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STATE OF NEW JERSEY

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SYNOPSIS

Requires BPU to develop program to incentivize installation of new energy storage systems.

CURRENT VERSION OF TEXT

As reported by the Senate Environment and Energy Committee on June 9, 2022, with amendments.

(Sponsorship Updated As Of: 3/14/2022)

AN ACT concerning energy storage systems and supplementing Title 48 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. The Legislature finds and declares that:

a. The electric grid is evolving from a system that relies on one-way, long-distance transmission of electricity from centralized power plants to customers, to a system that includes local energy sources located close to customers, who increasingly both produce and consume electricity;

b. Energy storage systems, distributed throughout the electric grid, can facilitate greater energy independence and energy security for the State's electric customers by providing increased stability of the power supply, smoother integration of renewable energy sources, a reduction in the peak demand placed on centralized power plants, and cost savings;

c. Locating energy sources and energy storage systems near the point of consumption enhances grid stability and increases efficiency;

d. Empowering New Jerseyans to take a more active role in the State’s electric grid would leverage private capital, protect customers from rising energy costs, and promote greater understanding and engagement with the challenges associated with updating the State's electric grid;

e. There are currently significant barriers that disincline New Jersey electric customers from obtaining the benefits of distributed energy storage systems, including inadequate valuation of energy storage; and

f. It is fitting, proper, and in the public interest to encourage the installation of energy storage systems by providing monetary incentives to new energy storage systems and distributed energy sources paired with energy storage systems, until these barriers are removed by market forces.

2. As used in this act:

"All-in system cost" means the total cost of purchasing and installing a new energy storage system, including the costs of hardware, siting, installation, permitting, and interconnection.

"Board" means the Board of Public Utilities.

"Customer-sited energy storage system" means an energy storage system that operates in parallel with an electric distribution system, is connected on the customer side of the meter, and is owned by the

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.
Matter enclosed in superscript numerals has been adopted as follows:
[1]Senate SEN committee amendments adopted June 9, 2022.

customer or another party that is not the electric public utility that provides electric power to the customer.

"Electric public utility" means a public utility, as that term is defined in R.S.48:2-13, that transmits and distributes electricity to end users within the State.

"Energy storage system" means a commercially available technology that is capable of absorbing energy, storing such energy for a period of time, and redelivering the energy after it has been stored to provide direct or indirect benefits to the broader electricity system. [1]"Energy storage system" includes, but is not limited to, a battery system, pumped hydroelectric system, compressed air system, flywheel, or a hydrogen production, storage, or fuel cell system, provided that the hydrogen is produced through electrolysis using electricity from a renewable source.[1]

"Front-of-the-meter energy storage system" means an energy storage system that is interconnected to the transmission and distribution system on the utility side of the meter.

"Gap analysis" means an analysis that determines the difference between the average all-in system costs of energy storage systems, considering each energy storage technology and application, and the prevailing revenue stream opportunities to support the economics of the energy storage systems.

"Overburdened community" means the same as the term is defined in section 2 of P.L.2020, c.92 (C.13:1D-158).

"Performance incentive" means a series recurring monetary payments paid by an electric public utility to an owner of an energy storage system who participates in the pilot program to compensate for the benefits to the transmission and distribution system provided by the system.

"Pilot program" means the pilot program to incentivize the installation of new energy storage systems in the State developed by the board pursuant to section 3 of this act.

"PJM Interconnection, L.L.C." or "PJM" means the same as the term is defined in section 3 of P.L.1999, c.23 (C.48:3-51).

"Upfront incentive" means a one-time monetary payment from the board to an owner of an energy storage system who participates in the pilot program to mitigate the upfront costs of the system.

"Transmission and distribution system" means the same as the term is defined in section 3 of P.L.1999, c.23 (C.48:3-51).

3. a. No later than 90 days of the effective date of this act, the board shall initiate a proceeding to develop a pilot program to incentivize the installation of new energy storage systems in the State. The pilot program shall include an upfront incentive as set forth in section 4 of this act and a performance incentive as set forth in section 5 of this act for owners of energy storage systems that are approved by the board to participate in the program. The provisions

of the pilot program shall be based upon the best available data from similarly designed programs in other states.

At the completion of the proceeding or 180 days after the effective date of this act, whichever occurs sooner, the board shall issue a board order establishing the pilot program. The order shall include the incentive amounts established for customer-sited energy storage systems and front-of-the-meter energy storage systems, and an application process for persons who wish to participate in the pilot program. The upfront incentive amounts shall be based on the nameplate storage capacity of the energy storage system, as measured in kilowatt hours of alternating current power output. The board shall establish a cap on the total monetary value of incentives to be distributed through the pilot program, which shall be consistent with the Statewide energy storage goals established by subsection d. of section 1. P.L.2018, c.17 (C.48:3-87.8).

b. Stand-alone energy storage systems or energy storage systems that are paired with a distributed source of electric power, including, but not limited to, a solar photovoltaic array, shall be eligible for the program. However, the pilot program shall be available only to an energy storage system that:

(1) becomes operable on or after the date of the pilot program's establishment; and

(2) is either:

(a) a customer-sited energy storage system that is owned, leased, or operated by a residential or non-residential customer of an electric public utility; or

(b) a front-of-the meter energy storage system located in the service area of an electric public utility.

c. The board shall reserve at least one third of the upfront incentives for customer classes or deployment scenarios that face greater economic hurdles, including, but not limited to low-to-moderate income customers, customers sited in overburdened communities, and owners of stand-alone energy storage systems who do not qualify for federal investment tax credits.

d. In the course of developing the pilot program, the board shall consider revising the eligibility requirement for net-metering for solar energy systems that requires that the capacity of the solar energy system be no greater than the annualized electricity usage of the facility to which the solar energy system supplies electricity, in order to accommodate the inclusion of energy storage system capacity, as well as the potential for future electric vehicle capacity. The board shall include its recommendation in the report required by section 7 of this act.

e. The pilot program shall be designed to achieve or exceed, together with other programs established by the board, the energy storage goals established by subsection d. of section 1. P.L.2018, c.17 (C.48:3-87.8).

f. The program shall not prevent energy storage systems from providing services to, or participating in, the wholesale market. Any evaluation of costs and benefits of energy storage systems shall include benefits that accrue directly or indirectly to ratepayers due to the participation of the energy storage systems in wholesale markets.

g. The pilot program shall be closed immediately upon the adoption of the rules and regulations required pursuant to section 8 of this act.

4. a. The pilot program shall include an upfront incentive for energy storage system owners, which shall be based on the installed capacity of the energy storage system and provided in dollars per kilowatt-hour, and shall not exceed 40 percent of the project's all-in cost. When determining the amount of the upfront incentive offered to an energy storage system, the board shall perform a gap analysis to ensure that the incentive to the owner incorporates consideration of the difference between available revenue streams, including any performance incentive offered under the pilot program, and the all-in system costs of the energy storage system. The board may develop a system of incentive bonuses to differentiate between projects by attributes including, but not limited to, those serving low- and middle-income communities. After the expiration of the pilot program, the board may reduce or eliminate the upfront incentive commensurate with a Statewide reduction in all-in system costs for energy storage systems or an increase in revenue streams available to owners of energy storage systems.

b. The board shall establish qualifications and requirements an applicant shall be required to meet in order to be eligible for an upfront incentive pursuant to this section, which may be more stringent than the requirements of subsection b. of section 3 of this act.

c. For energy storage systems with 25 kilowatts of nameplate storage capacity or greater, the board shall require the applicant for an upfront incentive to pay to the board a refundable deposit, which shall be refunded once the energy storage system is determined by the board to be operable and in use. The board shall develop a formula for calculating the deposit amount, in which the amount of the deposit is proportional to the nameplate capacity of the energy storage system.

d. The board shall require an applicant for an upfront incentive to complete the energy storage project:

(1) for customer-sited energy storage systems, no later than 18 months after the date the board approves the applicant’s application; and

(2) for front-of-the-meter energy storage systems, no later than 40 months after the date the board approves the applicant’s application. An applicant that does not comply with the project

timeline requirements of this subsection shall not be refunded the deposit paid to the board pursuant to subsection c. of this section. The deposit shall be transferred by the board to the General Fund. The board may waive or extend the project timeline requirements established by this subsection for an applicant that demonstrates extenuating circumstances that caused a delay in the completion of the energy storage project, including any delays caused by an electric public utility or PJM.

e. The board shall limit upfront incentives to one award per electric meter, for customer-sited energy storage systems.

f. The board shall allocate at least $60 million per year, for the duration of the pilot program, from moneys collected from the societal benefits charge imposed pursuant to section 12 of P.L.1999, c.23 (C.48:3-60) to fund upfront incentives pursuant to this section. After the expiration of the pilot program, the board may determine the appropriate amount of funds to allocate to upfront incentives.

5. a. The pilot program shall include a performance incentive to compensate the owner of an energy storage system that is connected to the transmission and distribution system. The purpose of the performance payment shall be to:

(1) provide fair compensation for the full value of services provided by the energy storage system, including improving the efficiency of the transmission and distribution system and reducing the peak demand placed on electricity generators;

(2) increase the number of cost-effective energy storage systems that are connected to the transmission and distribution system;

(3) facilitate the integration of distributed sources of electricity generation; and

(4) increase the resilience of the transmission and distribution systems through the deployment of back-up power.

b. The board shall require each electric public utility in the State to offer an appropriate performance incentive, for a period to be determined by the board, to an owner of an energy storage system that participates in the program, which compensates for the operational attributes of the system, including, but not limited to, capacity, demand response, load shifting, generation shifting, locational value, and voltage support. The costs of the performance incentives shall be apportioned to ratepayers using a methodology approved by the board.

6. Each electric public utility in the State shall file a tariff with the board, no later than 12 months after the effective date of this act, that would apply only to front-of-the-meter energy storage systems connected to the transmission and distribution system. The tariff shall be formulated to provide front-of-the-meter energy storage systems with compensation for their value to the grid, as described in section 5 of this act. The tariff shall establish a new

rate design for front-of-the-meter energy storage systems that accurately reflects cost causation, based on a cost of service study. The tariff may distinguish between different sizes and types of energy storage systems. The tariff shall exempt front-of-the-meter energy storage systems from charges intended for customers who consume electricity, including, but not limited to, the societal benefits charge imposed pursuant to section 12 of P.L.1999, c.23 (C.48:3-60).

7. No later than one year after the date of the pilot program's establishment, the board shall conduct a review of the program and submit a report, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), to the Legislature that includes, but need not be limited to, details about the recipients of incentive payments, the total costs of upfront incentives provided through the program, an evaluation of the extent of energy storage capacity that has been deployed in the State as a result of the program, an evaluation of the distribution of different energy storage technologies deployed, and an analysis of the maturity of the energy storage market in the State.

8. No later than three years after the effective date of this act, the board, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt rules and regulations establishing a permanent energy storage incentive program. The permanent program shall be consistent with the provisions of this act.

9. This act shall take effect immediately.