

SENATE ENVIRONMENT AND ENERGY COMMITTEE

STATEMENT TO

SENATE, No. 225

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 2024

The Senate Environment and Energy Committee reports favorably Senate Bill No. 225.

This bill requires 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 directs the BPU, no later than 180 days after the bill's effective date, to publish incentive levels and an application process for an energy storage incentive pilot program. The pilot program will continue until the BPU adopts rules and regulations to establish a permanent program pursuant to the bill. The program is to meet or exceed the State's goal of hosting two gigawatts of energy storage capacity by 2030.

The bill establishes certain requirements for the program, including parameters for the types of energy storage projects eligible for the program, as described in the bill. The program is available to customer-sited energy storage systems, which are smaller energy storage systems owned by a customer of electric utilities and sited in a customer's residence or business, and to front-of-the-meter energy storage systems, which are larger energy storage systems that are connected directly to the grid.

The bill directs the BPU to reserve a portion of the incentives for energy storage systems owned by low-to-moderate income customers and customers sited in overburdened communities. The incentives are an upfront incentive and a performance incentive.

The upfront incentive consists of a one-time payment made by the BPU's Clean Energy Program, which is funded by the societal benefits charge imposed under current law pursuant to N.J.S.A.48:3-60. The amount of the upfront incentive is calculated using a "gap analysis," as defined in the bill, to determine the difference between the all-in system cost and the expected lifetime revenue that the customer can expect to gain from the system. "All-in system cost" is defined as the total cost of purchasing and installing a new energy storage system, including the costs of hardware, siting, installation, permitting, and interconnection. The bill requires certain applicants for an upfront incentive to pay a deposit and requires applicants to meet certain timeline requirements, as described in the bill. The bill specifies that the BPU is to allocate at least \$60 million per year of funds collected

from the societal benefits charge for upfront incentives for the duration of the pilot program.

The performance incentive is a recurring payment, made by an electric public utility, to compensate the owner of the energy storage system for services to the grid made by the system, including reduction of peak demand and supply of power during outages.

The bill directs each electric public utility to file a tariff, a pricing structure that includes rates and other charges, with the BPU for front-of-the-meter energy storage systems that are not subject to a tariff by PJM Interconnection, L.L.C. The tariff is required to take into account the costs of service and benefits to the grid from front-of-the-meter energy storage systems. The tariff is 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 directs the BPU to submit a report to the Legislature on the pilot program no later than one year after the program is established.

This bill was pre-filed for introduction in the 2024-2025 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.