



Philip D. Murphy
Governor

Sheila Y. Oliver
Lt. Governor

Aida Camacho-Welch
Secretary of the Board
Tel. # (609) 292-1599

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

NOTICE¹

Staff Straw Proposal

BPU Town Center Distributed Energy Resources Microgrid Detailed Design Incentive Program

The Staff of the New Jersey Board of Public Utilities (“BPU”) invites interested parties and members of the public to provide comments on a number of issues to assist the BPU in the preparation of a Town Center Distributed Energy Resources (“TCDER”) Microgrid Detailed Design Incentive Program. While the BPU welcomes comments from all parties, only previously-identified TCDER Feasibility Study program participants will be eligible to participate in the detailed design incentive program.

New Jersey learned lessons from Superstorm Sandy, and has taken a number of steps to become more resilient. Among those steps is the establishment of the TCDER program. BPU established the TCDER program in 2017 and solicited applications for Feasibility Study (“FS”) grants. Thirteen entities (consisting of municipalities, counties, county improvement authorities and the NJ Treasury) participated and submitted FSs. In 2019, program participants were informed that:

- Their FSs met program requirements and they will be eligible to apply for detailed design (Phase 2) TCDER microgrid incentives.
- Program factors likely to be evaluated in the review of detailed design incentive applications include, but are not limited to, the use of renewable energy and energy storage; coordination with the local electric utility; and the program participant’s commitment to cost sharing in the detailed design.
- BPU Staff will be reviewing the potential regulatory barriers to the development and operation of TCDER microgrids.

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In June 2019, the Board approved a \$4 million budget for the detailed design phase incentives. Further information about BPU's Microgrid program is available at this link: <https://www.nj.gov/bpu/commercial/microgrid.html>

BPU Staff is issuing this straw proposal for review and comment. The stakeholder process will be as follows:

- All stakeholders are invited to submit written comments on the Proposed Framework for Detailed Design Applications, the Proposed Award Criteria, and the Issues for Stakeholder Input contained in this notice in accordance with the information provided on page 4 of this Notice. **All comments must be received on or before 5:00 p.m. December 13, 2019.**
- An invitation-only stakeholder meeting(s) with representatives of the TCDER Feasibility Study applicants and electric utilities is planned for **December 10, 2019** at a time and location to be determined. The content of this straw proposal will be discussed at the meeting.

Please take further notice that this straw proposal and any future Stakeholder Meetings are for discussion purposes only, and not binding on the Board.

Proposed Framework for Detailed Design Applications

BPU Staff will create an application based on the following elements and criteria.

- TCDER detailed design incentive awards will be competitive, based on the award criteria shown in the table below.
- The number of awards will be determined based on the rankings and available funds.
- Detailed designs may evolve from the specific TCDER Microgrid described in the Feasibility Studies.
- BPU will seek to select for award at least one TCDER project in each of the three participating Electric Distribution Companies ("EDC") service territories.
- One Basis of Design per applicant will be considered. Alternative plans/options or future expansion capabilities will not be considered.
- No direct construction – related microgrid financial incentives are contemplated at this time. (Other existing incentives, such as through BPU's Clean Energy Programs, may be applicable).

BPU reserves the right to negotiate scope of work, budget and funding levels with prospective awardees.

Proposed Award Criteria

Criteria would be subject to "weighting" and shall add up to 100 points. Award criteria would be included in the request for applications ("RFA").

Criteria	Maximum Points
<p>1. Project Narrative</p> <p>Applicants should include a project narrative that contains the following elements:</p> <ul style="list-style-type: none"> • A summary of the prior FS • A high level description of the anticipated basis for detailed design • A description of how the application is consistent with, or varies from the FS • Description of the project team • Description of anticipated communication protocol and cyber security measures • Makes a case for how the project proposed for detailed design is expected to satisfy the award criteria contained herein 	20
<p>2. Clean and Green</p> <p>Applicants should address their general approach to the following elements:</p> <ul style="list-style-type: none"> • Renewable energy and energy storage • Electric vehicle charging • Reduction in Greenhouse Gas (“GHG”) over Business as Usual • Reduction in peak demand 	20
<p>3. Social</p> <p>Applicants should address their general approach to the following elements:</p> <ul style="list-style-type: none"> • Capacity for use as a Public Shelter • Critical facilities served • Replicability by other jurisdictions 	15
<p>4. Financial</p> <p>Applicants should address their general approach to the following elements:</p> <ul style="list-style-type: none"> • Avoidance of transmission & distribution expenditures by EDCs • Management of the facility’s transmission & distribution cost allocation • Tariff proposals and discussion of who benefits and who pays • Identification of beneficiaries and ratepayer impacts • Viability of business model and financing 	15

Criteria	Maximum Points
<p>5. Technology</p> <p>Applicants should address their general approach to the following elements:</p> <ul style="list-style-type: none"> • Innovation (within the criteria specified herein) • Degree of resilience • Effect on the distribution system • Need/reliability of existing distribution circuits and distributed energy resources 	15
<p>6. Cost Contribution</p> <p>Applicants should provide</p> <ul style="list-style-type: none"> • An estimate of the cost of the detailed design • The amount of financial support they are requesting from the BPU towards that cost • The portion of the cost to be funded by the applicant 	15
TOTAL POINTS	100

Disqualifying Content

Applications containing the following content will be considered disqualified:

1. Applications proposing the use of State funding sources that do not currently exist or which have not been specifically identified and described.
2. Applications consisting of a single building (Level 1) microgrid.
3. Applications consisting of a campus-style (Level 2) microgrid.

Issues for Stakeholder Input

The following issues have been identified as potentially limiting the scope of the BPU TC DER microgrid program. The BPU seeks written comments on the topics below prior to issuing a final RFA. Written comments must be submitted to Aida Camacho-Welch, Secretary, New Jersey Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, Trenton, New Jersey, 08625. Written comments may also be submitted electronically to TCDERmicrogrid@bpu.nj.gov in PDF or Microsoft Word format.

Written comments should be submitted **on or before 5:00 p.m. December 13, 2019**. Please note that these comments may be considered “Public Documents” for the purposes of the Open Public Records Act, N.J.S.A. 47:1A-1 to -13. Stakeholders may identify information that they wish to keep confidential by submitting them in accordance with the confidentiality procedures set forth in N.J.A.C. 14:1-12.3.

1. Definition of a TCDER Microgrid

The U.S. Department of Energy Microgrid Exchange Group Defines a Microgrid as Follows:

A microgrid is a group of interconnected loads and distributed energy resources within clearly defined electrical boundaries that acts as a single controllable entity with respect to the grid. A microgrid can connect and disconnect from the grid to enable it to operate in both grid-connected or island-mode.

BPU defines a TCDER Microgrid as follows:

A Town Center DER microgrid, for the purpose of this incentive program, is a cluster of critical facilities within a municipal boundary that may also operate as shelter for the public during and after an emergency event or provide services that are essential to function during and after an emergency situation. The Town Center DER microgrid could include, but not be limited to, multifamily buildings, hospitals, and local or state government critical operations in a relatively small radius. These critical facilities are connected to a single or series of DER technologies that can operate while isolated and islanded from the main grid due to a power outage.

Are these definitions sufficient for applicability to the BPU's TCDER Microgrid program?

2. NJ League of Municipalities ROW Position

The League, in a March 15, 2015 letter, states that "municipalities (can) construct and operate, as general improvements, "municipal microgrids" in their own municipal right of way (ROW)." This interpretation would allow a municipal microgrid to extend well beyond the one ROW provision.

Is this position in accordance with existing law, and if not what changes would be required for municipalities to construct microgrids that cross more than one ROW?

3. Does N.J.S.A. 48:13-10 et. seq. provide authority to "sewerage companies" to use their ROWs for microgrids? References: <https://law.justia.com/codes/new-jersey/2013/title-48/section-48-13-10/>
4. Should the Board initiate a generic proceeding to clarify what constitutes a contiguous right of way?
5. Would a proceeding to establish standard rates, terms and conditions under which EDCs would lease wires to third-parties be useful to microgrid developers?



Aida Camacho-Welch
Secretary of the Board

Dated: November 22, 2019