are brought online in these locations by 2030 with a \$50 kWh to \$100 kWh incentive adder in addition to the fixed incentive and performance incentive.

### **Ratepayer Savings from Avoiding Infrastructure Upgrade Costs**

In addition to reducing public health burdens, locating energy storage facilities on existing thermal facilities yields cost savings to ratepayers by utilizing existing infrastructure and capacity interconnection rights of the existing thermal generating facility, as well as accelerating development and deployment of energy storage that will actually materialize to meet the state's energy storage procurement goals. Developers of storage on these sites already possess site control and scarce transmission infrastructure is already present. This will allow for prioritizing carbon-free, clean energy investments in overburdened communities.

### **D. SIP ELIGIBILITY REQUIREMENTS**

The Board has proposed that participation in the SIP be conditioned upon certain project maturity requirements including, *inter alia*, an executed System Impact Study, a guaranteed COD prior to December 31, 2030, and pre-development security of \$100,000.00/MW. Elevate recognizes the Board's regulatory interest in eliminating projects that cannot be expected to reach commercial operation within a reasonable time frame and agrees that certain restrictive project eligibility criteria should be imposed. As written, however, the eligibility criteria are unnecessarily restrictive, and, therefore, would not foster development and enable New Jersey to achieve its clean and renewable energy goals.

#### ***1. With Uncertainty Around Interconnection Timing Attributed to Recent PJM Initiated Fast-Track Processes, the Requirement Must Be That Projects Have a Valid PJM interconnection Reference Number and Not a Completed System Impact Study***

The requirement for a project to have a completed System Impact Study (SIS) to be eligible to submit a response to the BPU SIP RFP may be challenging at best. Additional uncertainty has been introduced in the PJM region with the recent fast-track interconnection processes that may impede interconnection customers currently late stage in the queue from meeting such a requirement. Interconnection Customers that have submitted traditional new service interconnection applications and received reference numbers issued by PJM by the time the RFP response is submitted would still be able to complete the SIS in time to meet the construction and commercial operation date of December 31, 2030, and many times earlier.

While some of the new fast-track interconnection processes at PJM could alter the dates for current customers to receive a completed System Impact Study, these processes will also introduce new entrants that have more viable projects than those currently in the queue. As PJM Leadership continues to message, it has completed System Impact Studies and even signed Interconnection Agreements with project developers totaling over 38,000 MW, but less than 2,000

MW have moved to construction<sup>6</sup>. The requirement shouldn't be an executed SIS, rather a project that is viable and will move to commercial operation before December 2030. Projects capable of taking advantage of any of the various fast-track interconnection processes—including Capacity Interconnection Rights (CIR) Transfer for generator replacement, the Surplus Interconnection Service fast-track process, and the Reliability Resource Initiative (RRI), —could receive a signed Interconnection Agreement within several months and begin and complete storage system construction and integration within a reasonable time period after award and many months an even years prior to December 20230 target date.

***2. SIP Prequalification Interconnection Eligibility Must Allow for Storage Projects Taking Advantage of New PJM Fast-Track Interconnection Processes for Accelerated Receipt of System Impact Studies***

Under the current SIP proposal, such projects would not meet eligibility and qualification requirements, unnecessarily jeopardizing many megawatts of storage assets that could help address New Jersey and PJM supply constraints that threaten local and regional reliability.

As the BPU is well aware, uncertainty— particularly in matters of timing that are beyond a developer's control—undermines project development. Project developers are particularly sensitive to timelines that are unreasonably restrictive, particularly where the greatest variables are beyond the developer's control. The imposition of a requirement that a developer has executed obtain a System Impact Study prior to submitting a response to the SIP solicitation within a designated time period is one of the extraneous variables for pre-qualification eligibility over which a developer has no control in this current PJM Interconnection conundrum. But it is reasonable to require that the Grid Supply SIP respondent have tendered an interconnection application with PJM in either one of the newly established fast track processes or the revamped cluster study process for new services interconnection applications and have in hand at the time of SIP RFP response a valid PJM-issued reference number. The new fast track processes will enable many new interconnection battery storage customers to move quickly through a separate process and provide needed resources to replace retiring thermal facilities in the State.

Elevate appreciates and understands that the imposition of time limits encourages developer diligence, requiring the developer to use best efforts in all respects, and file complete and timely applications. However, once the developer has done all it can to advance a project, the developer should not be penalized by delays attributable solely to PJM or governmental permitting

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<sup>6</sup> PJM Inside Lines, “*PJM Capacity Auction Procures Sufficient Resources To Meet RTO Reliability Requirement*” (July 30, 2024). <https://insidelines.pjm.com/pjm-capacity-auction-procures-sufficient-resources-to-meet-rto-reliability-requirement/>

or approval process. Accordingly, Elevate strongly suggests an alternative to the requirement to have an executed System Impact Study prior to requirement, namely that *the Board allow all Grid-Supply projects with a PJM reference number and demonstration of the other stipulated criteria eligibility criteria to enter the program, for example, full site control of the generator tie line, full engineering plans, and verification of capital financing of the project.* Obviously, the Board should allow for minimal extensions where delays are occasioned by, among others, events of force majeure and supply chain-related delays that are outside the control of the developers.

***3. Establishing A Commercial Operation Date for Grid Supply Energy Storage Less than 1100 days from Signing a PJM IA is Unreasonable Considering Uncertainties Around Supply Chain, Permitting and PJM Interconnection***

Elevate shares the Board's objective of ensuring all storage projects selected under the SIP are commercially operable prior to December 31, 2030. The Board has proposed that projects have a guaranteed Commercial Operation Date prior to December 31, 2030, and within 550 days of receiving an award from the Board. However, there seems to be an inconsistency in the preamble and the proposed regulations. In the proposed regulations at 14.3(l)(1), the Milestone is benchmarked as needing the project to reach its planned commercial operation date (COD) "no more than 550 Calendar Days **after the execution of the GIA**", or "**generator interconnection agreement**".<sup>7</sup> The benchmark of an executed GIA is appropriate; however, in the latest straw proposal to the imperative Project Milestone of a project reaching commercial operation, the language is inconsistent, and states that the commercial operation date is within 550 days "**of receiving an award from the Board**".<sup>8</sup>

It is reasonable to set a commercial operation date after a signed Interconnection Agreement, as that process has unknowns that are beyond the control of the developer. Elevate supports a clarification that the Board's intent is for commercial operation date clock to be triggered by the signing and execution of the IA. Further, Elevate posits that as an established developer of BESS throughout the US, we are keenly aware of the timeframe needed to bring a project online and 3 years or 1100 Calendar days is the suitable timeframe considering supply chain lead times and permitting processes. However, there are examples of projects that can move through all phases to commercial operation before that timeframe but that is not the norm under current interconnection and permitting regimes in the PJM region.

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<sup>7</sup> New Jersey Board of Public Utilities QO22080540, "2024 Straw Proposal" (Nov. 7, 2024), page 28

<sup>8</sup> New Jersey Board of Public Utilities QO21101186, "Order Addressing the timing of the Second CSI Program Solicitation" (Sept. 27, 2023), page 16

A **three-year or 1100-day timeframe** is one of the shortest durations for any supply or generation resource category to become commercially operable. With that, Elevate strongly encourages the Board to adopt the requirement that the storage project become commercially operable within **1100 days of a Signed IA with PJM**. This limitation is on its face overly restrictive and, if such a restrictive requirement is put into effect as contemplated, projects risk the potential forfeiture and clawback of program benefits to projects which fail to meet the administrative timeframe due to external factors outside of the developer's control. It is important the Board recognizes that developers are already strongly incentivized to finish their projects in a timely manner due to financial considerations and the expected revenue generated by operating the completed asset. Typically, developers' projects are undertaken with financial backing of investors who have calculated a return on their investment, based on the projected commercial operation date of the facility. When a project goes beyond that anticipated timeline, there may be legal and financial ramifications for the project beyond those imposed by the Board. Simply stated, the sooner a project is brought online, the sooner the developer and any investors may realize profits.

In this respect, the developers and Board agree that bringing a project online as quickly as possible is in the mutual interest of the parties. However, many projects may face delays that are outside of the control of the developer such as permitting or interconnection issues. These projects should not be financially penalized because a municipal permit took three months longer than expected, a vital facility component was on backorder due to supply chain issues, or because of other, similar delay-causing issues. As such, the Board must consider a more realistic timeframe within which developers may be required to bring their projects online. Elevate strongly suggests the Board extend the 550-day COD deadline to 1100 days or three (3) years from execution of a Signed IA. Additionally, the Board should adopt procedures to extend the timeline for good cause shown, which should include events of force majeure and supply chain issues.

#### ***4. Pre-Development Security Must Be Proportionate to the Level of Incentive So Not To Create Unsubstantiated Capital Risk***

The Board has proposed that a project be required to post pre-development security of up to \$100,000.00 per megawatt as a precondition to SIP eligibility. Elevate agrees that a commensurate, non-refundable security is an appropriate tool to assure developers pursue their projects to a timely completion. However, the proposed security is the potential financial benefit from the SIP is not proportionate to the potential loss of the pre-development security, thus the security would undermine projects' economics and the ability of the State to achieve its clean energy goals. In keeping with parameters in neighboring jurisdictions, a more appropriate security could be **\$20,000 per megawatt up to \$40,000 per megawatt**.

The proposed \$100,000.00/MW security creates capital risk and would likely limit the number of developers interested in investing in the State and thereby decrease the number of



projects that are pursued. As noted, developers of energy storage projects are necessarily cost-conscious and where there is risk of forfeiture of a large security – especially where a clawback provision provides for forfeiture even as a consequence of third-party actions outside the control of the developer – there must be a proportionately large incentive for the developer to undertake such risk. Hence, Elevate proposes the Board reduce the pre-development security to a **non-refundable solicitation participation fee of \$20,000 per MW of project nameplate capacity.**

**D. ENERGY STORAGE ASSETS SHOULD BE INDEPENDENTLY OWNED AND SIP INCENTIVES ONLY APPLICABLE TO INDEPENDENT DEVELOPERS**

Elevate does not support utility ownership of storage resources because of its effect on competition, the market, and utilities disproportionate market power. Elevate supports continued independently owned generation and storage assets. Utilities divested generation-related assets and received payments for them and related recovery of stranded costs.

Independent energy storage developers and other merchant power producers are well-suited to continue to provide grid-scale storage resources in a timely and efficient manner to meet New Jersey’s clean energy goals. The separation of generation functions from transmission and distribution functions truly allows for competition that’s reflected in the price that gets passed on to New Jersey customers. However, there are other structures and arrangements that involve greater utility participation, such as long-term sales and tolling agreements between utilities and energy storage developers, through incentive regulation, that could be considered and prove beneficial to customers, developers, and utilities.

**CONCLUSION**

Elevate thanks the Board for the opportunity to elaborate on its comments regarding the New Jersey Storage Incentive Program. We are happy to discuss these suggestions, and any other topics as applicable, with the Board.

Thank you for your attention to this matter. Please contact the undersigned if you have any questions.

Sincerely,



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