

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 225

STATE OF NEW JERSEY

221st LEGISLATURE

DATED: APRIL 19, 2024

SUMMARY

Synopsis: Establishes incentive program for installation of energy storage systems.

Type of Impact: Annual State expenditure increase.

Agencies Affected: Board of Public Utilities.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Three-Year Duration of</u> | |
|-----------------------------------|-------------------------------|------------------------------|
| | <u>Pilot Program</u> | <u>Year 4 and Thereafter</u> |
| Annual State Expenditure Increase | At least \$60 million | Indeterminate |

- The Office of Legislative Services (OLS) determines that there would be an annual State expenditure increase of at least \$60 million during the three-year duration of the pilot program, as required by the bill.
- The OLS notes that the bill directs the Board of Public Utilities to adopt rules and regulations within three years in order to establish a permanent program to incentivize the installation of new energy storage systems in the State. The bill gives the board discretion to determine the amounts to be allocated for these incentives. As such, cost increases for the ongoing program are indeterminate.

BILL DESCRIPTION

This bill would require the Board of Public Utilities to develop a program to provide monetary incentives to persons who install new energy storage systems in the State. The pilot program would continue until the board adopts rules and regulations, within three years after the effective date of the bill, to establish a permanent program pursuant to the bill. After the expiration of the pilot program, the board would determine the appropriate amount to allocate for the incentives.

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. 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, as well as larger energy storage systems that are connected directly to the grid.

The incentives would consist of an upfront incentive and a performance incentive. The upfront incentive would consist of a one-time payment made by the board's clean energy program, which is funded by the societal benefits charge imposed pursuant to P.L.1999, c.23. The bill specifies that at least \$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.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that there would be a State expenditure increase of at least \$60 million annually during the pilot program. The bill specifies that at least \$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 OLS notes that the bill directs the Board of Public Utilities to adopt rules and regulations within three years in order to establish a permanent program to incentivize the installation of new energy storage systems in the State. The bill gives the board discretion to determine the amounts to be allocated for these incentives. As such, cost increases for the ongoing program are indeterminate.

Section: Environment, Agriculture, Energy, and Natural Resources

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).