December 12, 2022

Carmen D. Diaz, Acting Secretary
New Jersey Board of Public Utilities ("BPU")
44 S. Clinton Avenue
Trenton, NJ 08625

Submitted Electronically

Re: Docket No. QO22080540 - CPower Comments in the matter of the New Jersey Energy Storage Incentive Program

Dear Acting Secretary Diaz,

Thank you for the opportunity to provide comments on the proposed New Jersey Storage Incentive Program ("NJ SIP") in response to the BPU's September 29, 2022 Notice in the above referenced docket. CPower appreciates the BPU's leadership in developing the NJ SIP program to help meet the state's ambitious goals for energy storage. CPower believes the program has the potential to deliver significant benefits to ratepayers in terms of resiliency, emissions reduction, and cost savings.

CPower is a leading Demand Response ("DR") and Distributed Energy Resource ("DER") Service Provider, with over 6 GW of capacity under management across the nation. CPower participates in all the organized wholesale markets as well as over two dozen retail programs designed to incent energy storage and load reductions. CPower was actively involved in the development of the recently launched Connecticut Energy Storage Solutions ("CT ESS") program and has qualified several resources for participation in that program. Nearly all of the issues that are being explored in this docket were dealt with in the CT ESS docket as well.

Below are CPower's comments on specific aspects of the proposed NJ SIP.

1. **Revenue Stacking**

    a. ***CPower supports BPU's proposal to allow "stacking" of program incentives with wholesale market revenues and customer cost benefits***

Stacking of incentives with other revenue streams and cost savings allows storage developers and customers to maximize the benefits of their storage investments, reducing the incentive required from NJ SIP. Moreover, customers considering investment in behind-the-meter (distributed) energy storage are unlikely to go forward with such an investment if they are not able to realize primary benefits such as reduction in energy and demand costs and resiliency. As such, it is in ratepayers' interest to allow NJ SIP resources to participate in the wholesale market and to use behind-the-meter storage to reduce electricity costs.

That said, CPower would oppose a *requirement* to participate in the wholesale market as proposed by another stakeholder in this docket. It is important to give Program participants the flexibility to determine whether participating in other markets/value streams is the best way to optimize their resources; this minimizes the incentive needed from the state. The PJM market is an evolving market, with certain fundamental market constructs still in flux; as such, prescriptive decisions about wholesale market participation based on today's rules and market expectations could become ill-advised in a matter of months or years. Given this, CPower cautions the BPU against placing prescriptive requirements on NJ SIP resources related to wholesale market participation.

2. **Private ownership of energy storage resources vs utility ownership**

    a. ***CPower agrees with BPU's plan to support private ownership of energy storage resources***

Consistent with New Jersey's restructured competitive market, private ownership of energy storage resources in NJ SIP will maximize benefits to ratepayers by promoting competition and innovation and insulating ratepayers from uneconomic investments. If utilities are permitted to participate in NJ SIP with energy storage resources, the costs of such resources would be recovered from ratepayers regardless of whether these resources were the most cost-effective way to meet the goals of the program. This is not in the best interest of ratepayers and not consistent with the decision to restructure the electricity market and open it up to competition. Under a private ownership structure, on the other

hand, ratepayers do not bear any risk related to storage investments; these risks are borne solely by the investor (which could be a private developer or individual customer).

Further, because EDCs have the ability to recoup costs from their ratepayers, private investors are unable to compete with them on a level playing field. For example, utilities may be indifferent to changes to the program incentive rates since they can make up any difference between actual costs and incentives earned by charging their ratepayers. As a result of this dynamic, utilities do not have an incentive to develop the most cost-effective storage solutions. Moreover, when utilities compete against private investors, such as storage developers, they squeeze the competition because they have a privileged position as a regulated monopoly. Make no mistake, a decision to allow utility participation in NJ SIP will produce a market in which utilities will be the overwhelmingly dominant participant and will result in a less effective storage program.

Finally, as the BPU points out in the September 29, 2022 Notice, EDCs will play a key role in the program in terms of enabling interconnection of new storage resources and establishing pay-for-performance incentives and dispatch regimes. It would be inappropriate for EDCs to effectively be on "both sides" of the program, as a participant, and as an administrator. While the EDCs, no doubt, adhere to strict ethics standards, putting them in this position creates a conflict of interest that isn't necessary or in the best interest of ratepayers.

Given the foregoing, CPower believes that the program should be solely focused on encouraging privately owned energy storage.

3. **Definition of Storage**

    a. ***Adopting too broad of a definition of storage could result in lower efficiency technologies securing a meaningful share of the available incentive dollars, reducing the cost effectiveness of the program. CPower suggests a definition that requires a minimum round trip efficiency of 85%***

The broad definition of storage suggested by the BPU staff[1] would allow a wide range of storage configurations to participate in the NJ SIP. While on its face this may seem like a positive outcome, there are potentially negative consequences of allowing such a broad array of configurations to participate. Inefficient storage configurations could capture large payments through the fixed incentive structure, while providing low value in terms of available discharge per hour. These inefficient configurations require significantly more electricity to operate and recharge (i.e. they have low roundtrip efficiency rates), which runs counter to the program goal of building a cleaner and more efficient electric grid. Providing incentives to such storage resources would not be the optimal use of ratepayer dollars.

CPower recommends that the definition of storage be amended to include a roundtrip efficiency of at least 85%. The proposed change is shown below.

> A device that is capable of absorbing energy from the grid or from a Distributed Energy Resource (DER), storing it for a period of time using mechanical, chemical, or thermal processes, and thereafter discharging the energy, with a roundtrip efficiency of 85% or higher, back to the grid or directly to an energy using system to reduce the use of power from the grid.

4. Impact of new Investment Tax Credit ("ITC") for Energy Storage

a. While the new ITC for energy storage will be helpful in reducing the cost of developing a storage project, capital costs are currently trending upward. As such, it is important to consider all recent developments in determining the appropriate incentive level.

While the new ITC, taken in isolation, does have potential to reduce the incentive needed from the state to spur development of energy storage, it is important to recognize that several changes - some positive and some negative - have occurred in the storage industry in recent months. As such, it is important to consider all these changes together in determining the appropriate incentive level for storage in the state.

[1] September 29 Notice, p 12, BPU staff propose the following definition for energy storage: "*A device that is capable of absorbing energy from the grid or from a Distributed Energy Resource (DER), storing it for a period of time using mechanical, chemical, or thermal processes, and thereafter discharging the energy back to the grid or directly to an energy using system to reduce the use of power from the grid*".

These changes include supply chain issues due to the Pandemic, and more recently, geopolitical events, which have resulted in rising costs in almost all areas of the economy, with batteries being particularly hard hit.

The ITC for batteries that was recently passed as part of the Inflation Reduction Act (IRA) will offset these cost increases to some degree, however, it remains to be seen how much the increased demand resulting from the IRA will burden already challenged supply chains and increase battery prices.

If the BPU is concerned that the new ITC could result in the Program becoming "overly-lucrative" at some point in the future, this should be dealt with through the annual review process and the declining fixed incentive rate.

5. Proposed Procurement Quantity and allocation of quantity between Distributed and Grid Supply Storage

a. *The proposed procurement quantities should be less "back-weighted" to reflect actual storage potential in the near term*.

The BPU proposes to procure up to 40 MW of energy storage (of combined Distributed and Grid Supply storage) in 2023/24, with this amount increasing over time as shown in the table below.

Energy Year in which Awards are Made	Proposed Procurement Quantity (MWs of 4 Hour Storage)	Proposed Procurement Quantity (MWhs)
2023/2024	40	160
2024/2025	60	240
2025/2026	90	360
2026/2027	120	480
2027/2028	160	640
2028/2029	200	800
2029/2030	330	1320
Subtotal from NJ SIP	**1000**	**4000**

CPower's experience with the Connecticut Energy Storage Solutions (CT ESS) program suggests that the proposed procurement schedule will leave a great deal of potential storage on the table in the near term.

The CT ESS program launched on January 1, 2022, with two tranches of capacity: 50 MW for behind the meter residential storage and 50 MW for behind the meter Commercial and Industrial (C&I) storage. (Incentives for front of the meter storage are still under development). Applications submitted for the C&I portion of the program exceeded the amount of capacity available within a few months and in fact, the Connecticut Public Utilities Regulatory Authority ("CT PURA") recently issued a proposed final Decision[2] in the Year 2 Review of the program that gives Program Administrators the right to open the next 50 MW tranche of C&I capacity as soon as approvals for the entire first tranche have been issued[3] (rather than waiting until January 2025 when the tranche was originally scheduled to open). In a nutshell, the CT ESS program attracted well over 50 MW of storage proposals solely from behind the meter C&I sources in very short order.

CPower believes that the NJ SIP would likely produce similar or even more robust results since New Jersey is larger than Connecticut in terms of population and commercial business establishments. More specifically, the population of New Jersey is roughly 2.5 times the population of Connecticut; similarly, the employer establishments in New Jersey total roughly 2.6 times the number in Connecticut[4].

Given the experience in Connecticut, CPower feels that BPU's plan to open the program next year to only 40 MW of storage (including behind the meter and front of the meter, as well as C&I and residential) vastly underestimates potential interest in the program and will leave many systems waitlisted, potentially for years. That type of outcome will dampen interest in the program and put obtainment of the state's energy storage goals at risk.

On the residential side, the BPU should expect a slower uptake of storage because working directly with consumers requires many more transactions and takes far longer than

[2] Docket No. 22-08-05, Proposed Final Decision dated November 23, 2022

[3] As of December 12, 2022, 22.7 MW had been approved, and 45.1 MW remained in the queue.

[4] United States Census data here: https://www.census.gov/quickfacts/fact/table/CT,NJ/PST045221 shows that as of July 1, 2021, the population of New Jersey was 9.27 million vs 3.61 million in Connecticut. The employer establishments in New Jersey totaled 232,761 vs 88,060 in Connecticut

developing an equivalent amount of MWs through business-to-business transactions with C&I customers.

CPower recommends that capacity allotments be structured as shown below. Specifically, CPower suggests that more capacity be made available sooner, to encourage interest in the program and meet initial demand.

Energy Year in which Awards are Made	Proposed Procurement Quantity (MWs of 4 Hour Storage)	Proposed Procurement Quantity (MWhs)
2023/24	100	400
2024/25	100	400
2025/26	100	400
2026/27	100	400
2027/28	150	600
2028/29	200	800
2029/30	250	1000
Subtotal from NJ SIP	**1,000**	**4,000**

b. The allocation of procurement amounts between Grid Connected and Distributed storage should not be weighted more heavily toward Grid Supply.

BPU staff proposes an allocation of procurement capacity between Grid Connected and Distributed storage as shown below.

Energy Year in which Awards are Made	Proposed Grid Supply Procurement Quantity (MWs of 4 Hour Storage)	Proposed Grid Supply Procurement Quantity (MWhs)	Proposed Distributed Procurement Quantity (MWs of 4 Hour Storage)	Proposed Distributed Procurement Quantity (MWhs)
2023/2024	30	120	10	40
2024/2025	50	200	10	40
2025/2026	75	300	15	60
2026/2027	105	420	15	60
2027/2028	140	560	20	80
2028/2029	180	720	20	80
2029/2030	300	1200	30	120

The plan to allocate only 10% – 25% of the total procurement to distributed storage (resulting in an allocation of 10-15 MW/year in the first four years) is extremely low given Connecticut's recent experience launching the CT ESS program (which attracted 68 MW of behind the meter (distributed) storage in its first year). The very low allocation proposed for Distributed storage in NJ SIP will leave many MWs of potential storage behind and dampen interest in the program. Further, because the "pie" is so small, many developers will view the likelihood of capturing a piece as low and therefore will be disincentivized from participating. C&I storage projects are sized based on the load of the associated commercial customer, and the resilience and other needs of that customer. While C&I customer sizes run the gamut from very small to very large, CPower's experience is that larger C&I customers with energy intensive businesses tend to be most interested in installing storage. An allotment of 10 MW could easily become fully subscribed by two or three good-sized C&I customers.

CPower suggests allocating the 1,000 MW of procurement quantity equally between Grid Supply and Distributed storage as shown in the table below.

Energy Year in which Awards are Made	Proposed Grid Supply Procurement Quantity (MWs of 4 Hour Storage)	Proposed Grid Supply Procurement Quantity (MWhs)	Proposed Distributed Procurement Quantity (MWs of 4 Hour Storage)	Proposed Distributed Procurement Quantity (MWhs)
2023/2024	50	200	50	200
2024/2025	50	200	50	200
2025/2026	50	200	50	200
2026/2027	50	200	50	200
2027/2028	75	300	75	300
2028/2029	100	400	100	400
2029/2030	125	500	125	500
Total	**500**	**2,000**	**500**	**2,000**

CPower's proposed allocation recognizes that Distributed storage will play a large part in meeting the state's storage goal.

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6. Net Export from Storage

a. BPU should clarify whether net export to the grid from a Distributed Storage Resource is eligible to earn the fixed and performed-based incentives

In general, larger storage projects cost less per kWh to build than smaller storage projects. As a result, behind the meter storage associated with relatively small customers will need a higher incentive rate in order to "pencil" unless it can be sized larger than the customer's peak load and compensated for net export to the grid.

The CT ESS program does provide compensation for net export and experience from the first year of the program indicates that many developers chose to size their storage projects larger than the associated loads because this was what was needed to make the economics work. Understanding that, CT PURA approved payment of the performance incentive for both storage that reduces load as well as storage that net exports. With regard to the upfront (or 'fixed') incentive piece, CT PURA allows the storage to receive compensation on the greater of 150% of the customer's peak load or 5 MW[5]. This ensures that even small customers can install behind the meter storage that achieves certain economies of scale.

CPower suggests that the BPU adopt a similar structure for NJ SIP to ensure that small customers are able to achieve the economies of scale needed to make installation of storage economic. Failing to provide incentives for net export will bias development of Distributed storage in the state toward larger customers and will limit the resilience benefits that customers with behind the meter storage can realize because a storage system sized at a customer's average load level provides very little resilience

Specifically, CPower suggests that NJ SIP cap capacity eligible to earn the fixed incentive at the greater of 5 MW or 150% of the customer's peak load (for up to four hours of duration); the performance-based incentive should be paid on all performance (including net export)

[5] In the first year of the ESS Program, the upfront incentive was available to net export with no cap. PURA has proposed in its proposed final Decision in the Year 2 review (Docket no. 22-08-05) to implement a cap in year 2 equal to the greater of 5 MW or 150% of the customer's peak load because it is concerned that very large C&I projects might use a disproportionate amount of funding for the program, shutting out opportunities for smaller projects.

without any capping. This will maximize the benefits from these projects while minimizing the incentive dollars that they need from the state.

7. Initial Block Sizes

a. CPower suggests that a single, larger block of capacity be made available in year 1 of the program

The BPU proposes to open the program with three separate capacity blocks in year 1 (each with successively lower rates). The proposed block sizes are shown below.

	First Year Allocation	Block 1	Block 2	Block 3
Grid Supply:	30 MW	5 MW	10 MW	15 MW
Distributed:	10 MW	1.5 MW	3.5 MW	5 MW

* All values in MWs of 4-Hour storage capacity equivalents

CPower suggests that the Board reconsider this plan. With respect to the Distributed portion, the amount of capacity available in each block is trivial compared to the likely size of distributed C&I projects. A single project could consume most of the capacity available in all three blocks and would then receive an incentive rate lower than the initial amount set forward for Block 1. While CPower understands the BPU's interest in ensuring that ratepayers are not overpaying for storage projects, we feel it makes more sense to ensure this through the annual program review process. Storage costs are unlikely to drop significantly within a single year, particularly in the near term given supply chain issues and the expectation for increased demand due to the IRA. Therefore, dividing the already meager amount of capacity available into three blocks in year 1 simply serves to lower the effective rate earned by storage projects.

CPower recommends that a single block of capacity be made available for Distributed storage in year 1. This is particularly important if the plan to allocate only 10 MW of the total procurement quantity to Distributed storage in that year moves forward (as noted above, CPower recommends allocating more than 10 MW to Distributed storage).

8. Incentive Structure

BPU staff recommends that the program be structured to provide a fixed incentive rate with a contract length of 10 years in addition to a performance incentive that is paid based on actual performance. BPU seeks comment on initial fixed incentive rates of $20/kWh for Grid Supply storage and $40/kWh for Distributed storage paid annually for 10 years. Further, BPU proposes to reduce the upfront incentive rate by $2/kWh with each successive block of capacity, however, the rate for a particular block could be modified during the planned annual review process. Projects that span two capacity blocks would receive the weighted average rate applicable to the two blocks.

a. ***CPower supports BPU's proposal to provide a fixed incentive with a contract length of 10 years***.

A minimum of a 10-year contract length is needed in order to provide certainty on a storage project's revenue stream to private investors and lending institutions who provide equity and financing for these projects. The proposed contract length of 10 years matches the contract length provided by Connecticut's successful ESS program.

b. ***CPower tentatively supports the proposed initial fixed incentive rates of $20/kWh and $40/kWh for Grid Supply and Distributed storage respectively but cannot take a definitive position on the rates until other aspects of the program are determined, including the performance incentive rates.***

CPower believes that the proposed initial rates are reasonable assuming other aspects of the program are developed in such a way that allows storage investors to earn adequate compensation without being exposed to undue risk. That said, it will be important to reevaluate the fixed rates annually to ensure they are sufficient to attract investment in storage.

The proposal to step down the fixed incentive rate by $2/kWh with each new block will result in a rapid reduction in the rate; this isn't consistent with the current trend for storage costs, therefore, it could result in rates that are too low to attract storage investment at

some point in the future. A rigorous annual review of the appropriate rate level with adjustment where necessary, however, should guard against this outcome.

9. Performance Metrics

The BPU proposes that Grid Supply storage be required to maintain 95% availability (as reported through PJM's Generator Availability Data System (GADS)) in order to earn 100% of the fixed incentive. Performance lower than 95% would result in a pro rata decrease in the fixed incentive. BPU seeks comment on how best to incorporate a similar performance requirement for Distributed storage and whether resources below a certain size threshold, or perhaps all distribution connected storage, should be exempt from such requirements.

a. CPower suggests that Distributed storage that performs at less than 50% in response to utility dispatch in each of two consecutive years would forfeit the fixed incentive for the remainder of its 10-year contract.

Because there is no "GADS equivalent" system for Distributed storage, it will be more difficult to gauge these resources' availability. CPower suggests that in lieu of tracking availability, Distributed storage resources be evaluated based on their performance in response to dispatch instructions. To guard against providing a fixed incentive to storage resources that are malfunctioning for long periods of time, CPower suggests that resources performing at less than 50% for each of two consecutive years be required to forfeit future fixed incentive payments.

10. Performance Incentive Framework

Grid Supply Storage

The BPU proposes to develop a framework that rewards Grid Supply storage for discharging during periods of higher emissions and charging during periods of low emissions. Each resource's emission abatement will be measured by tracking the PJM marginal emissions rate and subtracting the rate at the time of charging from the rate at the time of discharge. A positive difference indicates that the resource is reducing emissions.

BPU staff seeks comment on whether specific performance hours should be established (and potentially revisited annually) to ensure that storage resources are targeting operation

during peak load periods, or whether performance should be measured solely on Greenhouse Gas ("GHG") reduction. BPU staff also seeks comment on whether storage charging from a Class I renewable resource should be treated as though it is charging during a period with zero emissions.

a. ***A number of dispatch, compensation and performance metric structures are potentially workable; the guiding principle should be ensuring that all three of these design features are consistent with each other***.

The performance measurement, dispatch regime, and compensation structure adopted for NJ SIP should all work together to incent the same behavior. For example, if Grid Supply storage's performance is measured as carbon abatement based on PJM's marginal emissions rates, then it should be compensated solely based on the amount of CO2-e abated and performance hours should not be established or used to determine compensation or dispatch.

Distributed Storage

For Distributed storage resources, BPU staff proposes to pattern the performance framework based on the ConnectedSolutions program in Connecticut and Massachusetts. This program provides performance incentive payments to resources that perform in response to utility dispatches during set windows of time in the summer months. BPU staff proposes that EDCs be charged with determining the Program Call Hours, the $/kWh incentive rate, payments to resources, and a mechanism for calling resources.

a. ***CPower supports the proposal to pattern Distributed storage dispatch based on the dispatch regime in the ConnectedSolutions program***

CPower strongly recommends that the BPU adopt a structure that involves a third party (such as the EDC or some other independent entity) issuing dispatch instructions rather than requiring "self-dispatch". Self-dispatch structures are often complex, difficult to implement fairly when more than one curtailment service provider participates and can be vulnerable to gaming.

Under the ConnectedSolutions dispatch regime, the EDCs dispatch storage resources up to 30-60 times during the hours of 2:00 pm – 7:00 pm[6] in the months of June through September. The goal of these dispatches is to reduce peak loads, which in turn reduces the capacity costs allocated to the applicable capacity zone and also reduces capacity requirements (and capacity costs) going forward. Resource sponsors are notified of a dispatch the day before the dispatch day and events can last between two and three hours. This structure has worked well for storage resources. Key features of the ConnectedSolutions program that have made it a successful program for both storage resources and ratepayers include:

- *Day-ahead Dispatch* – Receiving dispatch instruction the day before the dispatch day allows storage resources to maximize other benefits (such as demand charge management and participation in the wholesale market) while ensuring they are fully charged going into an event. This reduces the incentive needed from the state.
- *Specifying the dispatch window and maximum event length* – Similar to day-ahead dispatch, knowing the dispatch window and maximum event length allows storage resources to plan for dispatch events while still maximizing other benefits.
- *Allowing storage resources to opt out of a dispatch without penalty* – Paying for performance without penalizing non-performance gives storage owners maximum flexibility to optimize the use of their resource. This reduces the incentive needed from the state.
- *Revenue stacking* – as noted in Section 1 of these comments, allowing for revenue stacking enables storage resources to earn revenues and realize cost savings outside of the program, reducing the incentive needed from the state.

11. Project Maturity Requirements

The Straw proposal recommends that projects be deemed sufficiently "mature" in order to reserve MW capacity in a block. The maturity level is considered sufficient if the project is able to meet one of the following criteria: a) a sufficiently advanced position in the PJM interconnection queue, b) a sufficiently advanced position in a state-jurisdictional queue, or, c) for net metered projects, receipt of conditional approval from the utility. Further, projects

[6] Massachusetts is considering changing these hours to 3:00 pm – 8:00 pm because the peak load has been shifting to later in the day as behind the meter solar penetration increases.

going through a state-jurisdictional interconnection process must show proof of having filed an interconnection application and receiving Part 1 Approval[7] from the utility.

a. *The proposed maturity requirements for Distributed storage will hamper achievement of the program goals*.

Storage installations associated with C&I customers are relatively large compared to residential storage projects. As a result, the interconnection process for these projects involves complex studies that take time and often require significant financial outlay. Requiring a storage developer to fund a project to the point where it receives contingent approval to energize or Part 1 approval before providing it with certainty that it has funding creates excessive risk for the developer. As BPU staff notes, "maturity requirements aim to strike a balance between awarding MW allotments sufficiently early in the development process to not create undue development risk or burden on developers but also to support projects that can be successfully built and that can install storage devices within a reasonable timeframe and meet their obligations at the incentive amount offered under the applicable block."[8] CPower agrees with this statement and respectfully asserts that the proposed maturity requirements for Distributed storage do not achieve the appropriate balance.

In contrast to the proposed requirements in the BPU's Straw, the CT ESS Program requires distributed C&I projects to submit a signed letter of intent with the host customer as part of the Program application and in year 2 there will be a requirement to submit an interconnection application as a prerequisite to receiving a Reservation of Funds.[9] CPower suggests that the BPU adopt similar maturity requirements for C&I Distributed projects in NJ SIP. Additionally, CPower supports the proposed non-refundable $1,000/MW fee as part of the Program application; this will help discourage "frivolous" applications that may consume time and resources without a high likelihood of coming to fruition.

12. Commercial Operation Date Requirements

[7] Part 1 Approval, as defined in N.J.A.C. § 14:8-5, signifies the distribution utility's approval to commence construction
[8] NJ BPU Stakeholder Notice, September 29, 2022, pages 26-27
[9] Docket 22-08-05, Proposed Final Decision dated November 23, 2022

The Straw proposes to give Grid Supply projects three years after registration to reach completion, with an option to extend for an additional three years *at the incentive rate in effect when the extension is requested*. A similar proposal applies to Distributed resources except that they would be granted 18 months from the time of registration to reach completion, with an option to extend for 18 months *at the incentive rate in effect when the extension is requested*.

a. The proposal to allow Distributed C&I projects only 18 months to achieve commercial operation before losing their locked in incentive rate creates undue risk for investors and will hamper achievement of project goals

While CPower understands the desire to put some type of limit on the amount of time allotted to develop a project after being accepted into the program, it does not believe that 18 months is a reasonable limit in the current environment where supply chain issues and interconnection challenges could slow a project down for reasons beyond the control of the project sponsor. Developers will be hesitant to invest in storage without certainty on the incentive rate they'll earn; the proposal to drop the rate down to the prevailing rate if completion isn't achieved in 18 months removes the certainty that BPU staff has recognized is important.[10] CPower suggests that the Straw be amended to either: 1) allow for an 18 month extension without dropping the rate down to the prevailing rate, or 2) allow program applicants to request up to two 6 month extensions (with no change to the original rate) if they can show that they have been moving forward in good faith and have been delayed for reasons beyond their control.

13. Technical Requirements

One of the technical requirements listed in the Straw states that, "…resources at the distribution level may either sell aggregated output, such as the ConnectedSolutions programs in Connecticut and Massachusetts, into PJM or participate in a distribution level incentive program."[11]

[10] NJ BPU Stakeholder Notice, September 29, 2022 p 24 "Staff seeks comment on whether it is appropriate to adjust performance hours in future years and whether future adjustments to performance hours can be accomplished *while still providing sufficient certainty for developers to commit the necessary capital and receive financing". [emphasis added]*

[11] NJ BPU Stakeholder Notice, September 29, 2022 p 31

a. ***CPower respectfully requests clarification of the proposed requirement described above. If the requirement is meant to prohibit dual participation in the PJM market and NJ SIP, CPower asks the BPU to reconsider.***

CPower is unsure whether the requirement noted above is meant to convey that Distributed storage in NJ SIP would not be permitted to participate in the PJM market and notes that other parts of the Straw express support for "value stacking"[12]. As a point of reference, the ConnectedSolutions program does not prohibit dual participation in the program and the ISO-NE market. CPower suggests that the BPU consider adopting that policy, as it allows Distributed resources to maximize their value to the grid as well as associated revenue streams, thereby reducing the incentive needed from the state to make projects viable.

Conclusion

CPower is very appreciative of the work that went into putting the NJ SIP Straw proposal together and believes that with some targeted modifications, the proposed program has potential to incent storage adoption in the state and create significant benefits to ratepayers. CPower also appreciates this opportunity to provide comments in the early stage of the program's development.

Respectfully submitted,

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[12] NJ BPU Stakeholder Notice, September 29, 2022 p 2, "To maximize private investment, Staff proposes that, in addition to the incentives discussed above, private investors be allowed to own and operate the energy storage devices, allowing them to "stack" revenues from the wholesale electricity market, to utilize the behind-the-meter resource to actively manage their energy usage at the distribution level and reduce electricity costs, or to participate in a Distributed Energy Resource ("DER") Aggregation service, when available."