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New Jersey Board of Public Utilities
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Re: Clean Energy Group Comments to New Jersey Board of Public Utilties, RFI Docket No. QO26030099

Clean Energy Group is pleased to offer the following comments in response to New Jersey BPU's RFI under Docket No. QO26030099.

What additional market structures or regulatory frameworks are needed to enable a retail distribution-level market that are not covered in FERC Order No. 2222?

FERC Order 2222 covers aggregated DER participation in regional wholesale markets such as PJM. State-level market and regulatory frameworks should therefore address applications of potential value NOT covered by FERC 2222. These include:

1. Locational value/non-wires alternatives. For an example see the new Massachusetts ConnectedSolutions+ program at https://www.nationalgridus.com/ConnectedSolutionsPlus and https://www.youtube.com/watch?v=rRUvh4dblsM
2. Solar shifting. See Wattsmart battery program in Utah, Wyoming, Oregon, Idaho and Washington State: https://www.rockymountainpower.net/savings-energy-choices/wattsmart-battery-program.html
3. Voltage management. See Wattsmart program linked above.
4. Flexible load reduction. See California DSGS program at https://www.energy.ca.gov/programs-and-topics/programs/demand-side-grid-support-program and https://www.energy.ca.gov/publications/2024/demand-side-grid-support-dsgs-program-guidelines-fourth-edition
5. GHG emissions reduction. See California SGIP program at https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/self-generation-incentive-program

6. Fossil fuel peaker displacement. See Massachusetts Clean Peak Energy Standard at https://www.mass.gov/clean-peak-energy-standard. See also CESA report Battery Storage for Fossil-Fueled Peaker Plant Replacement: A Maine Case Study at https://www.cesa.org/resource-library/resource/battery-storage-peaker-plant-replacement-maine/ and CEG's Phase Out Peakers program at https://www.cleanegroup.org/initiatives/phase-out-peakers/
7. Resiliency. This can apply at the individual customer level, the community level through resilience hubs, and the distribution grid level. Customer resilience is a feature of most VPP programs. For an example of a resilience hubs program see Resilient Maryland at https://energy.maryland.gov/business/pages/ResilientMaryland.aspx
8. Equity and home health. There are many examples of equity VPP programs. See CESA's VPP Programs Summary Table at https://www.cesa.org/projects/energy-storage-policy-for-states/virtual-power-plant-programs-summary-table/

What distribution-level grid services (e.g., local peak demand reduction, feeder-level congestion relief, reverse power flow) should the Board define and prioritize for future programs?

See section 1B above

What compensation and tariff designs (e.g., value-stacking, pay-for-performance, dynamic or time-varying rates) would best align DER and aggregator incentives with system needs and customer value?

We generally recommend a combination of up-front customer incentives to help defray initial capital costs, coupled with performance payments to align dispatch with policy objectives. A strong equity component including low- or no-cost financing is also recommended. To achieve this, participation of lending institutions such as a green bank, and/or developer/aggregators who offer leasing and financing, can be helpful. For more details see CEG's publication, Program Design for Battery-Based Virtual Power Plants, at https://www.cesa.org/resource-library/resource/bvpp-program-design/. More VPP resources are available at the CESA VPP Acceleration Initiative: https://www.cesa.org/projects/vpp/

What technical, regulatory, or economic barriers limit DER adoption and aggregation for New Jersey customers, particularly in low- and moderate-income (LMI) communities, and what specific strategies or programs do you recommend to address these barriers?

This topic is exhaustively covered in CEG's two new Electrification With Equity Reports, Electrification with Equity Part 1; The Opportunity for Behind the Meter Solar and Storage in Massachusetts, and Electrification with Equity Part 2; Scaling Behind-The-Meter Solar and Storage in Massachusetts Environmental Justice Communities. These can be downloaded here: https://www.cleanegroup.org/wp-content/uploads/Electrification-with-Equity-Part-I.pdf and https://www.cleanegroup.org/wp-content/uploads/Electrification-with-Equity-Part-II.pdf

What VPP program designs, market structures, or operational models deployed in other jurisdictions should the Board consider as it develops New Jersey's VPP Program?

See CEG's Summary Table of VPP Programs at https://www.cesa.org/projects/energy-storage-policy-for-states/virtual-power-plant-programs-summary-table/ and report Program Design for Battery-Based Virtual Power Plants at https://www.cesa.org/resource-library/resource/bvpp-program-design/. More resources are available at CESA's VPP Acceleration Initiative resource page: https://www.cesa.org/projects/vpp/resources/

Should EDCs be allowed to develop and operate storage systems to relieve congestion in those areas?

It probably makes sense for EDCs to be allowed to develop and operate storage systems to address specific distribution system needs that cannot easily be addressed by third-party or customer-owned storage; however, this should not mean that EDCs engage in unfair competition with customers or third parties where, for example, EDCs may hold proprietary information about and control over project siting, permitting and interconnection. For more information about how this issue has been approached by other states, see CEG's document Should Utilities Own Energy Storage, at https://www.cleanegroup.org/should-utilities-own-energy-storage/.

What interconnection risks and costs exist that are specific to distributed energy storage systems that could limit the benefits of the program?

There are a number of resources that speak to this issue, including:

- CEG's report The Interconnection Bottleneck: Why Most Energy Storage Projects Never Get Built, available at https://www.cleanegroup.org/publication/the-interconnection-bottleneck-why-most-energy-storage-projects-never-get-built/
- DOE Distributed Energy Resource Interconnection Roadmap, available at https://www.energy.gov/cmei/i2x/doe-distributed-energy-resource-interconnection-roadmap
- IREC BATRIES Storage Interconnection Reform, available at https://irecusa.org/programs/batries-storage-interconnection/

Should GSESP Phase 2-eligible systems be able to participate in any NJBPU VPP program in the future? Why or why not?

Yes. Participation in a VPP program is essential to extract the highest value from state investments in distributed energy storage systems.

If an energy storage system participates in the GSESP Phase 2 program and is both allowed to and chooses to participate in any future NJBPU VPP program, how should the Board prevent them from being compensated for the same service more than once? For example, should the Board require that any energy storage system receiving GSESP Phase

2 performance incentives give up its ability to continue receiving those incentives as a condition of joining the VPP program or agree to a 1:1 reduction?

Make automatic enrollment in any future VPP program a condition of participation in GSESP Phase 2 (without receiving a second enrollment incentive). Enrollees in both programs would receive either the GSESP or the VPP performance incentive, whichever is greater, plus adders for any locational bonus that may apply (such as NWA provision).

What barriers limit participation in BTM energy storage programs for residential, low and moderate income, and small commercial customers? Does net metering create any barriers to unlocking the value of residential distributed storage?

Small systems benefit from power export compensation (not just load reduction compensation); net metering rules need to be updated to allow for storage paired with solar, while preventing awarding net metering credit for stored non-renewable power. NJ BPU should investigate how the net metering issue has been resolved in other states such as NY, MA and CA.

How should the Board evaluate the cost effectiveness of incentivizing distribution-connected storage (BTM or FOM)? Should cost savings to ratepayers be the sole criterion, or should the Board also consider improved reliability and/or emissions reductions?

See CEG's report Energy Storage Benefit-Cost Analysis: A Framework for State Energy Programs, available at https://www.cleanegroup.org/publication/energy-storage-benefit-cost-analysis-a-framework-for-state-energy-programs/.

Thank you for this opportunity to submit comments. For questions, please contact Todd Olinsky-Paul at todd@cleanegroup.org