WELCOME

This is the public stakeholder meeting for:

GSESP Phase 2, Block 1 Distributed Energy Storage

2026 Straw Proposal

Docket No. **QO26040116**

September 3, 2026

This meeting will focus on the Garden State Energy Storage Program (GSESP) Phase 2, Block 1 Distributed Energy Storage Straw Proposal released on August 17, 2026

BPU | New Jersey's cleanenergy program™

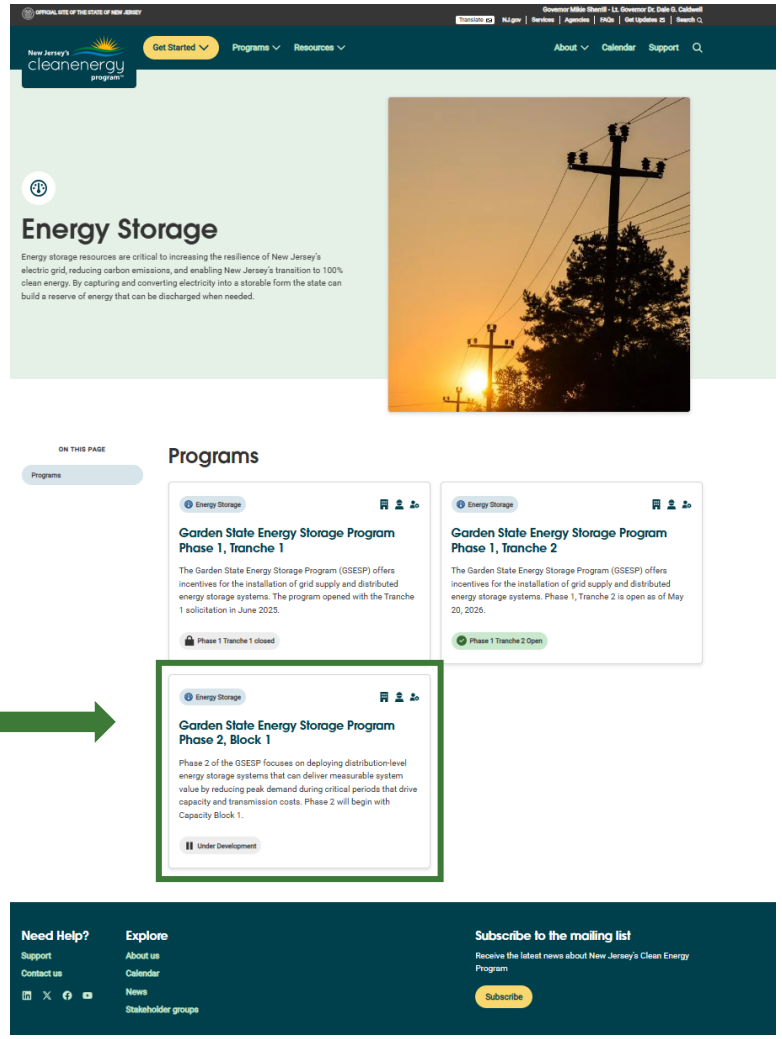
Disclaimer

This presentation is provided for informational purposes only and should not be taken to represent the views of the New Jersey Board of Public Utilities, its Commissioners, or the State of New Jersey. Please be aware that any information presented is subject to change if there are changes to New Jersey statutes, rules, or policies.

All viewers are responsible for ensuring that they rely only on current legal authority regarding the matters covered in the presentation

Webinar Protocol

- All attendees will be automatically muted
- The chat function in Zoom will be turned off
- This meeting is being recorded. A copy of the recording and presentation will be made available at: https://www.cleanenergy.nj.gov/programs/energy-storage (found within Program → GSESP Phase 2, Block 1)



GSESP Phase 2, Block 1: Stakeholder Meeting

September 2026

New Jersey's cleanenergy program™

Clean Energy and Efficiency Opportunities for Residential, Commercial, Industrial, Multi-family and Institutional Buildings

Agenda

- GSESP Phase 2 Evolution
- Phase 2, Block 1 Program Overview
- Block 1 Program Schedule
- Program Administration: Roles and Responsibilities
- Program Eligibility
- Capacity Administration Framework
- Incentive Level, Structure, and Payment Mechanics
- Benefit-Cost Analysis
- Storage Deployment Vision
- Conclusions
- Public Comment

GSESP Phase 2 Evolution

- **Original program design (2024 Straw Proposal)**
  - Bifurcated incentive structure: (1) fixed + (2) ongoing performance incentive for response to EDC calls
  - Program design would be EDC specific; EDCs responsible for setting performance incentives + call hours/dispatch
- **Program evolution and current design**
  - Simplified approach to create single pay-for-performance storage incentive focused on reducing peak load and other grid stress conditions
  - Single EDC-wide incentive level of $200/kW of Awarded Storage Capacity, with eligibility limited to residential customers
  - GSESP Phase 2 Block 1 program will be officially established as part of the VPP Interim Program Minimum Filing Requirements Order.

GSESP Phase 2 and VPP Interim Program

- The VPP Straw proposed that the VPP Interim Program could provide a residential storage program. The GSESP Phase 2 program outlined here will be that residential storage program for each of the EDCs.
  - The GSESP Phase 2 program will also replace the residential storage programs established by certain EDCs as part of the Triennium 2 framework that provided incentives for the installation or compensation of residential storage resources.
- The event protocol outlined in both the VPP and GSESP Phase 2 straws are the same to provide consistency throughout the programs.
- Storage incentivized by GSESP Phase 2 will receive compensation for responding to the calls through GSESP **NOT** the VPP Interim Program.
- The VPP Interim Program as outlined in the straw will provide compensation for assets (i.e. smart thermostats, smart water heaters, battery storage) that are not receiving compensation for curtailment or injection from other programs.

Phase 2, Block 1 Program Overview

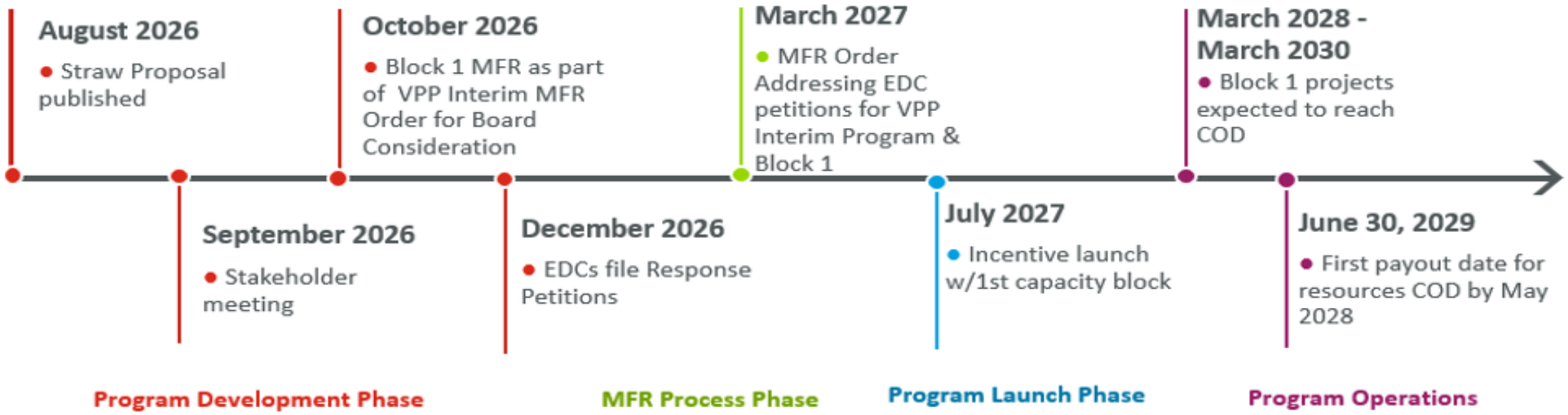
Program design: Block 1 is designed as a residential pay-for-performance program targeting 150 MW of new-behind the meter (BTM) Battery Energy Storage System (BESS) capacity to reduce demand during peak conditions and other qualifying grid stress conditions.

Program eligibility: New behind-the-meter BESS systems serving customers on residential rates are eligible to participate; third-party ownership and aggregation structures are permitted under the program.

Pay-for-performance incentive: Participants can earn a maximum annual incentive of $200/kW/year of Awarded Storage Capacity over a 10-year term, actual payments are prorated based on verified performance during EDC Dispatch Events annually.

EDC dispatch events: A maximum 4-hour 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. There are 20 events per summer season (June 1-September 30), with a total of no more than 35 dispatch events per calendar year.

GSESP Phase 2, Block 1 Schedule & Deployment Approximation



Anticipated GSESP Phase 2, Block 1 Cumulative MW Deployment*

Month	June 2028	May 2029	February 2030
Months from Block 1 Launch	12	21	30
Cumulative MW Deployed	50	100	150

*Note: Expected deployment is intended as a planning assumption only; there is no prohibition to COD as early as project is able.

Program Administration: Roles & Responsibilities

NJBPU

- Establish overall program framework & ensure alignment with statutory and policy objectives
- Define a statewide program design through issuance of an initial Board Order containing the MFRs to establish consistent program structure, eligibility criteria, performance framework, and administrative approach for Block 1
- Retains flexibility to refine key design elements

EDCs

- Serve as program administrators responsible for implementation and day-to-day administration of the program
- Review applications to ensure eligibility requirements are met
- Schedule and notification of EDC Dispatch Events
- Track operational performance of participating storage systems
- Facilitate project interconnection
- Outline the types of distribution-level events they plan to call and how dispatch will be determined in real-time

Program Participants

- Enroll, manage, and receive program incentives for an eligible energy storage project (participants include metered customer, third-party owner, aggregator, or another authorized third-party)
- Responsible for system's discharge at its full Awarded Storage Capacity during Performance Intervals
- Responsible for developing, installing, and operating projects
- TPOs and Aggregators will, in coordination with EDCs, be responsible for developing and implementing customer acquisition and enrollment strategies to support program participation, which includes creating marketing and educational materials

Phase 2 Block 1 Eligibility

Operational Requirements

- Able to track energy dispatch and performance outcome, and measure charge and discharge at the device level, report interval data sufficient to evaluate performance, support processes through provision of metering and data reporting.
- Must be installed BTM and interconnected on the customer side of the utility meter.
- Must satisfy applicable New Jersey interconnection requirements & applicable technical standards.

Development Maturity

- Minimum level of development maturity is an active and valid interconnection application with an applicable EDC. If applicable, a defined agreement with the host customer.
- Projects are required to achieve commercial operation no later than 12 months from the date of the award.

VPP Readiness and Interoperability

- Participation in Block 1 precludes a project from participating in a future VPP program that provides compensation for the same services unless the participant elects to opt out of Block 1 in the future.
- Certain recommended standards may ensure the resource is able to be configured and orchestrated with the mix of participating resources. **Energy storage systems do not need to meet VPP readiness standards to qualify for Block 1 incentives.**

Capacity Administration Framework

- 150 MW will be allocated across EDCs based on share of total New Jersey residential sales (right).
- Enrollment is first-come, first-served until Block 1 is fully subscribed or the BPU declares the enrollment period to be concluded.
- **Application requirements:**
  1. Block 1 application together with:
  2. Application fee of $50
  3. evidence of a submitted interconnection application;
  4. an applicant-executed Letter of Intent (LOI);
  5. authorization letter signed by host customer (if applicant is not host customer); and
  6. all required program documentation, including Customer Terms and Conditions and data-sharing agreements.

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

Steps to Enroll

1. Program application
2. Application Fee: $50 per application
3. Completeness Review by host EDC
4. EDC will issue a Reservation Letter
   a. If Block 1 of an EDC is fully subscribed, the EDC will issue a Provisional Reservation Letter (Waitlist)
5. Confirmation of Enrollment: issued by EDC upon project completion and successful testing

BPU | New Jersey's cleanenergy program™

Setting the Incentive Level

Maximum Annual Incentive Level: $200/kW of Awarded Storage Capacity

A gap analysis and benchmarking of similar program designs in other states was initially conducted to identify the indicated incentive level. The Block 1 total incentive level ($200/kW) was then adjusted lower than the full gap identified ($300/kW) due to the private resilience value of residential energy storage systems, as evidenced by the 8,500 – 11,000 systems already installed in NJ, and to manage total program costs.

Gap Analysis

Costs

- Total Installed Costs for BTM projects ~ **$1,250/kWh**
- Assumptions:
  - Financing structures consistent with prevailing storage project finance norms
  - Projects will monetize the 30% federal Investment Tax Credit
  - Fixed $/kW annual O&M expense

Revenues

- Time-of-use (TOU) energy arbitrage is the sole revenue stream

Results

- Incentive levels averaged across EDCs = **$300/kW**

Comparable Program Benchmark

Incentive level was benchmarked against comparable programs with the following 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)
- Launched *and* operational programs

Incentive Structure and Payment Mechanics

Annual Payment = Incentive Rate × Awarded Storage Capacity × Performance Factor

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

Incentive Flow: aggregators shall pass through **not less than 70%** of pay-for-performance incentives to host customers.

Performance will be measured and verified using metering and data reporting requirements established by the EDCs.

*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.

BPU | New Jersey's cleanenergy program™

Benefit-Cost Analysis Results

Benefit-Cost Analysis (BCA) Population	Benefit Cost Ratio (BCR)
All Ratepayers	2.16
Non-Participant Residential Ratepayers	1.79

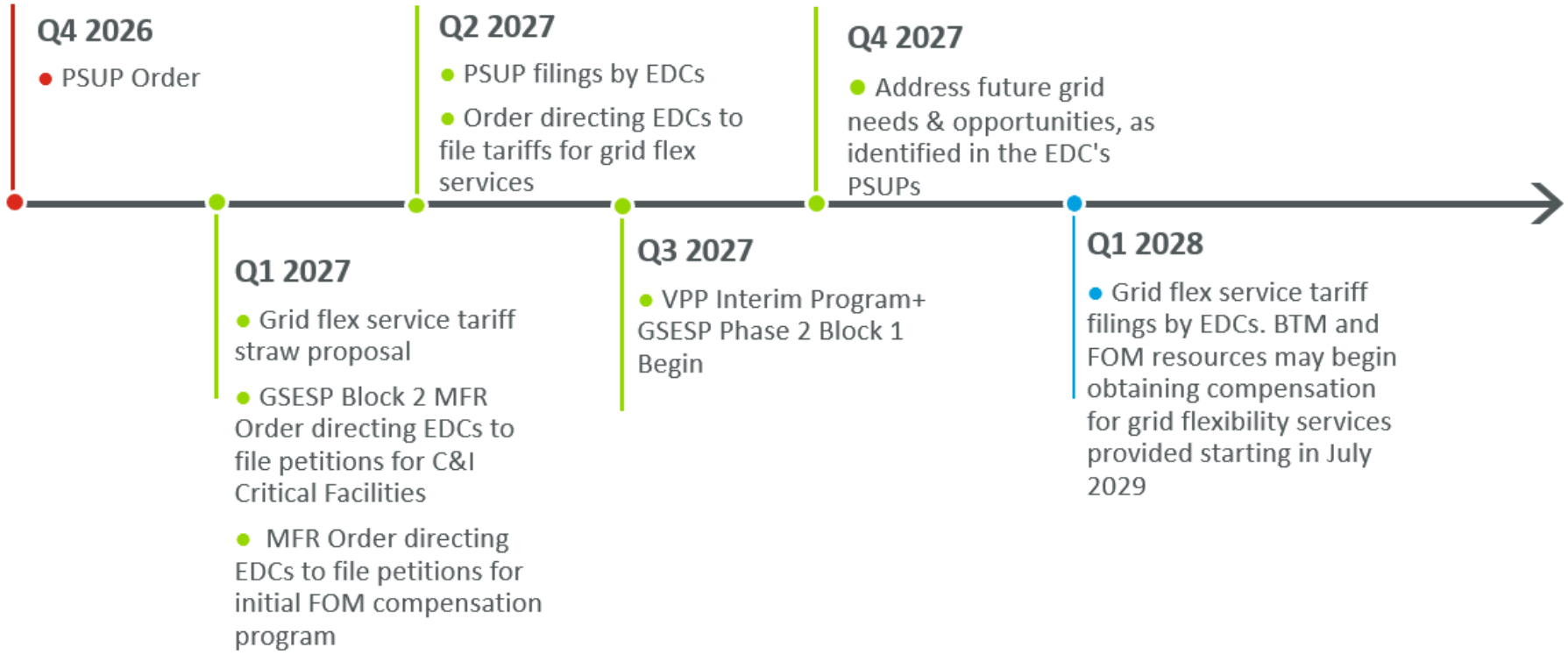
The benefit-cost analysis using a Ratepayer Impact Measure (RIM) framework indicates that the program is expected to produce net benefits for ratepayers that exceed the costs of facilitating the program.

- The Phase 2 BCA focuses on the allocation of program costs and benefits across customer classes and assesses resulting ratepayer impacts.
  - 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 and incentive payments
  - 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 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.

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,** such as a future C&I and FOM programs which will follow the Block 1 program.

Storage Deployment Vision



BPU | New Jersey's cleanenergy program™

Public Comment

The NJBPU is seeking additional stakeholder feedback to inform the design of GSESP Phase 2, Block 1 as well as the opportunities for storage deployment in NJ. **Please provide written feedback to Docket QO26040116 by 5:00 p.m. EST on Thursday, September 10th, 2026**. The Board would appreciate stakeholder feedback regarding the following:

1. Whether alternative metering and dispatch control systems would provide greater ratepayer saving 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 specify specific call events as performance metrics for Block 1 of Phase 2? If so, what purposes should they serve?

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?

Stakeholder Comment Guidelines

- Comments accepted:
  - During the live public comment portion webinar, we will begin with registered speakers.
  - All speaker comments will be recorded and filed in the docket
  - **A strict three-minute time limit per commenter will be enforced**
  - All written comments are DUE no later than 5:00 p.m. EST Thursday, September 10, 2026, to https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case_id=2114272 (Docket No. QO26040116), using the “Post Comments” button
- Comments are “public documents” per the State’s Open Public Records Act. Confidential information should be submitted in accordance with the procedures set forth in N.J.A.C 14:1-12.3

BPU | New Jersey's cleanenergy program™