Sealed

April 28, 2025

Secretary Sherri L. Golden
New Jersey Board of Public Utilities

Re: Docket QO24020126 - Sealed Comments on Energy Master Plan

Dear Secretary Golden:

Thank you for the opportunity to provide comments on New Jersey's 2024 Energy Master Plan (EMP) update.

These comments are provided by Sealed, a climate tech company on a mission to stop home energy waste and electrify all homes. Sealed provides software and solutions to contractors, enabling them to install more home weatherization and electrification projects and grow their businesses. Sealed serves as an aggregator in New Jersey's residential energy efficiency rebate programs, handling rebate processing and payment on behalf of contractors.

As detailed in the EMP update, building decarbonization and energy efficiency are "no regrets" strategies that will be essential to achieving New Jersey's energy and climate goals. All scenarios to achieve the state's climate targets require significant increases in energy efficiency and heat pump deployment – a pace of change that will only be possible if we transform and modernize the way we deliver energy efficiency upgrades.

Rebates will play a key role in making efficient, low-emission technologies like heat pumps more affordable. To support the success of residential retrofit programs, our comments include program design best practices that enhance participation and impact. We also highlight how measured savings programs can improve grid reliability and reduce consumer costs by making energy efficiency a real, verifiable resource that grid operators can depend on. Furthermore, measured savings programs can help transform energy efficiency measures into core components of Virtual Power Plants (VPPs) — lowering peak demand and increasing grid flexibility.

Sincerely,
David Kolata
Vice President of Policy
Sealed Inc.

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Home Energy Retrofit Program Design Best Practices

As detailed in the EMP update, heat pump systems for HVAC, water heating, and clothes drying remain more expensive than fossil fuel alternatives. The EMP correctly identifies that rebates will be necessary to address the "cost gap" and are made all the more important with recent tariffs. Rebates provided through Triennium II and III programs, as well as the Inflation Reduction Act (IRA) Home Energy Rebate Programs, can help close this gap. In parallel, rate design reforms can reduce the "spark gap" to make electrification more affordable. However, rebate programs must be well-designed to drive the scale of adoption needed to achieve the State's energy and climate goals. Below are key program design recommendations to ensure these programs have a maximum impact:

1. **Provide Contractor-Led Project Pathways**
   Home retrofit programs should be designed to align with contractors' existing lead generation and sales processes. Allowing contractors to lead project development and customer engagement — rather than centralizing those functions within the program — encourages meaningful participation from both contractors and households. Centralized approaches that control leads, audits, or project scoping can create delays, increase complexity, and deter participation. Empowering contractors to manage client relationships and tailor services to individual homes supports faster project completion and a better customer experience.

2. **Support Household-Led Income Verification**
   Income-qualified programs should enable households to complete income verification independently of contractors. This model empowers consumers and reduces friction for contractors. For instance, Wisconsin's IRA rebate programs provide households with a reusable income verification document they can share with multiple contractors, streamlining the process and avoiding redundant paperwork. Decoupling income verification from contractor involvement makes it easier for households to compare bids and switch contractors if needed, particularly in emergency situations. It also relieves contractors from the burden of managing income documentation, allowing them to focus on service delivery. This approach improves program accessibility, equity, and efficiency.

3. **Include Pathways for Aggregator Participation**
   New Jersey should design its programs to include participation pathways for aggregators, which play a critical role in supporting contractors and simplifying customer participation. Aggregators are distinct from program

implementers and can help expand programs to contractors who may not otherwise engage. Successful models, such as California's HEEHRA and Wisconsin's HEAR and HOMES programs, allow aggregators to register and submit projects on behalf of contractors. Programs that publish clear guidelines on aggregator roles, establish Aggregator Participation Agreements, and work closely with these entities during implementation drive broader program adoption and ensure smoother delivery.

Measured Savings Program Can Accelerate Building Decarbonization

To achieve the State's climate and energy goals, energy efficiency must be treated as a real, measurable grid resource. PJM Interconnection's omission of energy efficiency in the capacity market underscores the critical need for the measurement of energy efficiency resources. Residential measured savings programs offer a pathway for ensuring energy efficiency is both visible and valued at the grid level.

Measured savings programs use energy usage data to calculate and provide rebates based on the actual energy savings achieved from home retrofit projects. We encourage the Board to adopt measured savings in Triennium III as the basis for rebate structures for single-family retrofit programs. Sealed has partnered with Rockland Electric Company (RECO) on a measured savings program that can offer valuable insights to inform the design and implementation of similar initiatives.

Measured savings can help align home energy retrofit programs with grid reliability and building decarbonization goals in several key ways:

1. **Supporting VPPs**
   Importantly, measured savings programs enable grid operators to be able to actually count on the demand reductions from energy efficiency. In that way, measured savings can enable energy efficiency to serve as the 'base load' for VPPs. Furthermore, measured savings programs can incorporate time-, location-, and GHG-based valuations to maximize grid reliability and emissions reductions in line with the State's goals.

2. **Providing Accountability for Taxpayer Dollars**
   By basing incentives on verified performance rather than projections, measured savings programs ensure taxpayer dollars are directed toward projects that deliver actual energy savings. This accountability builds trust in public programs and can help New Jersey meet emissions and reliability goals more efficiently. Furthermore, measured savings programs incentivize quality installations by tying rebates to actual energy savings, which encourages proper system sizing, high-performance equipment, and best-practice

installation techniques that deliver real, lasting results. Installation quality often has a greater impact on energy performance than equipment specifications — underscoring the value of measured savings in capturing real-world outcomes.

3. **Rewarding Deeper Energy Savings**
   Measured savings programs reward deeper energy savings and comprehensive retrofits, such as combining weatherization with electrification. As a result, they accelerate emissions reductions and drive faster progress toward the State's goals.

4. **Streamlining Contractor Participation**
   Finally, measured savings programs can bolster contractor participation in retrofit programs by reducing soft costs, simplifying workflows, and encouraging high-quality installations. This approach not only enhances customer satisfaction but also supports the development of New Jersey's clean energy workforce. By making it easier for contractors to participate in programs, New Jersey can increase the number of contractors confidently recommending heat pumps and other efficient technologies during kitchen table conversations with homeowners, helping to normalize and accelerate the adoption of these technologies.

Driving Greater Heat Pump Sales

Finally, the EMP update highlights the 2024 NESCAUM MOU goal of reaching 90% heat pump sales by 2040 as critical for advancing building decarbonization in New Jersey. To achieve this goal, New Jersey, along with the other states that signed onto the MOU, can establish a market-based mechanism that accelerates the adoption of zero-emission heat pumps modeled on the credit trading system designed for the automotive sector. Similar mechanisms have been developed in the United Kingdom.

Applying this model to heat pumps, original equipment manufacturers (OEMs) would be assigned annual targets for the percentage of zero-emission HVAC and water heater heat pump sales. OEMs exceeding their targets by selling more zero-emission units would earn credits, while those not meeting the targets would need to purchase credits to comply. This approach drives competition and innovation and creates financial incentives for OEMs to prioritize zero-emission models. Over time, increasing targets would ensure a steady progression toward the MOU goals while providing OEMs with flexibility in how they achieve compliance.