

SENATE ENVIRONMENT AND ENERGY COMMITTEE

STATEMENT TO

SENATE, No. 2185

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 9, 2022

The Senate Environment and Energy Committee favorably reports Senate Bill No. 2185, with committee amendments.

This bill would require the Board of Public Utilities (BPU) to develop a program to provide monetary incentives to persons who install new energy storage systems in the State.

Specifically, the bill would direct the BPU, no later than 180 days after the bill's enactment to publish incentive levels and an application process for an energy storage incentive pilot program. The pilot program would continue until the BPU adopts rules and regulations to establish a permanent program pursuant to the bill.

The bill would establish certain requirements for the program, including parameters for the types of energy storage projects that would be eligible for the program, as described in subsections a. and b. of section 3 of the bill. The program would be available to smaller energy storage systems that are owned by customers of electric utilities and sited in the customer's residence or business – referred to as "customer-sited energy storage systems" in the bill, as well as larger energy storage systems that are connected directly to the grid – referred to as "front-of-the-meter energy storage systems" by the bill.

The bill would also direct the BPU to reserve a portion of the incentives for energy storage systems that are owned by 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. The program would be designed to meet (or exceed) the State's goal of hosting two gigawatts of energy storage capacity by 2030.

The incentives would consist of an upfront incentive, described in section 4 of the bill, and a performance incentive, described in section 5 of the bill. The upfront incentive would consist of a one-time payment made by the BPU's clean energy program, which is funded by the societal benefits charge imposed pursuant to section 12 of P.L.1999, c.23 (C.48:3-60). The amount of the upfront incentive would be calculated using a "gap analysis," as defined in the bill, which would determine the difference between the all-in system cost of the system and the expected lifetime revenue that the customer could expect to gain from the system. "All-in system cost" is defined

to mean the total cost of purchasing and installing a new energy storage system, including the costs of hardware, siting, installation, permitting, and interconnection. The bill would require applicants for an upfront incentive to pay a deposit and to meet certain timeline requirements, as described in subsections c. and d. of section 4 of the bill. The bill would specify that the \$60 million per year of funds collected from the societal benefits charge would be allocated for upfront incentives for the three-year duration of the pilot program. The performance incentive would be a recurring payment made by the relevant electric utility, to compensate the owner of the energy storage system for services to the grid made by the system, including reducing peak demand and supplying power during outages.

The bill would direct each electric public utility to file a tariff (a pricing structure that includes rates and other charges) with the board that would apply only to front-of-the-meter energy storage systems. The tariff would be required to take into account the costs of, and benefits to, the grid caused by front-of-the-meter energy storage systems. The tariff would also be required to 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. Finally, the bill would direct the BPU to submit a report to the Legislature on the pilot program no later than one year after the program is established.

The committee amendments to the bill clarify that the definition of “energy storage system” includes, but is not limited to, a battery system, pumped hydroelectric system, compressed air system, flywheel system, or a hydrogen production, storage, or fuel cell system, provided that the hydrogen is produced through electrolysis using electricity from a renewable source.