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Garden State Energy Storage Program (GSESP)

Phase 2: Distributed Energy Storage

Capacity Block 1 Straw Proposal

August 17, 2026

GSESP Phase 2 Block 1 Executive Summary

The State of New Jersey has a statutory goal to build 2,000 megawatts (MW) of energy storage by 2030. The Garden State Energy Storage Program ("GSESP") is designed to help achieve that goal by accelerating the deployment of energy storage that addresses near-term capacity constraints, reduces electricity costs, and supports the State's long-term clean energy and reliability objectives. Phase 1 of the GSESP focuses on incentivizing transmission level energy storage projects. Phase 2 of the program focuses on deploying distribution-level energy storage systems that can deliver measurable system value by reducing peak demand during critical periods that drive capacity and transmission costs. Phase 2 will begin with Capacity Block 1 ("Block 1"), which will be administered by Electric Distribution Companies ("EDCs") under the oversight of the New Jersey Board of Public Utilities ("NJBPU" or "Board").

This straw proposal:

- Considers stakeholder input related to distributed storage received via a May 6th Request for Information ("RFI") issued by the NJBPU pursuant to Docket Nos. QO26030099, QO26040116, QO24020116, QO26030059, and Q024030199.[1]

[1] In re Advancing Virtual Power Plant (VPP) Program In The State Of New Jersey; In re The Garden State Energy storage Program—Phase 2 Distributed Storage; In re New Jersey's Distributed Energy Resource Participation In Regional Wholesale Electricity markets; In re Developing Grid Flexibility Services For Aggregated DER Participation In New Jersey's Modernized Electric Grid; In

- Discusses the initial implementation of GSESP Phase 2 and is intentionally scoped with only the details of Block 1. As such, the program design, incentive structure, enrollment framework, and operational details described herein are specific to this first capacity block and are intended to enable near-term deployment. Future capacity blocks are not addressed in detail in this document, however, this proposal lays out potential opportunities for storage deployment through subsequent capacity blocks of GSESP and through parallel BPU efforts (e.g., Virtual Power Plant ["VPP"] and Grid Modernization) which are subject to further stakeholder engagement, policy development, and Board consideration. As a result, NJBPU retains the flexibility to refine program elements, including compensation mechanism design, eligible resources, and operational frameworks, based on market evolution and lessons learned from Block 1 implementation and other BPU workstreams.
- Has been shaped to maximize direct benefits to all residential ratepayers and to avoid duplication of programming and market confusion. To avoid duplicating programs, capacity Block 1 will replace the residential storage programs established by certain EDCs as part of the Triennium 2 framework that provided incentives for the installation of new residential storage resources and which was envisioned for potential expansion in Section 2.2.ii. of the VPP Straw Proposal that was published on July 15, 2026.[2] Utility storage programs that were established in Triennium 2 PY7 will continue operation until the GSESP Phase 2 Block 1 program is officially established, as part of the VPP Interim Program Minimum Filing Requirements. Once a decision on utility filings has been reached by the Board and capacity Block 1 is opened, Block 1 of the GSESP will be the only residential storage incentive available for new residential storage resources. The VPP Interim program to compensate existing distributed energy resources ("DERs") will continue as described in the VPP Straw Proposal in parallel.
- Creates a temporary incentive while the market foundation necessary for the long-term open-access VPP tariff to function effectively is developed. Once additional incentives or compensation mechanisms become available to GSESP Phase 2, Block 1 participants through a future tariff, the Board, through future action, plans to permit the stacking of incentives or compensation for distinct services or value streams. However, participants shall not receive duplicative compensation for the same service, system benefit, or performance for which they are already compensated under the GSESP Phase 2, Block 1 program. A participant enrolled in GSESP Phase 2, Block 1 may elect to opt-out of the program and transition to any separate future VPP program at any time.

Phase 2, Block 1 is structured around a performance-based incentive framework that provides long-term revenue certainty to incent awardees while directly linking compensation to resource

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re Developing Integrated Distributed Energy Resource Plans To Modernize New Jersey's Electric Grid; Request For Information.

[2] In re Establishment of a Virtual Power Plant ("VPP") Program in the State of New Jersey, Straw Proposal: Virtual Power Plant Program, BPU Docket No. QO26030099, July 15, 2026.

performance during EDC Dispatch Events, which includes the PJM capacity and transmission peak hours, or Coincident Peaks ("CPs") and other distribution-level events as determined by EDCs. EDC Dispatch Events shall be informed by a reliable forecasting mechanism of PJM's 5 Coincident Peaks ("5CP"), but are not limited to 5CP hours, and should also be called during distribution-level thermal constraints, local congestion, and other qualifying grid stress conditions as determined by the EDCs. This program design model mitigates the risk of the supported energy storage assets becoming obsolete, as incentives are directly tied to performance during these EDC dispatch events. Block 1's performance-based framework targets up to 150 MW of behind-the-meter ("BTM") energy storage capacity. The primary objective of Block 1 is to reduce system peak demand at the distribution level by incentivizing storage resources to reliably discharge during EDC Dispatch Events, which will help avoid future capacity obligations and system costs, thereby accruing savings to all residential customers

GSESP Phase 2, Block 1 will be administered by EDCs. Incentive awards will be made by EDCs primarily on a first-come, first-served open enrollment structure, though applications submitted in the same calendar week will be treated as having been submitted at the same time.

Incentive levels were established using a gap analysis framework, along with benchmarking with similar program designs seen in other states, to ensure that compensation is sufficient to enable project deployment while maintaining cost-effectiveness for ratepayers. Due to the private resilience value of residential energy storage systems, the total incentive level was set to be lower than the full gap identified when considering only bill savings. This decision reflects Board Staff's ("Staff") assessment that many consumers have some willingness to pay for resilience and thus do not require an incentive high enough to render the net cost of battery back-up power zero.

Incentives provided under Block 1 are structured as an annual payment over a 10-year term, contingent on performance during peak demand events, with storage systems expected to discharge during the Dispatch Events. Incentives will be paid on a performance-rated share of Awarded Storage Capacity. Awarded Storage Capacity means the nameplate output of an energy storage system, measured in kilowatts of alternating current ("kW AC"), that is eligible to be dispatched and used for calculation of incentive payments under the Program. Performance will be measured as the ratio of actual average discharge relative to Awarded Storage Capacity during Performance Intervals (i.e. a discrete hourly period within a Dispatch Event during which a resource's performance is measured), and incentive payments will be prorated against this performance. The proposed incentive rate is $200 per kW of Awarded Storage Capacity, which represents the maximum annual incentive payment available to each project assuming a 100% Performance Factor.

Table of Contents

Glossary

Term	Definition
Applicant	The entity that submits an application for participation in GSESP Phase 2 Block 1, including a host customer, third party owner, aggregator, OEM, or other authorized representative.
Aggregator	An entity that enrolls, configures, manages, controls or coordinates one or more eligible energy storage systems on behalf of one or more Host customers for participation in the program
Awarded Storage Capacity	The nameplate output of an energy storage system, measured in kilowatts of alternating current (kW AC), that is eligible to be dispatched and used for calculation of incentive payments under the program.
Awarded Resource	An energy storage system that meets all program eligibility, operational, interconnection, and enrollment requirements and has been approved for participation.
Behind-the-Meter (“BTM”)	An energy storage system interconnected on the customer side of the utility meter.
Commercial Operation Date (“COD”)	The date on which an energy storage system is fully installed, interconnected, operational, and accepted by the EDC as meeting program enrollment requirements.
Confirmation of Enrollment	The notice issued by an EDC confirming that an Awarded Resource has achieved Commercial Operation and satisfied all program enrollment requirements, thereby commencing its eligibility for incentive payments under the program.
Dispatch Event	A period designated by an EDC during which participating resources are instructed to discharge in anticipation of PJM coincident peak conditions or in response to qualifying grid stress conditions.
Dispatch Event Min Output	For a given Dispatch Event, the minimum hourly discharge across all Performance Intervals within the Dispatch Event. Dispatch Event Min Output may equal but not exceed Awarded Storage Capacity. Used in the calculation of the Performance Factor.
Dispatch Window	The advance-noticed period during which a Dispatch Event remains in effect.

Electric Distribution Company ("EDC")	A New Jersey electric public utility responsible for administering Block 1 within its service territory.
Energy Storage System; Battery; Resource	A device that is capable of absorbing energy from the grid or from a generation resource located behind the same point of interconnection, storing it for a period of time, and thereafter discharging the energy back to the grid or directly to an energy-using system to reduce the use of power from the grid.
Energy Capacity	The total amount of energy that a battery energy storage system can store and deliver, expressed in kilowatt-hours (kWh). Energy Capacity determines the duration for which a storage system can sustain a given level of output.
Front-of-the-Meter ("FOM")	An energy storage system interconnected on the utility side of a retail electric meter and operating directly on the electric distribution or transmission system.
Host Customer	The residential electric customer of record at the premises where an eligible energy storage system is installed and interconnected.
Participant	The entity enrolled in the program and authorized to manage an Awarded Resource and receive incentive payments.
Performance Factor	The average of the ratio of Dispatch Event Min Output to Awarded Storage Capacity across all Dispatch Events during a Performance Year, expressed as a percentage and capped at 100%.
Performance Interval	A discrete hourly period within a Dispatch Event during which a resource's performance is measured for purposes of calculating its Performance Factor.
Performance Year	The period beginning June 1 and ending May 31 used to evaluate resource performance and determine annual incentive payments.
PJM 5 Coincident Peaks ("5CP")	The five highest PJM system peak load hours used in calculating transmission and capacity obligations.
Power Capacity	The maximum rate at which a battery energy storage system can charge or discharge, expressed in kilowatts (kW). Power Capacity determines the amount of electricity the storage system can deliver at any point in time.
Provisional Waitlist Letter	The notice issued by an EDC confirming that an otherwise eligible project has been placed on the Waitlist pending the availability of program capacity.

Reservation Letter	Notice issued by an EDC confirming that program capacity has been reserved for an Applicant.
Third Party Owner (“TPO”)	An ownership structure in which the battery energy storage system is owned by an entity other than the Host Customer, with the Host Customer providing the site at which the system is installed.
Virtual Power Plant (“VPP”)	A network of coordinated distributed energy resources that are configured and orchestrated to provide grid, reliability, market, or customer benefits and/or services.
Waitlist	The queue of eligible projects that have received a Provisional Reservation Letter and are awaiting available program capacity resulting from project attrition, forfeiture, or capacity reallocation.

Section 1. Timeline

The GSESP Phase 2, Block 1 timeline reflects a structured, multi-stage process that begins with early stakeholder engagement and policy development, followed by formal regulator review and culminating in program launch by July 2027. NJBPU Staff will present the Block 1 program design outlined in this straw proposal and accept comments at a stakeholder meeting in September 2026. In October 2026, Board Staff expects to present the minimum filing requirements ("MFR") Order to the Board for consideration, which would establish the overall program design for NJBPU's VPP Interim program for existing DERs and GSESP Phase 2, Block 1 as described in this proposal and direct EDCs to begin preparing their implementation petitions. EDC Response petitions shall be filed in December 2026, which will initiate the formal MFR process.

Staff anticipates that Block 1 would be opened by July 2027. The first enrolled resources are expected to become operational within 12 months after program launch, with the remaining capacity following thereafter approximately according to Figure 1. Only new energy storage systems are eligible to participate in the program. However, there is no prohibition against projects reaching commercial operation as early as they are able and resource owners are encouraged to do so.

This phased timeline is designed to ensure adequate stakeholder input, regulatory review, and program readiness prior to launch, while enabling timely deployment of storage resources to begin delivering peak demand reduction benefits.

Figure 1. GSESP Phase 2, Block 1 Schedule & Deployment Approximation

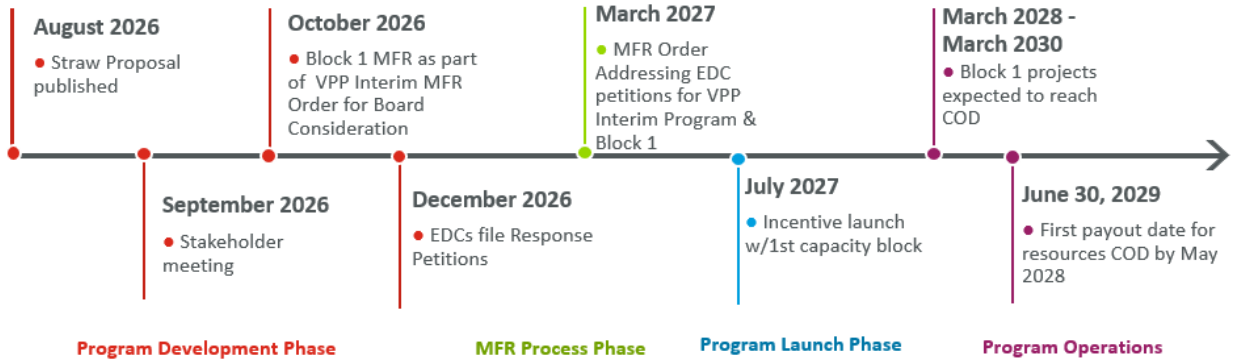


Table 1. Anticipated GSESP Phase 2, Block 1 Cumulative MW Deployment*

Month	**July 2028**	**May 2029**	**Feb 2030**
Months from Block 1 Launch	12	21	30
Cumulative MW Deployed	50	100	150

* Note: Expected deployment and CODs are intended as planning assumptions only; there is no prohibition against commencing commercial operation as early as a project is able.

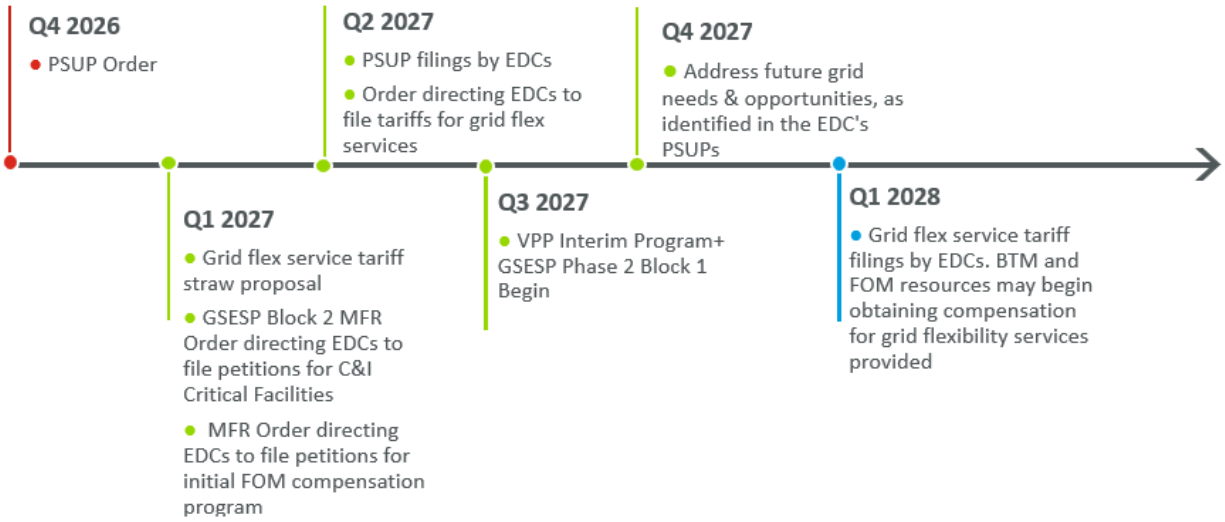
The Board is committed to advancing energy storage deployment for the benefit of NJ ratepayers. Governor Sherrill issued Executive Order ("EO") 1 declaring an affordability crisis related to the tightening supply of electricity resources in the PJM regional electricity market and EO 2 which identified potential remedies for the affordability crisis. In response, Staff is exploring storage deployment mechanisms that best accomplish the vision laid out in both EOs. While this proposal meets the EO 2 objective of launching Phase 2 of the GSESP, the work being advanced through the NJBPU's VPP and Grid Modernization workstreams provide alternative pathways to deploy storage through compensation and/or pay-for-performance opportunities that provide for a market-based approach to development. As such, certain storage deployment opportunities may remain with GSESP Phase 2, while other storage opportunities will be advanced through other BPU workstreams as described below.

Staff intends to leverage the framework established in this proposal to enable subsequent near-term storage deployment opportunities that would provide compensation for C&I-scale BTM storage at critical facilities and a separate distribution-connected FOM initiative. Mid-term opportunities may include projects that address future grid needs, including avoided distribution investment opportunities, as identified in the EDCs' Proactive System Upgrade Plans ("PSUP"s). As described in the VPP Straw Proposal, the long-term deployment mechanism for both BTM storage and FOM storage resources is tied to the market structure to be established following the creation of the VPP/Grid Flexibility Services Tariff which will compensate resources for the services they provide.

Staff also notes that the Board is committed to creating opportunities to enable new large loads to procure grid flexibility services to meet their energy needs and reduce rate impacts on New Jersey ratepayers. The Board is evaluating the appropriate mechanism to facilitate the arrangements between new large loads and resources that would provide the necessary compensation for grid flexibility services in accordance with the mandates established by P.L.2026, C.32.

The below schematic lays out a potential timeline for storage deployment through the various mechanisms under development.

Figure 2. Storage Deployment Prospective Timeline



Section 2. Program Administration: Roles and Responsibilities

A. NJBPU

The NJBPU will be responsible for establishing the overall program framework and ensuring alignment with statutory and policy objectives. NJBPU will define the core program design for Phase 2, Block 1 of the GSESP through the issuance of an initial Board Order containing the MFRs. The initial Board Order and MFRs will establish the overarching structure, eligibility criteria, performance framework and administrative approach for Block 1. Within this broader framework, the MFRs will include detailed program design elements specific to Block 1, including incentive levels and performance expectations to enable timely program launch. For subsequent capacity blocks, NJBPU retains the flexibility to refine key design elements – such as incentive levels, performance requirements, and dispatch protocols – through future Board Orders, allowing the program to evolve based on market conditions, stakeholder input, and lessons learned from early deployment.

B. EDCs

EDCs will serve as the program administrators and will be responsible for enrollment, implementation and day-to-day administration of the program. EDCs will be expected to promote participation in the program, including by having a publicly available list of current Licensed Aggregators that have agreed to the standards established by the EDCs, this list may be analogous to the VPP Program's DERA Licensing process as proposed in the VPP Straw. EDCs will be required to coordinate the dispatch of resources, which may occur during system peak conditions, distribution-level thermal constraints, and PJM energy market conditions including the 5 CPs, collectively referred to as Dispatch Events. EDCs will be responsible for presenting a plan

outlining the types of distribution-level events they plan to call and how dispatch will be determined in real-time. Additionally, EDCs will be responsible for defining the communication systems necessary for dispatch of Awarded Resources without placing arduous or unnecessary costs on consumers. Furthermore, EDCs are responsible for tracking the operational performance of participating storage systems, disbursing incentive payments based on demonstrated compliance with program requirements, and filing appropriate tariffs and supporting documents necessary for the recovery of program costs, inclusive of program administration costs and incentives. EDCs will also play a critical role in facilitating project interconnection, enabling enrolled projects to come online in a timely manner while maintaining safety and reliability of the distribution system.

EDCs will recover the costs of administering the program as an expense and provide incentive payments through a dedicated tariff rider applicable to all distribution customers of each EDC. Incentive payments themselves are treated as expenses and not investments, and therefore a return on those elements may not be earned. As part of the EDC petitions submitted in response to the MFRs, each EDC will be directed to describe annual program costs by category over the lifetime of the program for Block 1. Expected cost categories include costs for administration and incentives. EDCs should provide a justification for the level of costs that would be reasonably and prudently incurred to facilitate program administration. To the extent that an EDC expects the need for capital investments in order to administer Block 1 of the program, those costs and a detailed justification must be provided including how said investments are aligned with each EDC's PSUP. EDCs should include a detailed timeline for proposed cost recovery in their petitions. Staff expects that cost recovery for program administration and planning may begin upon Board Approval of each EDC's petition. Commencement of cost recovery for incentives, however, should be tied to anticipated project CODs. As such, cost recovery for incentives should not commence until awards for Block 1 have been made and EDCs have projected CODs for enrolled projects. Over the lifetime of the program, EDCs should plan cost recovery for incentives such that all incentive costs are recovered in the fiscal year they are paid out to avoid any need for carrying costs. Should capital investments be deemed necessary, provided they are proposed in the tariff filing and approved by the board, EDCs may earn a reasonable rate of return on those prudent investments. Staff anticipates that Distributed Energy Resource Management Systems ("DERMS") are not needed to operationalize this program.

EDCs will be required to apply the interconnection rules set forth at Title 14, Chapter 8, Subchapter 5 of the New Jersey Administrative Code ("N.J.A.C. 14:8-5") governing interconnection for "customer-generator facilities" to all energy storage systems,[3] regardless of whether they are standalone storage systems or solar-plus-storage systems. EDCs are expected to file with the NJBPU compliance tariffs detailing their respective standardized interconnection protocols, in September 2026 in compliance with N.J.A.C. 14:8-5.2(t). As part of those filings, EDCs should describe in detail their process and timelines for interconnecting energy storage systems to enable storage developers to appropriately forecast the relevant timelines and process needed for interconnection purposes.

Additionally, EDC's will be expected to adhere to studying and interconnecting systems that comply with export limiting specifications at N.J.A.C. 14:8-5.2(l). If a customer-generator facility

[3] See N.J.A.C. 14:8-5.1 to .13.

uses acceptable configurations outlined in N.J.A.C. 14:8-5.2(l), their proposed facility should be studied for interconnection based only upon the agreed-upon power export as opposed to the proposed facility's nameplate capacity.

C. Program Participants

Program Participants are those responsible for developing, installing, and operating eligible energy storage projects in accordance with program requirements. For purposes of this Program, a "Participant" means the entity authorized to enroll, manage, and receive program incentives for an eligible energy storage project, which may include the metered customer, a Third Party Owner, an Aggregator, or another authorized third party acting on behalf of a project. Participants are responsible for their system's discharge at its full Awarded Storage Capacity during the Performance Intervals to receive full annual incentives offered by the program. Participants will also be responsible for meeting applicable project milestones, maintaining operational readiness, and complying with reporting and verification requirements necessary to support incentive eligibility.

TPOs and Aggregators will, in coordination with EDCs, be responsible for developing and implementing customer acquisition and enrollment strategies to support program participation. These activities may include the creation of marketing and educational materials, customer outreach campaigns, enrollment support, and other engagement efforts designed to increase awareness of the program and encourage participation among eligible customers. Marketing and educational materials are expected to provide clear and accurate information regarding program structure, benefits, requirements and participation obligations, and to serve as a primary point of contact for customers throughout the enrollment process.

Section 3. Eligibility

D. Operational Requirements

To participate in Block 1, energy storage systems must meet defined technical, operational, and project eligibility requirements and applicable New Jersey regulatory standards. At a minimum, each system must be capable of measuring charge and discharge at the device level, reporting interval data sufficient to evaluate performance during the Performance Intervals, and supporting audit, verification, and compliance processes through the provision of metering and data reporting. Systems must be configured to enable accurate tracking of energy dispatch and performance outcomes, including the ability to capture time-synchronized interval data (e.g., hourly or sub-hourly) consistent with PJM settlement intervals and program verification protocols. It is recommended that Participants meet utility-grade cybersecurity standards including end-to-end encryption, mutual authentication, role-based access control, etc. Additionally, Participants may be asked to perform regular security audits. These technical capabilities are essential to ensure that system performance can be validated transparently and securely, and that incentive payments can be directly tied to demonstrated performance.

All participating systems must be installed BTM, that is, interconnected on the customer side of the utility meter. FOM resources are not eligible for participation in Block 1. Similarly, any projects entering into a bilateral contract with a data center or new large load for the capacity are ineligible for a GSESP Phase 2 incentive. In addition, eligibility is limited to residential customers who have *not* elected a third party supply rate that passes through wholesale energy, capacity, and/or transmission charges. TPO and/or other aggregation structures are permitted.

All systems must satisfy applicable New Jersey interconnection requirements, including, where relevant, the interconnection rules for DERs set forth in N.J.A.C. 14:8-5,[4] as well as any successor or complementary interconnection standards adopted by the NJBPU or implemented by the EDCs. As applicable, participating systems must comply with requirements governing interconnection application procedures, system classification (e.g., based on size and review pathway), technical screening criteria, engineering review processes, and timelines for utility review and approval. Applicants should follow the interconnection rules at N.J.A.C. 14:8-5 to maintain program eligibility. EDCs shall not require extraneous studies outside of those specified in N.J.A.C. 14:8-5 and must commit to maintain timely interconnection processes to ensure awarded projects can achieve COD expeditiously to better achieve GSESP objectives.

Systems must also adhere to applicable technical standards related to safety, including the latest version of NFPA 855 (Standard for the Installation of Stationary Energy Storage Systems), reliability, power quality, and grid protection, which may include conformance with Institute of Electrical and Electronics Engineers ("IEEE") standards (e.g., IEEE 1547-2018), Underwriters Laboratories ("UL") UL 9540 and UL 9540A certifications.

E. Development Maturity

Projects must demonstrate a sufficient level of development maturity at the time of application to ensure that reserved program capacity translates into deployable assets. At a minimum, this includes an active and valid interconnection application as detailed in N.J.A.C. 14:8-5 with the applicable EDC; and, if applicable, a defined agreement with the host customer granting the Participant or its authorized third-party representative the right to operate, control, and enroll the resource in the program.

Projects are required to achieve COD within a timeframe consistent with statutory requirements and program objectives, anticipated to be no later than 12 months from the date of award. Projects that fail to meet required development milestones, withdraw from the interconnection queue, or do not achieve commercial operation by the specified deadline may forfeit their reservation and lose eligibility to receive program incentives. Extensions may be granted to projects that demonstrate delays caused by extenuating circumstances found to be beyond an applicant's reasonable anticipation, including, but not limited to delays caused by an electric public utility, a

[4] See N.J.A.C. 14:8-5.1 to .13. Although originally developed for Class I renewable generation, these rules establish the foundational framework for distributed energy resource interconnection in New Jersey and are generally applied by EDCs to BTM storage systems, particularly when paired with or operating similarly to generation resources.

permit authority, or supply chain disruption in accordance with the procedures set forth in each EDC's MFR petition.

Finally, eligible systems must qualify as new projects, defined as newly installed energy storage resources that have not previously achieved commercial operation prior to program application. Existing or previously operational systems, including retrofits, repowered assets, or expansions of existing storage installations, are not eligible for participation in Block 1 unless explicitly authorized through future program guidance. This requirement ensures that program incentives support incremental deployment of new distributed storage capacity rather than subsidizing existing assets.

F. VPP Readiness and Interoperability

GSESP Phase 2, Block 1 is meant to create the market foundation necessary for the long-term open-access VPP tariff to function effectively upon its launch. Once additional incentives or compensation mechanisms become available to GSESP Phase 2, Block 1 participants through a future tariff, the Board, through future action, plans to permit the stacking of incentives or compensation for distinct services or value streams. However, participants shall not receive duplicative compensation for the same service, system benefit, or performance for which they are already compensated under the GSESP Phase 2, Block 1 program.

Recognizing that some participants may choose to opt out of Block 1 in the future to participate in the VPP tariff, Staff are encouraging developers and participants to consider deploying systems that have the technical ability to participate in future VPPs. To that end, Staff have outlined a set of recommended standards for GSESP Phase 2 energy storage systems that wish to participate in future VPPs in Appendix I of this document. These recommended standards are designed to ensure that the GSESP Phase 2 Block 1 resource can be configured and orchestrated with a heterogeneous mix of participating resources, which integrates and resolves both load management and generation export. These recommended standards are solely meant to provide guidance to Participants that wish to preserve the option to transition to the future VPP tariff should they elect to opt out of Block 1 incentives. Energy storage systems do not need to meet these standards to qualify for Block 1 incentives.

Section 4. Capacity Administration Framework and Enrollment

Enrollment in Block 1 is designed to provide an administratively efficient pathway for eligible projects. Consistent with the program's objective of accelerating deployment of distributed energy storage, the enrollment framework prioritizes simplicity, project readiness, and alignment with interconnection processes.

G. Capacity Allocation

The 150 MW of Block 1 capacity will be allocated across EDCs based on each EDC's share of total New Jersey residential sales, in MWh. See Table 2. At its discretion, the NJBPU may re-evaluate capacity allocations if relevant conditions arise, as described below.

Table 2. Block 1 Capacity Allocation

	PSE&G	JCP&L	ACE	RECO
Residential Sales (MWh)	13,843,426	9,763,108	4,066,021	723,904
Share of NJ Residential Sales (2025)	49%	34%	14%	3%
Resulting Block 1 Capacity Allocation (MW)	73	52	21	4

Enrollment will occur on an open first-come, first-served basis, with applications submitted in the same calendar week treated as having been submitted at the same time, until Block 1 is fully subscribed or the NJBPU declares the enrollment period to be concluded, as described below. Provisional enrollment (Waitlist) will continue even after Block 1 is fully subscribed in case projects with Awarded Storage Capacity subsequently withdraw or are disqualified from the program. To minimize speculative applications and ensure that reserved capacity translates into operational resources, applicants must first pay an application fee and provide an active interconnection application and any executed customer agreements between a TPO and host customer, as applicable.

H. Enrollment

The enrollment process consists of the following core steps:

- **Program Application and Customer Commitments:** "Applicant" refers to the entity that submits an application for participation in GSESP Phase 2 Block 1, including a Host Customer, Third Party Owner, Aggregator, or other authorized representative. Applicants must complete a Block 1 application together with (1) evidence of a submitted interconnection application, (2) an Applicant-executed Letter of Intent (LOI), which shall memorialize the Applicant's good faith intent to proceed with project development and to comply with all requirements of the GSESP Block 1 program upon being issued a Reservation Letter, (3) authorization letter signed by Host Customer (if applicant is not Host Customer), and (4) all required program documentation, including customer terms and conditions and data-sharing agreements. All application forms shall be standardized across EDCs to the extent practicable.
- **Application Fee:** Applicants shall submit a non-refundable $50 application fee with each Block 1 application. The fee is intended to recover a reasonable portion of EDC costs

associated with application intake, completeness review, eligibility verification, queue administration, and issuance of reservation or provisional reservation letters, while also discouraging speculative applications for scarce Block 1 capacity. Staff may revisit the application fee based on EDC implementation filings, actual application-processing costs, observed application volumes, and early experience with Block 1 enrollment.

- **Completeness Review:** The host EDC will review applications for completeness and eligibility, including verification of customer class, system configuration, and compliance with program requirements. Applications will be date stamped as having been received on the same date the application was submitted, provided the EDC electronic server received the complete application by no later than 11:59:59 P.M. Eastern Prevailing Time. All applications received in the same calendar week will be treated equivalently with regard to first-come, first-served program enrollment. EDCs may request further information from incomplete or ambiguous applications. Applicants may address minor deficiencies, such as typographical errors or minor omissions within application materials, without revision to the application date stamp. If an application has major deficiencies such as missing elements or substantive omissions or errors, the application date stamp will be reset to the date of receipt of new or revised materials that cure all major deficiencies of the application.
- **Reservation Letter:** After a successful review of an application package is completed, the EDC will issue a reservation letter to the applicant for the Awarded Storage Capacity sought. If, during a given week, there is remaining available capacity within an EDC's Block 1 allocation and the aggregate Awarded Storage Capacity represented by complete and eligible applications submitted that week equals or exceeds the remaining available capacity of the respective EDC, all complete and eligible applications submitted during that week shall receive a Reservation Letter, regardless of whether the aggregate capacity of those applications exceeds the Block 1 allocation of that EDC. Reservation letters for complete applications shall be issued in no later than 10 days following completion of the application review. Applicants shall have 12 months to reach commercial operations upon reaching application completeness; the project commercial operations deadline shall be specified in the reservation letter from the EDC.
- **Provisional Reservation Letter (Waitlist):** Once the Block 1 capacity allocation of an EDC has been fully subscribed through applications submitted during a prior weekly period, complete and eligible applications submitted in subsequent weeks shall be issued a Provisional Reservation letter notifying the applicant that the Awarded Storage Capacity has been placed on the Block 1 Waitlist. Applications on the Waitlist may be awarded a Reservation Letter if already awarded projects withdraw or are abandoned, or as new capacity becomes available via program capacity reallocation. EDCs shall make periodic reports, not less than quarterly, advising applicants on the Waitlist of their position in the queue of excess capacity. Applicants on the Waitlist are expected to follow all reservation maintenance steps expected of successful applicants.
- **Reservation Letters Issued During Week Capacity Allocation is Exceeded:** Total Awarded Storage Capacity across all EDCs may exceed 150 MW as a result of Reservation Letters issued during a week in which Block 1 capacity remains available during any part of the week, as described in the above section. In such event, all Reservation Letters issued for

complete and eligible applications submitted during that week shall remain valid, notwithstanding that the aggregate awarded capacity exceeds 150 MW.

- **Changes to Reservations:** If after a capacity reservation is issued, a change occurs that will result in a reduction in Awarded Storage Capacity (for example, a change in the project design that lowers the nameplate capacity of the proposed energy storage system), the applicant must obtain approval from the EDC and update the relevant application materials, including the interconnection documentation. The leftover capacity will be released back into the program. Any change that would result in an increase in Awarded Storage Capacity after a capacity reservation is issued will be treated as a new application.
- **Capacity Reallocation:** If one or more EDCs have projects on the Waitlist, and at the same time one or more EDCs have not received sufficient complete applications to meet its/their respective capacity allocation(s), the NJBPU may at its discretion revise the capacity allocation to facilitate the enrollment of 150 MW of Block 1 Awarded Storage Capacity.
- **Commercial Operation and Confirmation of Enrollment:** Upon project completion, the applicant must demonstrate that the energy storage system is fully installed, interconnected, and operational, including successful testing and inspection of data reporting capabilities. Applicants should evidence a discharge strategy to ensure the resource is capable of meeting Performance Intervals. Following verification, the EDC will issue a Confirmation of Enrollment, at which point the project is deemed operational and eligible to begin receiving incentive payments.

Section 5. Incentive Structure and Payment Mechanics

Phase 2, Block 1 incentives are designed to provide revenue certainty while ensuring that compensation is explicitly tied to EDC-defined system value delivered during Dispatch Events. Consistent with the overall program design, incentives are structured as performance-based payments over a 10-year term, with annual compensation adjusted based on demonstrated performance during the Dispatch Events. Incentive levels for Block 1 have been determined by the NJBPU through a gap analysis framework, which is described in the "Setting the Incentive Level" section below. Once awarded, the incentive rate for Awarded Resources will remain unchanged throughout the 10-year term.

Upon receipt of their Confirmation of Enrollment, Awarded Resources are immediately eligible to be dispatched and are thereafter subject to the performance evaluation framework. Incentive payments will be disbursed no later than June 30 of each year and will be based on performance during all Performance Intervals for which the resource was eligible to be dispatched occurring between June 1 and May 31 of the preceding program year, which period shall be referred to as the Performance Year.

I. Performance Framework

As previously stated, **Dispatch Events** are those EDC-directed discharge periods during which Awarded Resources are expected to discharge at their Awarded Storage Capacity and during which performance is evaluated. EDCs shall direct their Dispatch Events to target both PJM 5

Coincident Peaks (5CP) and distribution-level constraints, including local feeder non-coincident peak congestion and other qualifying grid stress conditions.

The following are preliminary event parameters, which will be refined through the MFR process. EDCs should be able to propose additional dispatch opportunities and rules to maximize cost savings to the customer:

i. **Maximum event duration**: 4 hours per event;

ii. **Maximum number of events per season**: 20 events per summer season (June 1-September 30), which should include the 5 CPs and 10 events per winter season (December 1-February 28), with a total of no more than 35 dispatch events per calendar year, inclusive of any events called outside the defined summer and winter windows (e.g., in response to an unplanned reliability need in the spring or fall months, test calls to ensure system readiness not included in this total count);

iii. **Minimum advance notification**: 2 hours for standard events; 10 minutes for emergency events;

Performance Intervals are those discrete hourly periods within a Dispatch Event during which a resource's performance is measured. As defined below, the annual incentive payment is the product of the Incentive Rate multiplied by Awarded Storage Capacity multiplied by the Performance Factor. The Performance Factor is calculated by dividing the Average Min Discharge per Performance Interval by the Awarded Storage Capacity. Participants are responsible for ensuring that their systems are operated in a manner that maximizes discharge during Performance Intervals.

Annual incentive payments will be determined using the following structure:

(1) Annual Incentive Payment =

(Incentive Rate, $/kW/year) × (Awarded Storage Capacity, kW) × (Performance Factor, %)

(2) Performance Factor = $\frac{Average\ Min\ Discharge\ \ per\ Perf.\ \ Interval}{Awarded\ Storage\ Capacity} = \frac{\frac{\sum_{i=1}^{D} Dispatch\ Event\ Min\ Output_i}{D}}{Awarded\ Storage\ Capacity}$

Where:

- **Incentive Rate ($/kW/year)** is the administratively determined maximum incentive rate.
- **Awarded Storage Capacity (kW)** means the nameplate output of an energy storage system measured in kilowatts of alternating current (kW AC), that is eligible to be dispatched.
- **Dispatch Event Min Output (kW)** for a given Dispatch Event, *i*, the minimum discharge across all Performance Intervals within the Dispatch Event. Dispatch Event Min Output may equal but not exceed Awarded Storage Capacity.
- **D (count)** is the number of Dispatch Events called in a year, not to exceed 35.
- **Average Min Discharge per Performance Interval (kW):** means the sum of the Dispatch Event Min Output in a performance year divided by the number of Dispatch events called in a performance year.

An illustrative calculation for a 13.5 kWh battery is shown in Table 3 below. Note that in this example, the Awarded Storage Capacity (d) is greater than one-fourth of the battery's Energy Capacity (c). This means that during longer Dispatch Events, the battery will be unable to discharge at its full Awarded Storage Capacity, which is reflected in the Performance Factor.

Table 3. Example Incentive Calculation

Item	Metric	Assumption Source	Value
		Program Inputs	
(a)	Incentive Rate ($/kW)	Rate	$200
(b)	Power Capacity (kW)	Assumption	11.5 kW
(c)	Energy Capacity (kWh)	Assumption	13.5 kWh
(d)	Awarded Storage Capacity (kW)	(b)	11.5 kW
		Example	
(e)	Dispatch Events	Assumption (EDC-dependent)	35
(f)	Performance Intervals	Assumption (EDC-dependent)	125
(g)	Average Dispatch Event Duration	(f)/(e)	3.5 hr
(h)	Average Min Discharge per Performance Interval	Assumption	2.7 kW
(i)	Performance Factor	(h) / (d)	23.5%
(j)	Annual Incentive Payment	(a) * (d) * (i)	$540

An exemption to the standard Performance Factor calculation is in effect when operations are conducted in accordance with EDC dispatch instructions that result in actual discharge less than Awarded Storage Capacity. Compliance with mandatory EDC dispatch directives supersedes normal performance obligations during the period of such dispatch events. Performance metrics recorded during periods meeting exemption criteria shall be excluded from standard performance evaluations. This is mathematically equivalent to assuming the battery would have achieved its average level of performance during the dispatch event but for the EDC's dispatch instructions.

Exemption Criteria:

- Facility is operating under direct EDC dispatch instructions
- Actions taken are in direct response to EDC directives
- Performance deviations are a direct result of following EDC dispatch requirements

This framework ensures that the systems that consistently perform at 100% of Awarded Storage Capacity during Performance Intervals receive the full incentive value. Systems that underperform

receive proportionally reduced payments, with no financial penalties imposed beyond proportionally reduced incentive realization.

J. Incentive Flow

Staff proposes that Aggregators shall pass through to Host Customers not less than 70% of pay-for-performance incentives and shall disclose the incentive structure and pass-through methodology to customers in accessible and plain language before enrollment.[5]

K. Performance Measurement, Verification, and Administration

Performance will be measured and verified using metering and data reporting requirements established by the EDCs. In particular, Awarded Resources will be individually metered at the device level rather than on a net-load basis.

Awarded Resources must be capable of:

1. Measuring charge and discharge at the device level;
2. Reporting interval data sufficient to evaluate performance during Performance Intervals to the EDCs; and,
3. Supporting audit and verification processes

EDCs will be responsible for:

- Filing tariffs
- Facilitating timely interconnection
- Overall program administration
- Dispatch Event communication
- Collecting and validating performance data
- Calculating annual Performance Factors
- Administering and disbursing incentive payments
- Procedures for incentive payment dispute resolution for awardees
- Presenting a plan outlining the types of distribution-level events they plan to call and how dispatch will be determined in real-time
- Publishing a list on their websites of current Licensed Aggregators, analogous to the VPP Program's DERA Licensing process
- Evaluating and approving extensions caused by extenuating circumstances
- Reporting on value created by Block 1 awardees dispatched during the 35 Dispatch Events

[5] The 70% minimum pass-through is a proposed threshold informed by publicly reported aggregator business models, under which aggregators typically retain a commission of roughly 10-30% of customer program payments. How Demand Response Aggregators Make Money: Business Models for the $8.44B Flexibility Market, Codibly (Mar. 2, 2026), https://codibly.com/blog/articles/how-demand-response-aggregators-make-money-business-models-for-the-8-44b-flexibility-market.

Incentives will be paid on an annual basis, following the completion of each Performance Year and verification of system performance. Payments shall be based on verified performance during the applicable Performance Intervals. Procedures governing incentive payment disputes will be established by the EDCs.

Section 6. Setting the Incentive Level

The incentive level was determined using a combination of two methods: (1) a Gap Analysis and (2) a Comparable Program Benchmark. The **Gap Analysis** served as an independent accounting of a hypothetical project's return profile given the capital and operating costs, financing structures, and revenue streams reasonably available to a standard NJ residential battery project. In this method, the size of the resulting revenue deficiency represents the required incentive. However, as this approach ignores the non-financial resilience benefits of a residential battery, Staff intentionally targeted an incentive level that was less than the full revenue deficiency. The **Comparable Program Benchmark** took stock of reasonably mature programs of similar character to that envisioned by this straw and assessed the incentive levels and structure available. This method provides comparative datapoints for incentive determination.

A summarized account of methodology and results follow.

L. Gap Analysis

Costs | The gap analysis first took stock of market standard storage system costs, or Total Installed Costs ("TIC"), for BTM projects less than 10 kW of Power Capacity, constructed in the program launch year. For these purposes, TIC was considered as a measure of the total capital needed to develop, interconnect, and install the battery through commercial operation, levelized per unit of battery storage capacity in kWh. The Board Staff's consultant performed research to benchmark the National Laboratory of the Rockies ("NLR") 2024 Annual Technology Baseline ("ATB") projection estimates against actual project data collected through storage incentive programs in New York and Connecticut, in order to refine TIC estimates per project size. Finally, the estimates were aligned with ranges of New Jersey-specific estimates provided in RFI comments.

The modeled TIC level was determined to be $1,250/kWh.

The capital structure assumes debt-equity (D/E) ratios consistent with prevailing storage project finance norms, with debt tenor sized to the expected useful life of the asset. The cost of capital incorporates assumptions for the cost of debt, cost of equity, and the resulting weighted average cost of capital (WACC). Target IRRs reflect commercially reasonable thresholds for deployment at scale. Projects are assumed to monetize the 30% federal Investment Tax Credit (ITC) and depreciation benefits.

Each project assumes a fixed $/kW annual O&M expense to account for standard asset management, insurance, tax, and compliance costs as well as component replacement costs necessary to maintain required performance level for program intent.

The above assumptions are benchmarked to the expectation that many participating systems will be deployed by third-party providers operating portfolios of residential energy storage assets. As a result, financing assumptions are generally aligned with portfolio-based investment and project-finance frameworks rather than individual consumer financing arrangements.

Revenues | The residential BTM analysis assumes that time-of-use ("TOU") energy arbitrage is the sole revenue stream available to participating energy storage systems. Under this assumption, storage systems charge during lower-cost periods and discharge during higher-cost periods to reduce retail electricity purchases. No additional monetary value is attributed to capacity savings, transmission savings, demand charge reduction, wholesale market participation, distribution-level services, Virtual Power Plant (VPP) participation, or other potential future revenue streams to the participating energy storage system. While considered a benefit, no monetary value was attributed to resiliency.

Result | Different project profiles were modeled according to the applicable TOU tariff available in each EDC territory. The results yield different levels of savings based on the differing delivery and supply charges embedded into each EDC-specific tariff, yielding varying revenue gaps. Resulting incentive levels were subsequently averaged across EDCs through a PLC-ratio-share weighted average, consistent with the methodology used for program capacity allocation. The revenue gap and resulting indicated incentive level was $300/kW.

M. Comparable Program Benchmark

The second datapoint in the incentive derivation is benchmarking to other state programs that share direct parallels in program design. To ensure comparisons remained useful, the analysis was limited to programs that met several core criteria: utility-dispatched, non-utility owned or controlled assets, pay-for-performance compensation structures, battery-only participation (rather than broader demand response, thermostat, or energy efficiency programs), and programs that have been launched and are currently operational. Based on these filters, the field was narrowed to the three most comparable programs. A summary of those programs is provided below.

Table 4. Comparable Programs

Program	State	Incentive Level	Participation
Connecticut ESS	CT	$300 per kW	1,235 customers (~15 MW)
Luma Energy CBES	PR	$1/kWh (= $280-$400/kW)	81,000 customers (~500 MW)
Connected Solutions	MA, RI	$275 per kW	5,251 customers (~29 MW)

N. Determined Incentive Level

Certain additional factors are not cleanly accounted for by taking these two data points at face value. Most notably, participating systems provide resiliency benefits that were excluded from the gap analysis due to their subjectivity. While these benefits are difficult to quantify on a consistent basis, they are a primary driver of customer adoption. Indeed, despite varying levels of constrained standalone value, a substantial share of residential battery systems installed in New

Jersey to date are understood to have been deployed principally for backup power and resiliency purposes. Responses to the RFI from the EDC's and battery manufacturer Tesla in total show an estimated 8,500 – 11,000 batteries have been installed in New Jersey, which presumably are being installed for resiliency purposes even in the absence of any incentive. In addition, the modeled revenue gap varies across EDC territories due to differences in applicable retail tariffs, with some participants expected to realize greater bill savings than reflected in the statewide average.

Taken together, these considerations support an incentive level below both the modeled revenue gap and comparable program benchmarks while remaining sufficient to encourage participation and support market development. Accordingly, Board Staff recommends an Incentive Rate of **$200/kW of Awarded Storage Capacity**, representing the maximum annual payment available to a project achieving a 100% Performance Factor. The incentive is expected to provide a meaningful performance-based revenue stream while balancing deployment and future planning objectives.

Section 7. Cost Benefit Analysis (CBA)

The proliferation of residentially sited battery energy storage systems under Phase 2 Block 1, dispatched in accordance with EDC directives, is expected to produce net benefits for ratepayers that exceed the costs of facilitating the program. Considering that net system benefits are expected to accrue across the broader rate base, program eligibility is limited to residential customers, and only a subset of residential customers will participate, the Phase 2 CBA evaluates impacts across two distinct populations: (1) **All Ratepayers** and (2) **Non-Participant Residential Ratepayers.** Note that the former includes the latter, so the *Non-Participant Residential Ratepayer* population can be thought of as a cross-section of the broader *All Ratepayer* group.

While referred to as a benefit-cost analysis, the framework more closely resembles a Ratepayer Impact Measure (RIM) by focusing on the allocation of program costs and benefits across customer classes and assessing resulting ratepayer impacts. The primary metric is a benefit-cost ratio (BCR), which compares the net present value (NPV) of total program benefits to the NPV of total program costs. An accounting of the specific considerations follows, with a summary of the results is immediately below in Table 5.

Table 5. Initial BCR Analysis Results

BCA	BCR
All Ratepayers	2.16
Non-Participant Residential Ratepayers	1.79

The CBA allocates benefits and costs differently depending on the ratepayer group being evaluated. For *All Ratepayers*, program costs consist of total incentive payments and total program administrative expenses, while benefits include the wholesale capacity savings, transmission savings, and avoided distribution investments (which accrue to non-participants as

well as the participant class) as well as the incentive payments themselves (which accrue only to the residential participant class). For *Non-Participant Residential Ratepayers*, costs are limited to their share of program incentives and administrative expenses, while benefits consist of their share of wholesale and distribution savings that flow through rates after subtracting bill savings captured directly by participants.

The BCR categories are described below.

I. **Incentive Costs:** the annual $/kW incentive payments allocated to participants and recovered through a non-bypassable per-kWh charge applied to all customers classes. In the *Non-Participant Residential Ratepayers* calculation, costs are allocated based on this population's share of total NJ kWh sales.

II. **Program Admin Costs:** Administrative costs were attributed on an annual, per-project basis, recoverable through a non-bypassable per-kWh charge applicable to all customers, based on the EDCs cost incurred to manage and implement the program. Estimates were based on EDCs' Triennium filing estimates.

III. **Avoided Distribution Investment Benefits**: Deferred or avoided distribution system investments attributable to battery dispatch and peak reduction. Benefit values are based on avoided distribution cost estimates derived from EDCs' Triennium filings and adjusted downward to reflect the expected effectiveness of residential battery resources in reducing distribution system peak demand. The downward adjustment is due the fact that distribution peaks are not coincident with system peaks, and absent circuit-specific dispatch the effectiveness is not 100%. In the *Non-Participant Residential Ratepayers* calculation, benefits are allocated based on this population's share of total NJ kWh sales.

IV. **Supply Bill Savings**

   a) *Supply Capacity Benefits*: Reductions in Peak Load Contribution (PLC) attributable to battery dispatch, resulting in lower wholesale capacity costs. Benefits are assumed to flow through fully to customers through reduced BGS auction clearing prices, with realization phased in over three years consistent with the BGS procurement structure. PJM Base Residual Auction Prices are assumed to clear at the cap for the duration of the program.[6]

   b) *Supply Transmission Benefits*: Reductions in Network Integration Transmission Service (NITS) obligations attributable to battery dispatch, resulting in lower wholesale transmission costs. Benefits are assumed to flow through fully to

[6] This is a purposefully conservative assumption that treats any capacity savings resulting from Demand Reduction Induced Price Effects (DRIPE) on wholesale PJM capacity prices as zero for the life of the program. The reason for this assumption is to ensure the program design delivers net benefits to non-participant ratepayers even in the short-term when PJM capacity prices will likely remain at the price cap regardless of new resource deployment. These assumptions are stricter than those used in the analysis of the benefits of the GSESP Phase 1 transmission-scale program because, unlike Phase 1, which is funded out of existing societal benefit charge (SBC) collections, Phase 2, Block 1 will be funded out of new charges levied on ratepayers. Thus, while Phase 1 program costs cannot cause a short-term increase in electricity costs to ratepayers, Phase 2, Block 1 program costs can. Given the present electricity affordability crisis, this means Phase 2, Block 1 must deliver offsetting savings to ratepayers more quickly.

customers through reduced BGS auction clearing prices and are realized beginning in the first year due.

V. **Participant Bill Savings**: Participants taking service under TOU rates are assumed to realize bill savings resulting from battery-enabled shifting of usage from peak to off-peak periods. These savings are treated as a direct benefit to participating customers. Within the *Non-Participant Residential Ratepayer* calculation, (III) Avoided Distribution Investment Benefits and (IV) Supply Bill Savings are reduced by Participant TOU bill savings, with the remaining net system savings assumed to flow through as BGS and delivery rate reductions to non-participating residential customers. It is assumed that only 20% of Participants are on TOU rate structures.[7]

Based on these assumptions, the Program produces positive results across both BCA measures. The benefit-cost ratio for *All Ratepayers* is 2.16, indicating that total benefits are more than double total program costs. The benefit-cost ratio for *Non-Participant Residential Ratepayer* is 1.79, demonstrating that even residential customers who do not enroll in the Program receive net benefits through reduced supply and delivery costs after accounting for their contribution toward program funding.

Section 8. Conclusion

Block 1 of GSESP Phase 2 establishes a program design that can be implemented in the near term while delivering direct benefits to NJ ratepayers. By focusing on performance during peak demand intervals and other periods of grid stress, the program directly targets the primary drivers of residential bills and positions distributed energy storage as a reliable and scalable resource for reducing system peak demand and improving grid efficiency. The framework established in Block 1 is intended to serve as a foundation in the State's effort to develop a market-based approach to storage development. The maturation of market conditions, technology capabilities, and regulatory priorities will inform future storage deployment opportunities with the potential for subsequent capacity blocks aimed at new participation pathways, and more advanced operational constructs. Lessons learned from the implementation and performance of Block 1 will be critical in informing future enhancements.

[7] The basis for this assumption is twofold. First, residential batteries are often deployed in combination with solar photovoltaic systems that are eligible for net metering treatment, which largely eliminates the potential benefit of TOU rates to the customer. Second, to date there has been very limited uptake of TOU rates by residential customers, even those who would presumably benefit from doing so.

Section 9. Considerations for Stakeholders

The NJBPU is seeking additional stakeholder feedback in order to inform the design of GSESP Phase 2, Block 1 as well as the opportunities for storage deployment in NJ. The Board would appreciate stakeholder feedback regarding the following**;**

1. Whether alternative metering and dispatch control systems would provide greater ratepayer savings than the performance-based incentives method currently contemplated for Block 1. If so, what are these alternative metering and control systems and how would they provide greater ratepayer savings than what is currently outlined in this straw proposal?
2. Should the Board have a role in defining the type of events resources should be dispatched for? If so, what purpose should dispatch events serve or how should dispatch events be defined?
3. Whether to require EDCs to direct, control, and dispatch energy storage systems in Block 1 of the program. Please provide feedback regarding both the benefits and drawbacks of requiring EDC control and dispatch of energy storage systems.
4. What detail and justification should be provided by the EDCs with respect to program administration costs?
5. Should the Board allow for small commercial customers to participate in Block 1 of the GSESP, if so are there rate structures that should be excluded, such as those that allow the individual customer to capture 100% of the benefit of the wholesale energy, capacity, and/or transmission charges they avoid through operation of a battery asset?

Please provide written feedback to Docket QO26040116 by September 10th and verbal feedback on these questions during the September 3rd stakeholder meeting.

Appendix I – Recommended Standards for Block 1 Applicants

In an effort to support energy storage's deployment and align with the requirements applicable to storage-enabled VPPs, the table below outlines a recommended set of standards that batteries participating in GSESP Phase 2 Block 1 are advised to meet.

Standard	What it covers
IEEE 2030.5 or SunSpec Modbus TCP	The two accepted application-layer protocols for utility/aggregator-to-device control of inverter-based resources.
OpenADR 2.0b/3.0	Open protocol for transmitting dispatch and demand-response signals between aggregators/EDCs and enrolled assets.
UL 1741 / 1741-SA / 1741-SB	Smart-inverter certification: SA adds supplemental grid-support functions; SB is the newer composite DER standard for grid-parallel export.
TLS 1.2+ / Mutual TLS	Transport-layer encryption for API and dispatch communications; mutual TLS uses certificate-based authentication.
OAuth 2.0	Open standard for API access delegation between platforms, OEM device APIs, and data sources.
SOC 2 Type II	Independent audit attestation that a platform meets defined trust-service criteria (security, availability, confidentiality).
NIST CSF 2.0 + SP 800-53	Risk-based cybersecurity framework plus the enterprise control catalog used as a grid-connected platform baseline.
ANSI C12	Metering accuracy standard for billing-grade and M&V-grade measurement.