SUBMITTED ELECTONICALLY
via board.secretary@bpu.nj.gov

August 17, 2026

Sherri L. Lewis
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
PO Box 350
Trenton, NJ 08625-0350

<u>Comments of Clean Energy Group on New Jersey Board of Public Utilities' Virtual Power Plant ("VPP") Straw Proposal ("Straw") under Docket No. QO26030099</u>

Clean Energy Group (CEG) congratulates New Jersey Board of Public Utilities on its thorough and well-thought-out VPP program proposal and respectfully submits the following in response to BPU's request for comments.

CEG works at the forefront of clean energy innovation to enable a just energy transition to address the urgency of the climate crisis. Serving as a trusted nonprofit partner for communities, advocates, and policymakers, CEG bridges critical gaps in the clean energy sector through expert technical assistance, responsive guidance, and independent analysis. CEG works across the country to increase access to distributed energy resources in historically marginalized communities, advance equitable clean energy policies, and accelerate the retirement of polluting power plants in environmental justice communities.

Founded in 1998, CEG has supported the development and implementation of many of the country's first customer-focused distributed energy incentive programs. Through the organization's technical assistance programs, CEG has collaborated with more than 200 community-based partners to assess the feasibility of resilient solar and battery storage projects at nearly 400 facilities across 33 states and territories, resulting in over 100 completed solar and energy storage installations at community-serving facilities. CEG is part of the VPP Acceleration Initiative which helps states, local governments, communities, and financial institutions deploy and scale VPPs—advancing affordability, strengthening grid reliability, and supporting decarbonization.

Our specific comments follow:

1. **Equity:** CEG applauds NJ BPU's commitment to equitable, affordable access to VPP programs. However, we note that the equity section of the VPP Straw is both brief and lacking in specific program design elements. CEG urges NJ BPU to:

a. Include equity provisions from the start by incorporating them into the interim program, so that the long-term program will benefit from early experience in this area, rather than leaving them to be developed later;

b. Include equity goals and requirements in all elements of VPP program development, and specifically in the program goals, evaluations, proposals, and reporting. That is, equity provisions should be required as part of EDC and aggregator program proposals, reported out annually with the other program metrics, and included in regular program evaluations;

c. Create a working group or subgroup dedicated to equitable VPP program design. Due to the difficult and complex nature of equity VPP program design, CEG urges NJ BPU to create a VPP Equity Working Group or subgroup targeting issues of affordability, access, and equity design elements, that includes representatives of community-based organizations committed to advancing environmental justice and clean energy equity;

d. For additional specific equity recommendations, see CEG's report "Electrification with Equity Report Part 2" at www.cleanegroup.org/publication/electrification-with-equity-part-2.

2. **Compensation structure:** CEG applauds the innovative "Pathway 2" payment structure, which rewards headroom or capacity in addition to the more traditional enrollment and performance payments (Pathways 1 and 3, respectively). We note that the customer may need a minimum payment in lieu of performance payments to derisk enrollment and provide a baseline compensation in cases where the EDC or aggregator does not call sufficient numbers of events during a season, and the enrollee therefore does not receive sufficient performance payments despite maintaining available capacity (e.g. MA ConnectedSolutions winter season events never called). Pathway 2 availability ("capacity" or "opportunity cost") payments could provide this backstop if properly designed, and CEG urges NJ BPU to consider Pathway 2 as a customer compensation backstop mechanism.

3. **Program coordination:** CEG applauds the coordination of VPP program design with related efforts including distribution system planning, the small energy storage procurement program, grid modernization, energy efficiency, NEM, electric transportation and other proceedings. In addition to these initiatives, we strongly suggest that the VPP program should also interface with building electrification (building decarbonization) efforts including NJ DEP Clean Buildings initiative, Executive Order 316 and the NJ Building Decarbonization Roadmap. Building electrification creates both additional demand for electricity and new opportunities for VPP participation when customers replace legacy fossil-fuel appliances and HVAC systems with electric

equivalents. Coordinating the VPP program with building electrification and efficiency would promote the installation of solar and storage technologies along with more traditional efficiency and electrification technologies, both as a way to optimize customer energy management and cost savings, and to mitigate electric demand growth that would otherwise result from electrification without solar and storage. NJ BPU should reference CEG's two recent Electrification with Equity reports, at www.cleanegroup.org/publication/electrification-with-equity-part-1 and www.cleanegroup.org/publication/electrification-with-equity-part-2.

4. **Locational benefits:** The VPP Straw should include discussion of additional locational benefits in the areas of fossil fuel peaker plant retirement and data center load accommodation. These topics should be discussed as specific locational value-added opportunities:

    a. Retiring fossil fuel peaker capacity can be replaced with aggregated distributed resources. This may require a locational incentive or peaker retirement program incorporated into the VPP program.

    b. Proposed new large load customers such as data centers can meet regulatory "bring your own capacity" (BYOC) requirements in the form of support for VPP development in the surrounding community. This may require regulatory reforms requiring large loads to propose clean/distributed BYOC plans.

5. **Cost-effectiveness testing and interim program evaluation:**

    a. Regarding cost-effectiveness testing, CEG refers NJ BPU to our publication on how to conduct cost/benefit tests for battery storage, at https://www.cleanegroup.org/publication/energy-storage-benefit-cost-analysis-a-framework-for-state-energy-programs.

    b. Regarding interim program evaluation, CEG suggests that evaluating the interim program after one year of operation may result in a poor outcome, because the interim program start date of July 1 means that key summer peak demand hours are likely to occur very soon after the program is launched and before problems have been addressed and enrollment has ramped up. Assessing after the second summer season (July-August 2028) might result in both better results and more accurate information.

6. **Proactive System Upgrade Plan:** CEG applauds the PSUP model as a foundational part of the long term VPP framework and further suggests that NJ BPU undertake a comprehensive review of distribution-level interconnection barriers, particularly those affecting BTM energy storage deployment. CEG refers NJ BPU to our upcoming IEEE

paper and expanded CEG report on state distribution grid interconnection reform, to be published this winter.

7. **Technology neutrality:** CEG agrees with NJ BPU's stance on technology neutrality but notes that the lack of communications standards in the emerging VPP industry may mean that some technologies that otherwise meet performance requirements will not be able to communicate with the EDC's or aggregator's DERMS. CEG suggests a review of the most prevalent DERMs in use, with the goal of selecting DERMs so as to allow participation by the broadest possible diversity of technologies.

8. **Open-access market rules:** The proposed rule that "no single aggregator may account for more than 40% of enrolled capacity in any single EDC service territory" (p62) seems problematic. While CEG supports competition, we are unsure how this rule would work and how it would be enforced. For example, if two aggregators are enrolling customers in a single EDC territory and they end up splitting enrolled capacity 50% - 50%, both would be above the 40% threshold. Would development of a VPP in the territory then be postponed until a third aggregator could be found? CEG recommends that NJ BPU create a market rules working group or subgroup with input from EDCs and VPP developers/aggregators to refine this proposed rule.

9. **EDC ownership/administration of DERs:** CEG agrees with the premise set forth in the VPP Straw and refers NJ BPU to New York REV ES ownership rules for an example of how this concept could be developed.

10. **Small storage procurement and energy efficiency program overlap:**

    a. It's unclear what the distinction would be between a small BTM battery procurement program offering performance-based incentives, and a VPP program that incorporates BTM batteries as a central element. It would be helpful for NJ BPU to further develop these two programs with distinct goals, benefits and compensation mechanisms, or, if they are indeed very similar, combine them.

    b. While there may be internal reasons for creating a VPP program separate from the Triennial EE program, CEG would like to take this opportunity to point out that there are numerous benefits of housing a VPP program within a state EE program (as ConnectedSolutions is in Massachusetts, for example). These include: The EE program is already well-established and trusted by customers and EDCs; the EE program is already well capitalized; the EE program has built-in equity provisions and supports; VPP pilots already run within the EE program; and many VPP-capable devices, such as thermostats and water heaters, will continue to be offered to customers through the EE program.

11. **Program reporting and accountability:** CEG is in favor of information sharing and transparency. In addition to the performance and economics metrics staff proposes to require in annual reporting, CEG advocates for the inclusion of equity participation metrics so that EDCs and aggregators are publicly accountable for the success of their strategies to make VPP programs affordable and accessible, especially to historically underserved communities.

12. **Additional program design comments:** See our issue brief on VPP program design at www.cesa.org/resource-library/resource/bvpp-program-design and our VPP Acceleration Initiative at www.cesa.org/projects/vpp.

CEG appreciates the opportunity to submit these comments. We would be happy to answer any questions NJ BPU may have regarding the comments and again offer our support to NJ BPU in advancing this initiative.

Todd Olinsky-Paul

Todd Olinsky-Paul
Senior Project Director
Todd@cleanegroup.org