SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 4289

STATE OF NEW JERSEY

DATED: JUNE 9, 2025

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 4289.

As reported, this committee substitute requires the Board of Public Utilities (board) to establish a program to procure and provide incentive awards for the development of transmission-scale energy storage systems with a reasonable likelihood of successful and timely completion. Under the substitute, "transmission-scale energy storage system" means an energy storage system, with an installed capacity of at least 5 megawatts of alternating current (MW AC), that is interconnected with the PJM Transmission Network and situated inside a Transmission Zone in New Jersey or is otherwise located in New Jersey and qualified to provide energy, capacity, or ancillary services in the wholesale markets established by PJM Interconnection, L.L.C. (PJM).

Procurement Goals and Tranche Structure

Specifically, the substitute requires the board to procure at least 1,000 MW AC of installed capacity by June 30, 2026. To accomplish this goal, the board is required to solicit applications for the program in an initial Tranche 1 and in Tranche 2. In Tranche 1, which application period is to begin no later than September 30, 2025, the board is to procure at least 350 MW AC of its 1,000 MW AC procurement goal by December 31, 2025. If the board is unable to procure all 1,000 MW AC of installed capacity in Tranche 1, the board is to approve incentive awards in Tranche 2 until it achieves the 1,000 MW AC procurement goal established by the substitute. However, all incentive awards in Tranche 2 are to be approved by June 30, 2026.

Within 30 days of meeting its 1,000 MW AC procurement goal, the board is to initiate a proceeding to determine whether to extend its procurement of transmission-scale energy storage. The substitute requires the board to issue a report to the Governor and the Legislature determining whether to extend the board's procurement of transmission-scale energy storage through subsequent tranches administered under the same program as Tranche 1 and Tranche 2 with certain modifications as deemed necessary by the board. As outlined in the substitute, this report is to contain certain information.

However, prior to administering any subsequent tranche, the board is to conduct a market analysis, as outlined in the substitute, to determine whether to increase, decrease, or maintain the amount of an incentive award.

Tranche 1 and Tranche 2 Procurement

To qualify for a Tranche 1 or Tranche 2 incentive award, a transmission-scale energy storage system is required to: (1) not participate in any other energy storage program, except for the Garden State Energy Storage Program (GSESP) to the extent that the energy storage program established by the substitute may be incorporated into the GSESP; (2) have an anticipated commercial operations date of no later than December 31, 2030, unless the board permits an exception; and (3) meet any other eligibility criteria set by the board.

In addition to these requirements, transmission-scale energy storage systems seeking an incentive award are to meet certain project maturity requirements. In Tranche 1, a transmission-scale energy storage system is required to have entered the PJM interconnection process and, at the time of application: (1) have a fully-executed Generation Interconnection Agreement or Interconnection Service Agreement through PJM; (2) have a completed Surplus Interconnection Study through PJM and have the associated Capacity Interconnection Rights through PJM; or (3) have notified PJM of intent to transfer existing Capacity Interconnection Rights associated with a deactivating generation station and have the associated Capacity Interconnection Rights through PJM. In Tranche 2, a transmission-scale energy storage system is required to have entered the PJM interconnection process and, at the time of application: (1) have a fully-executed Generation Interconnection Agreement or Interconnection Service Agreement through PJM; (2) have a completed Surplus Interconnection Study through PJM and have the associated Capacity Interconnection Rights through PJM; (3) have been studied by PJM in a Phase I System Impact Study and have paid a Decision Point I Readiness Deposit to PJM; or (4) have notified PJM of intent to transfer existing Capacity Interconnection Rights associated with a deactivating generation station and have the associated Capacity Interconnection Rights through PJM.

A Tranche 1 or Tranche 2 application is required to include certain information and a fee, as provided in the substitute. At its discretion, the board may instruct an applicant on curing minor defects in a Tranche 1 or Tranche 2 application. The board is required to evaluate each application based on the bid prices of the requested incentive awards, using certain criteria to guide its evaluation as outlined in the substitute. The substitute permits the board to place an eligible project that does not receive an incentive award for Tranche 1 or Tranche 2 on a waiting list and to consider the eligible project for an incentive award during a subsequent tranche. Under the substitute, an incentive award

is to be conditioned upon a developer's compliance with the board order determining the incentive award and with any conditions the board requires.

Tranche 1 and Tranche 2 Board Orders

The substitute outlines certain requirements for a board order issuing an incentive award to an eligible project, including that the board order is required to: (1) define the eligible project receiving an incentive award and the eligible project's installed capacity; (2) define the incentive award, including a payment schedule for the 15-year award period of the incentive award, which term is to commence no earlier than the commercial operations date of an eligible project, and during which term an eligible project is to receive an annual incentive award on each anniversary of the first payment date; (3) determine the amount of funding to be allocated for payment of the incentive award beginning in the fiscal year in which the eligible project commences commercial operations; (4) include a participation fee as the board is permitted to require from the developer; (5) require, for an eligible project awarded an incentive, a pre-development security not to exceed $100,000 per megawatt and not to exceed in total $10,000,000; (6) outline the conditions under which the board may, in the event of a developer's failure to operate an eligible project by the deadline stated in the board order or to meet deadlines included in the board order, revoke an incentive award or retain some or all of the pre-development security; (7) provide that receipt of an incentive award for an eligible project is to be contingent on achievement of baseline performance requirements, including, but not limited to, availability for dispatch in a minimum number of hours per year, as determined by the board. The board is permitted to use the PJM Equivalent Forced Outage Rate or another metric deemed appropriate by the board to measure energy storage availability. The board order is to require that the developer report data for this purpose at regular intervals and is to provide for a reduction of an incentive award in proportion to the number of hours of required availability that is unmet by the eligible project; and (8) require that a developer provide additional information to the board during the term of the incentive award, as the board may require. The board may set additional requirements at its discretion, including, but not limited to, a requirement that the developer report major development and construction milestones to the board, maintain financial security throughout the term of the incentive award, or any other requirement the board determines necessary to ensure continued progress and operational viability of an eligible project.

Energy Storage Fund

The substitute establishes a special, non-lapsing fund to be known as the "Energy Storage Fund" (fund) in the Board of Public Utilities. The fund is to be administered by the board and credited with: (1)

monies deposited into the fund by the board; (2) monies appropriated by the Legislature; and (3) any return on investment of monies deposited in the fund. Each year, until the end of all incentive awards issued under the substitute, the board is to deposit into the fund a minimum of $60 million from the: (1) revenues from the societal benefits charge; and (2) monies made available from other funding sources, as determined by the board, which sources are to include, but not be limited to, federal funding. The board is to use the monies deposited into the fund for the sole purpose of funding: (1) incentive awards issued under the substitute; and (2) energy storage incentive awards issued under the GSESP.

Beginning in Fiscal Year 2028, the board is required to annually allocate sufficient monies from the fund to fully fund incentive awards issued under the substitute.

FISCAL IMPACT:

Fiscal information for this substitute is currently unavailable.