parole policies concerning adults and juveniles in the State. Accordingly, no further analysis is required.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

SUBCHAPTER 1. GENERAL PROVISIONS

12:235-1.6 Maximum workers' compensation benefit rates

(a) In accordance with the provisions at N.J.S.A. 34:15-12.a, the maximum workers' compensation benefit rate for temporary disability, permanent total disability, permanent partial disability, and dependency is hereby promulgated as being [$1,199] **$1,241** per week.

(b) The maximum compensation shall be effective as to injuries occurring in the calendar year [2026] **2027**.

PUBLIC UTILITIES

(a)

BOARD OF PUBLIC UTILITIES

RENEWABLE ENERGY AND ENERGY EFFICIENCY

Notice of Proposed Substantial Changes upon Adoption to Proposed New Rules

Proposed Changes: N.J.A.C. 14:8-14.1, 14.2, 14.3, and 14.5 through 14.10

Proposed: August 4, 2025, at 57 N.J.R. 1651(a).

Authorized By: New Jersey Board of Public Utilities, Ben Hertz-Shargel, President, Christine Guhl-Sadovy, Michael Bange, Emma Rebhorn, and Joseph Coviello, Commissioners.

Authority: N.J.S.A. 48:2-13, 48:3-60, 48:3-87.8, and 48:3-121.7.

BPU Docket Number: QX25050283.

The deadline for comments on this matter is 5:00 P.M. on November 7, 2026. Please submit comments directly by using the Board of Public Utilites Public Document Search tool, search for the specific docket listed above and post by utilizing the "Post Comments" button. Written comments may also be submitted. Please include the subject matter and docket number and submit to:

Sherri L. Lewis
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350
Attn: BPU Docket Number: QX25050283
Email: board.secretary@bpu.nj.gov
Phone: 609-292-1599

Take notice that the Board of Public Utilities ("Board," "BPU," or "NJBPU") proposed new rules at N.J.A.C. 14:8-14 on August 4, 2025, at 57 N.J.R. 1651(a), to establish the Garden State Energy Storage Program. The public comment period closed October 3, 2025.

The Board is proposing substantial changes to the new rules in response to comments received from: American Clean Power & Mid-Atlantic Renewable Energy Coalition (ACP-MAREC); Jersey Central Power & Light Company (JCP&L); Plus Power LLC and Origis Energy (Plus Power, Origis); Regional Plan Association, Inc. (RPA), and REV Renewables, LLC (REV). The Board is also proposing several substantial changes to the new rules on its own initiative.

A summary of the comments that prompted changes, and the agency responses to those, are provided below. The agency-initiated changes are, likewise, described below. This notice of proposed substantial changes upon adoption is published pursuant to N.J.S.A. 52:14B-4.10.

Summary of Public Comments and Agency Responses:

Comments on the original notice of proposal were received from:

1. American Clean Power & Mid-Atlantic Renewable Energy Coalition (ACP-MAREC);
2. Advanced Energy United (United), Coalition for Community Solar Access (CCSA), New Jersey Solar Energy Coalition (NJSEC), and Solar Energy Industries Association (SEIA);
3. Atlantic City Electric Company (ACE);
4. Calibrant Energy (Calibrant);
5. Convergent Energy and Power (Convergent);
6. CPower Energy Management, LLC; (CPower);
7. Energy Efficiency Alliance of New Jersey (EEA-NJ);
8. Tesla, Inc., Goodleap, IGS Solar, Sunrun, Inc., Enphase Energy, Inc, and Freedom Forever, LLC (TGISEF);
9. Jersey Central Power & Light Company (JCP&L);
10. Mid-Atlantic Solar and Storage Industry Association (MSSIA);
11. New Jersey Division of Rate Counsel (DRC);
12. New Jersey Utilities Association (NJUA);
13. NineDot Energy, Inc. (NineDot);
14. Peak Power Inc. (Peak Power);
15. Plus Power LLC and Origis Energy (Plus Power, Origis);
16. Public Service Electric and Gas Company (PSE&G);
17. Hanwha QCELLS USA Corp. (QCells)
18. Regional Plan Association, Inc. (RPA);
19. REV Renewables LLC (REV);
20. Siemens Industry Inc. (Siemens); and
21. Solar Landscape, LLC (Solar Landscape).

General Comments

1. COMMENT: The commenter appreciates the thought and effort that has gone into the rulemaking and is in agreement with many aspects proposed. (DRC)

2. COMMENT: The commenter applauds the Board and the Murphy Administration for advancing an affordable, clean energy future and the 2035 100 percent clean-electricity goal and notes that storage is essential to integrate renewables at scale to meet fast-rising demand. (Solar Landscape)

3. COMMENT: The commenter commends New Jersey for its progress in clean energy advancement and emphasizes ensuring the Transmission-Fixed (Phase 1) market segment is implemented consistently with both the legislation and the program's intent. The commenter was pleased with the implementation of Tranche 1 and anticipates Tranche 2 next spring and urges the Board to continue expediting the Garden State Energy Storage Program's (GSESP) implementation to help support the 3,741 Megawatt (MW) of energy storage projects currently in the PJM interconnection queue and meet the State's 2,000 MW target, as accelerating energy storage development provides clean, affordable, and reliable benefits to New Jersey residents and ratepayers. (ACP-MAREC)

4. COMMENT: The commenter supports the rulemaking's overall direction as a critical step toward scaling up energy storage infrastructure and grid-resiliency and implementing the Clean Energy Act of 2018 mandate to deploy 2,000 MW of energy storage by 2030. The commenter acknowledges that the proposed rulemaking seeks to enhance the electric grid's resilience, increase New Jersey's portfolio of capacity resources, and lower electricity rates. The commenter states that the rulemaking's bifurcated approach (transmission and distribution phases) and long-term incentive spread (10 to 20 years) will secure an organized, long-term transition to a more sustainable and reliable grid. (RPA)

5. COMMENT: The commenter is eager to support New Jersey's clean energy goals through the deployment of distributed energy storage solutions. The commenter aims to be a key partner with the New Jersey Board of Public Utilities on this critical program. (Siemens)

RESPONSE TO COMMENTS 1 THROUGH 5: The Board appreciates the commenters' feedback and support for the Garden State Energy Storage Program and encourages the commenters to continue participating in future stakeholder opportunities.

6. COMMENT: The commenter supports the creation of the GSESP because distributed energy resources (DERs), such as energy storage systems and virtual power plants, will reduce strain on the grid during peak demand and grid outages and contribute to maintaining resource adequacy during emergencies. The commenter states that incentivizing DERs will result in an enhancement to overall grid reliability and generate cost savings for both consumers and utilities. The commenter seeks clarification on the anticipated timeline and cites concern that the

proposed timeline for the program could result in challenges for contractors and program implementers, in a manner similar to the Board's Triennium 2 Program. The commenter urges the Board to match the urgency surrounding energy resilience and affordability with the foresight necessary to effectively and fully implement the GSESP, as it will provide a net economic and social benefit to New Jersey and address urgent needs concerning energy affordability and resilience. (EEANJ)

RESPONSE: The Board appreciates the commenter's support for the incentivization of DERs and understands the commenter's concern with respect to the anticipated timeline. Phase 1 of the GSESP was launched in Summer 2025, with the first solicitation, Tranche 1, opening shortly thereafter. The Board approved and awarded 355 MW in Tranche 1 through the March 4, 2026, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program ("GSESP") Pursuant to P.L. 2018, c.17*). The Board launched a Tranche 2 solicitation on March 4, 2026, with a target of procuring 645 MW, with a targeted award date of October 28, 2026. The Board spent nearly three years developing the Phase 1 design, with three opportunities for stakeholder input, through the 2022 Straw Proposal, the 2023 Request for Information, and the 2024 Straw Proposal, before initiating this rulemaking. The Board remains committed to a well-coordinated and effective rollout of subsequent phases. Lessons learned from prior program implementations were considered to support consistent timelines and minimize disruptions. Additionally, the Board lacks the authority to materially modify the program timeline for Phase 1, as the Tranche 1 solicitation has been completed, and N.J.S.A. 48:3-121.3.a(2) requires the Board to complete the Tranche 2 solicitation by no later than December 31, 2026.

7. COMMENT: The commenter encourages the Board to appropriately align the GSESP proposed rules with the requirements of A5267/S4289 to avoid confusion and provide a predictable regulatory structure that benefits consumers. (REV)

RESPONSE: The Board appreciates the commenter's feedback and will continue to align the GSESP with the latest State policies regarding energy storage systems, including A5267/S4289. The Board staff assigned to the GSESP were actively involved in the drafting of A5267/S4289, enacted at P.L. 2025, c. 136, and both provided suggested edits to the bill and made design modifications to the June 18, 2025, GSESP Launch Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), and the notice of proposal to minimize any potential conflict.

8. COMMENT: The commenter requests that the Board publish the "gap analysis" that was performed by the Board's staff consultant and expresses interest in partnering with the State in promoting grid modernization and the use of storage. The commenter states that storage developments will expand more robustly if electric distribution companies (EDCs) are allowed fixed incentives. The commenter requests that the Board make clear that utility investment in storage is aligned with the State's policies and should be pursued subject to typical prudency review for capital investments. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback. The referenced "gap analysis" was conducted using confidential information and, as such, cannot be released. However, Board staff, in conjunction with their consultant, intend to develop an updated gap analysis. The Board also notes that the high-level results of the first "gap analysis" were provided in the 2024 GSESP Straw Proposal.

As stated in the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), the purpose of the GSESP is to promote private ownership of energy storage systems. The Board seeks to encourage private investment in storage, promote value stacking, and allow storage owners, especially distributed storage owners, to combine revenue from wholesale markets, retail bill savings (demand charge management), and investments in DERs, electric vehicle (EV) charging, and other technologies. This will lower the share of energy storage costs that have to be paid directly by ratepayers. These revenues will supplement GSESP incentives, thereby lowering the direct cost to ratepayers of meeting the State's statutory storage targets, as well as the financial risks ratepayers must bear relative to a utility-centric model. That said, the Board clarifies that its position on private ownership of energy storage systems applies only to those receiving GSESP incentives. The GSESP does not preclude prudent electric distribution company (EDC) investment in, or ownership of, energy storage systems that do not receive GSESP incentives, particularly when pursued as a non-wires alternative to traditional distribution system investments. The Board acknowledges that direct utility ownership of storage assets may provide value to ratepayers in certain specific scenarios. However, as utilities could recover the cost of a prudent storage investment, plus a rate of return in a standard rate case, the Board does not currently see a reason why EDCs also need GSESP funding. The Board may provide guidance on when, and under what circumstances, it believes EDC-owned distributed storage would likely be a prudent investment in a future Board Order.

9. COMMENT: The commenter recommends including specific clauses to address changes in law, rules, and regulations that occur beyond the point of completion and during the term of the agreement to limit risks to the developer, in a similar manner to that of the New York State Energy Research and Development Authority's (NYSERDA) 2025 Bulk Energy Storage Solicitation's draft Standard Form Agreement (SFA). The commenter specifies that this includes changes in NYISO Energy or Capacity Market (equating to similar PJM market rule adjustments) that materially change the financial viability of the project, requiring good faith negotiation to achieve financial viability. Changes in applicable law effected by the Federal Energy Regulatory Commission (FERC), NYISO, or the Public Service Commission (in New Jersey, FERC, PJM, or the NJBPU) after the effective date that affects the reasonable revenue expectations of the project on a significant and sustained basis should require negotiation in good faith to preserve the economic expectations of the parties. The commenter also specifies that changes in applicable law after the effective date that change the codes, standards, or requirements applicable to the construction of energy storage systems, in a manner that affects the project significantly and sustainably, should result in good faith negotiation to amend the agreement. The commenter notes that changes or application of Federal tariffs, which pose a risk due to the sourcing of non-domestic equipment, could also be incorporated in this section as a "Change in Law." The commenter notes that Section 4.05 of the NYSERDA SFA specifies that the parties shall renegotiate any agreement in the event of certain changes in law that fall into identified categories, subject to certain limits. The commenter recommends the Board include similar language in the GSESP rules. (Plus Power and Origis)

RESPONSE: The Board appreciates the commenter's feedback regarding the inclusion of provisions to address changes in law, regulations, market rules, and standards that may occur after project completion and during the term of the agreement. This includes suggestions to incorporate clauses responsive to actions by regulatory bodies, such as FERC, PJM, NYISO, and the Board, as well as changes to Federal tariffs and construction-related codes and standards that could impact project economics or feasibility. After careful consideration, the Board disagrees that such provisions are appropriate for inclusion in the GSESP framework. Unlike NYSERDA's Index Storage Credit program, which uses an indexed, contract-for-differences structure where developers receive payments when market revenues fall below a strike price and repay the state when revenues exceed it, the GSESP is intentionally designed as a fixed-incentive program. Its structure provides a certain level of regulatory and financial certainty through fixed incentives and a transparent prequalification process, while still protecting ratepayers by requiring developers to bear the ordinary business risks associated with future regulatory, supply chain, or market changes beyond the Board's control that may impact project economics. Introducing open-ended renegotiation clauses tied to future legal, regulatory, or market developments would undermine that structure and shift ordinary business risks from developers to ratepayers and taxpayers. Furthermore, the resulting amendments to any incentive award Board Order would likely contravene P.L. 2025, c. 136's prohibition on modifying such Board Orders for any reason other than changing the source of incentive funding. The Board, therefore, declines to incorporate similar change-in-law language into the GSESP rules.

10. COMMENT: The commenter expresses concern about the resourcing implications of the expected interconnection volume, noting that EDCs lack visibility into the number and timing of applications. The commenter states that this uncertainty makes proactive staffing difficult, risking delays in application processing if the volume is high. The commenter recommends establishing a process for transparency on

expected project application volumes, either through the solicitation process or developer reporting. The commenter also recommends providing EDCs with flexibility to adjust staffing and resourcing in proportion to demand, coupled with the assurance of timely cost recovery for necessary personnel and information technology (IT) systems. The commenter also recommends the Board consider phased or staggered procurement windows to avoid sudden influxes of applications that could overwhelm interconnection departments. (ACE).

RESPONSE: The Board appreciates the commenter's concerns regarding the resourcing implications of anticipated interconnection volumes and the potential for distributed storage interconnection application surges to strain EDC staffing and infrastructure. The Board agrees that transparency around expected project volumes and flexibility in staffing are important to ensure timely and efficient program administration. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the Virtual Power Plant (VPP) Program directed by Executive Order No. 2 (2026) (Executive Order 2), all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future programs and rule development.

11. COMMENT: The commenter questions the provision that allows the Board to require system owners to provide pre-development security of up to $100,000 per MW of installed capacity. The commenter views $100,000 per MW as inordinately high, noting it may limit competitive forces needed to discipline pricing, potentially leading to higher rates for ratepayers. The commenter encourages the designation of a pre-development fee of $50,000 per MW of installed capacity as a more balanced approach between ensuring developer responsibility/viability, financial reasonableness, and promoting competition. (Plus Power and Origis)

RESPONSE: To clarify, the Board has not set a fixed amount for pre-development security at this time. Rather, the provision sets an absolute upper limit on the amount of pre-development security the Board may require in any particular solicitation, allowing the Board to adjust the exact amount required in response based on experience gained in previous solicitations. This approach is intended to allow the Board to tailor requirements to the evolving market conditions and project characteristics, while balancing the need for developer accountability with the goal of fostering robust competition and cost-effective outcomes for ratepayers. The specific pre-development security required in a given solicitation will be specified in the Board Order opening the solicitation, as the Board did in the June 18, 2025, Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*) opening the Tranche 1 solicitation. Indeed, for that solicitation the Board set the pre-development security at $0 per MW due to the stringent maturity projects that the Board imposed to align with the requirements at A5267/S4289, which was subsequently enacted as P.L. 2025, c. 136, and instead decided to deduct delay damages from the first annual incentive payment. The Board then decided to use the same approach in the March 4, 2026, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program ("GSESP") Pursuant to P.L. 2018, c.17*) that opened Tranche 2. As such, the Board is now proposing to codify this alternative approach of deducting delay damages from future incentive payments in the newly proposed version of N.J.A.C. 14:8-14.3(o)2, while still retaining the flexibility to require pre-development security. The Board will carefully consider the commenter's arguments as to why requiring the maximum possible $100,000 per MW pre-development security is too high and its recommendation to use a $50,000 per MW amount, when setting pre-development securities in future solicitations.

12. COMMENT: The commenter asks the Board to carry out meaningful and robust community engagement to understand and address community concerns and best meet community needs, especially concerning overburdened communities. The commenter notes that upfront engagement can avoid future delays and ensure timely implementation. The commenter suggests that the Board take proactive steps in the marketing and messaging of the program to prevent misinformation regarding the safety or reliability of energy storage. The commenter recommends the Board develop a public-facing dashboard or commit to an annual report to the Legislature to allow the public to monitor the GSESP's progress. (RPA)

RESPONSE: The Board appreciates the commenter's concerns regarding community engagement and agrees that early and inclusive outreach is essential to building trust, avoiding delays, and supporting successful project implementation. The Board has developed, and is currently using, a methodology for evaluating community benefits, including benefits to overburdened communities in the selection and award process for transmission-scale projects. A description of community benefits can be found within the following document: https://cdn.sanity.io/files/d0qy0d77/production/9459a1fea7e2261629b0779b01d87f2ff0d4b2b7.pdf. The methodology for evaluating community benefits includes favorable consideration for projects that demonstrate: 1) Community outreach performed, and the extent to which community feedback has been incorporated; 2) Economic impact, including but not limited to, job creation, increase in wages, taxes, in-State expenditures, and State gross product within the host municipality; 3) Evidence of community support from the host municipality (for example, a letter of support from a municipality). With respect to annual reporting, the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), launching the GSESP includes project-level reporting requirements for system owners and program-level reporting by the Board or Program Administrator for transmission-scale energy storage. These reports will be made public and used to track progress against program goals and identify opportunities for improvement.

13. COMMENT: The commenter encourages the BPU to consider Tranche 3 for Front of the Meter Transmission Connected projects. The commenter understands that roughly 1,500 MW are already accounted for with legacy/CSI projects and Tranche 1 and 2 projects. The commenter emphasizes that the depth of the energy storage projects in the PJM Interconnection Queue shows existing commercial interest for New Jersey to meet the State's 2018 energy storage target of 2,000 MW. (ACP-MAREC)

RESPONSE: The Board appreciates the commenter's input and acknowledges the commercial interest reflected in the PJM Interconnection Queue. However, the Board currently plans to defer a decision on whether to hold a Tranche 3 solicitation until after the close of Tranche 2 and seeing the initial response to the rollout of the Phase 2 Distributed storage incentives. This will help determine the relative cost, benefits, and feasibility of leaning on transmission-scale storage to deliver more than half of the total 2,000 MW by the 2030 storage target. The Board also notes that P.L. 2025, c. 136 requires the Board to open a new proceeding and invite stakeholders to comment on whether to extend its transmission-scale procurement after securing 1,000 MW of storage in Tranches 1 and 2. In light of that legislative directive to invite further public comment on this specific issue after completing the Tranche 1 and 2 solicitations, the Board believes it is inappropriate to decide whether to hold a Tranche 3 solicitation at this time.

14. COMMENT: The commenter suggests that, in addition to building transmission and distributed energy storage across the grid, the Board should also create an incentive track that is specific for critical facilities, such as hospitals, emergency services, and water treatment facilities. The commenter notes that this program structure would further strengthen overall grid resiliency by preserving the most important functions of society, ensuring that they will maintain power during times of stress. (RPA)

RESPONSE: The Board appreciates the commenter's suggestion to strengthen grid resiliency for critical facilities. The Board also notes that pursuant to the previously proposed N.J.A.C. 14:8-14.6(r)2, critical public facilities were the only non-residential customers that could qualify for an overburdened community incentive adder. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the Virtual Power Plant (VPP) Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future programs and rule development.

15. COMMENT: The commenter recommends that the Phase I baseline procurement target for the GSESP should increase from 350 MW to 500 MW. The commenter notes that 350 MW is a low target, and increasing it would ensure an adequate resource base is secured in a timely manner. The commenter states that transmission-scale energy storage has a lengthy interconnection review, siting, and permitting process, and a higher baseline increases the likelihood of projects getting built by the 2030 target. The commenter also notes that there is no stated timeline for the total procurement goal of 1,000 MW, outside of the 2030 target, and asks for clarification on whether this phase ends when Phase II starts, or if it will continue concurrently. (RPA)

RESPONSE: The Board appreciates the commenter's feedback. The Board clarifies that the Phase 1 target for the initial State fiscal year is 350 to 750 MW, and that the baseline target for Phase 1 over multiple fiscal years is 1,000 MW. The Board also believes that the response to Tranche 1 shows the 350 MW minimum target was appropriate, as the Board only received proposals for 545 MW of capacity in total that met the eligibility requirements, 355 MW of which was ultimately awarded through the March 4, 2026 Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program ("GSESP") Pursuant to P.L. 2018, c.17*). Given the limited pool of capacity that met the strict Tranche 1 eligibility requirements imposed at P.L. 2025, c. 136 and the size of individual projects, a 500 MW minimum target would have made multiple projects critical suppliers that could have exploited their market power to submit non-competitive bids. The fact that Board was able to limit awards to 350 MW prevented that outcome and ensured competitive pricing for ratepayers. As to concerns about the timeline for awarding the rest of the 1,000 MW target, N.J.S.A. 48:3-121.3.a(2) explicitly requires the Board to complete both the Tranche 1 and 2 solicitations and award at least 1,000 MW by December 31, 2026. Due to that requirement, the Board launched a single Tranche 2 solicitation on March 4, 2026, to procure the remaining 645 MW balance of the requisite 1,000 MW. In light of the explicitly stated statutory deadline and the March 4, 2026, Tranche 2 Launch Order, the Board believes it is unnecessary to also include a specific deadline in the text of the rules.

16. COMMENT: The commenter asks for clarification on whether Phase II will be paired with other incentive programs, such as the Successor Solar Incentive (SuSI) program, to build the necessary Class I renewables needed to power the distributed energy storage systems targeted for overburdened communities (OBCs). The commenter notes that while targeting OBCs is a great way to reduce the need for peaker plants, there is concern about the lack of Class I renewable energy sources in those communities. The commenter also asks for clarification on whether these program incentives can be stacked and encourages a joint application if that is the case. (RPA)

RESPONSE: The Board clarifies that, pursuant to the previously proposed rule, GSESP incentives for distributed energy storage systems could be stacked with solar-only SuSI incentives. Storage additions to existing distributed solar projects would also have been eligible. That said, a distributed solar-plus-storage system would be prohibited from collecting any additional SuSI incentive specifically for its storage component if it was receiving a GSESP incentive for that same storage capacity. The Board appreciates the suggestion for a joint application structure. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

17. COMMENT: The commenter suggests the State should consider amending the GSESP's rules for Phase I to conform with PJM interconnection processes to ensure a streamlined study process. The commenter notes that the proposed rulemaking outlines that transmission-scale incentives for distributed energy storage systems will be awarded on a first-come, first-serve basis, which contrasts with PJM's new interconnection study process that reviews clusters of projects on a first-ready, first-served basis, which is in line with FERC's Order 2023. (RPA)

RESPONSE: The Board appreciates the commenter's feedback. As stated at proposed N.J.A.C. 14:8-14.3(b), Phase 1 GSESP transmission-scale incentives will be awarded through competitive solicitations, not on a first-come, first-served basis. Pursuant to the previously proposed rule, only fixed incentives for energy storage systems participating in the separate Phase 2 program for distributed energy storage systems would have been awarded on a first-come, first-served basis. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Furthermore, if an energy storage system with an installed capacity of five MW or greater plans to interconnect to a distribution system and elects to seek transmission-scale incentives, it would be classified as a transmission-scale energy storage system for the purposes of the GSESP and be subject to all competitive solicitation requirements. Evaluation criteria includes project maturity, community benefits, and the per-unit bid price.

18. COMMENT: The commenter suggests that the BPU design model ordinances for municipalities—that reflect community and stakeholder input—to aid in zoning and permitting reform. The commenter notes that permitting and zoning reform is critical to the program's success, as local opposition and challenges obtaining permitting have slowed or stopped energy storage projects in the past. (RPA)

RESPONSE: The Board appreciates the commenter's suggestion and recognizes that local permitting challenges can impact the timely deployment of energy storage projects and appreciates the suggestion to develop model ordinances for municipalities. Designing model ordinances, however, is beyond the scope of this rulemaking. The Board may consider this approach in the future as part of broader efforts to support local implementation and streamline permitting processes.

19. COMMENT: The commenter recommends creating a fast track for front-of-the-meter (FOM) storage co-located with community solar and for FOM storage on commercial/industrial properties. The commenter notes that doing so would enable more community solar interconnections, prioritize storage in load pockets, and enable highly valuable virtual power plants/non-wires alternatives throughout New Jersey. The commenter highlights that interconnection is the biggest challenge to accomplishing the new legislative goal of an additional three gigawatts (GW) of community solar before January 1, 2030. The commenter states that prioritizing such FOM storage projects will unlock currently infeasible interconnections for community solar projects, the vast majority of which are located on commercial/industrial rooftops. The commenter asks for a prioritized pathway that deems these projects eligible for the distributed fixed incentive and the performance incentive, subject to necessary safety and technical standards. This pathway requires a fast-track interconnection review when aggregate export does not exceed existing interconnection service and certified export-limiting controls (for example, UL 1741 SB/IEEE 1547) are used. The commenter asks the Board to direct EDCs to accept certified settings for protection/coordination screens, to publish criteria and timelines, and to issue decisions within a defined period (for example, 60 business days), absent documented constraints. The commenter asks that grid injection and export-limiting be counted as "response kW" for performance-based incentive (PBI) settlement, with no penalties beyond forfeiting the PBI for non-response. (Solar Landscape)

RESPONSE: The Board appreciates the commenter's recommendation and recognizes the potential benefits of front-of-the-meter storage co-located with community solar and on commercial/industrial properties, particularly in addressing interconnection challenges and supporting New Jersey's community solar goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Moreover, the Board believes that such interconnection-process-related reforms are beyond the scope of the present rulemaking, which is focused on programmatic design and incentive structures. Such interconnection-process-related reforms are best addressed through the relevant Grid Modernization Forum working group, such as the integrated distributed DER (IDDER) working group (Docket No. QO24030199, *In The Matter Of Developing*

Integrated Distributed Energy Resource Plans To Modernize New Jersey's Electric Grid) or a future working group. Following workgroup discussions, such a fast-track approach or related mechanism could be included in a future rulemaking pertaining to the Grid Modernization initiative.

20. COMMENT: The commenter recommends adding an overburdened community (OBC) equity adder with a two-tier structure. The commenter notes that FOM distribution-connected storage can displace peakers and enable more renewables in overburdened communities. The commenter asks the Board to keep the OBC adder and adopt two tiers: OBC-Direct for systems at residences in OBCs or at FEMA Risk Category III/IV critical facilities in OBCs, and OBC-Sited for systems located in OBCs that deliver documented local benefits (for example, FOM storage co-located with community solar). The commenter suggests considering on-bill credit adders for FOM storage co-located with community solar. (Solar Landscape)

RESPONSE: The Board appreciates the commenter's feedback and recognizes the potential benefits of FOM distribution-connected storage in OBCs, including the ability to displace peaker plants and support renewable energy deployment. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

21. COMMENT: The commenter observes that New Jersey ratepayers are suffering from an energy affordability crisis, which behind-the-customer-meter (BTM) energy storage can help mitigate. The proposed regulations at N.J.A.C. 14:8-14 restrict participation from energy storage located BTM at a customer facility connected to the transmission grid but served by a New Jersey utility, which threatens to deprive ratepayers of a highly cost-effective storage resource and contradicts State policy aimed at attracting large business. Excluding these customers will exacerbate New Jersey's affordability crisis, noting that there are hundreds of MW of transmission-connected customers at present and this number is expected to multiply. The commenter explains that installing BTM storage at these large load customers offers one of the most immediate paths to reduce capacity cost allocations, load forecasts, and total capacity costs, potentially leading to sizable reductions in auction clearing prices after the GSESP launch. The commenter argues that prohibiting these customers from participating is discriminatory, as they pay for programs from which they are ineligible to benefit. The commenter recommends that the BPU allow BTM transmission-connected storage to participate in the GSESP, ideally within the "distributed segment," as this is customer-sited and can reduce PJM's load forecast, which impacts capacity prices by $1.1 million/MW. The commenter suggests that if the BPU wishes to limit participation size, the storage device participation could be capped at 110 percent of the customer facility's peak load. The commenter also suggests that in order to address potentially different values, the BPU could instruct the EDCs to reflect these differences in performance-incentive compensation, allowing a transmission-connected resource to earn less on a $/kW basis than a distribution-connected resource. (Calibrant)

22. COMMENT: The commenter requests clarification on the definition of BTM energy storage as it relates to transmission- and distribution-connected assets and confirmation that both groups will be included in the distributed phases. The commenter believes that all BTM storage should be eligible for the distributed segment of the GSESP regardless of voltage connection level. The commenter requests that the Board provide clarity that all C&I BTM storage is eligible to participate in the GSESP distributed segment. The commenter argues that disqualifying large customers whose utility requires a higher voltage connection would be unreasonably discriminatory. The commenter notes that the proposed GSESP distributed segment rule language sets forth contradictory statements on the eligibility of C&I BTM storage that is connected at a transmission voltage level. (Convergent)

23. COMMENT: The commenter urges the Board to clarify that BTM transmission-connected storage is eligible to participate in the "distributed segment" of the GSESP. The commenter notes that these resources are currently excluded from both the "transmission" and "distributed" segments and that their inclusion offers an immediate path to reduce capacity cost allocations and load forecasts for New Jersey ratepayers. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 21, 22, AND 23: The Board appreciates the comments submitted regarding eligibility for BTM transmission-connected storage to access distributed segment incentives and the concern that such systems may be ineligible for any GSESP incentives. The Board likewise acknowledges that excluding such systems from any incentive eligibility could be unreasonably discriminatory and cut off a near term means for helping the State to meet its capacity needs and control capacity prices. The Board notes that its general intent in the previously proposed rules was to ensure all new energy storage systems would be eligible for either transmission-scale or distributed incentives. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenters' feedback during future program and rule development.

24. COMMENT: The commenter's analysis suggests that if the GSESP's "distributed segment" is properly designed to reduce PJM's load forecast, it could reduce capacity costs in New Jersey by approximately $900 million per year, potentially providing hundreds of dollars of relief to New Jersey households. (Calibrant)

RESPONSE: The Board appreciates the commenter's observation regarding the potential benefits of the distributed segment of the GSESP in addressing energy affordability. The Board recognizes that BTM energy storage may offer opportunities to reduce PJM capacity costs and provide meaningful relief to New Jersey ratepayers. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

25. COMMENT: The commenter notes that the value of residential battery storage is strongly linked to rooftop solar, which charges the batteries with clean, renewable energy. The commenter points out that if battery adoption is to be driven, solar deployment must also be supported, with net energy metering (NEM) serving as the primary policy tool for advancing solar. The commenter requests that the Board make it clear in the rules that batteries paired with NEM systems are eligible to receive both the upfront incentive and performance compensation. (GoodLeap, Sunrun, Enphase, Tesla, Freedom Forever, and IGS Energy)

26. COMMENT: The commenter urges the Board to explicitly state that net metering participants with solar paired with storage are allowed to participate in the GSESP. The commenter argues that while net metering compensates for exported energy, it does not compensate for storing energy to support the grid during peak demand; therefore, participation in GSESP performance incentives should be allowed if the battery is solely charged by customer-sited solar energy. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 25 AND 26: The Board appreciates the commenters' feedback regarding the eligibility of batteries paired with net energy metering (NEM) systems through the GSESP. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

27. COMMENT: The commenter points out inconsistencies between the rule language at N.J.A.C. 14:8-14 and the order-style Summary to the rulemaking language published in the New Jersey Register. The Summary states that the $300/kWh combined incentive is "up to a cap of approximately 40 percent of the fully installed cost." The commenter states it is unclear how the Board will calculate this number moving forward or apply a static installation cost value given price volatility

caused by external factors (such as tariffs and Foreign Entity of Concern regulations). The commenter further notes that it is unclear how a developer is expected to compare their pricing to the 40 percent cap when the timeline for realizing the full 40 percent is undefined. The commenter suggests the Board remedy this by providing a lock-in period for compensation rate and duration. The commenter also recommends the Board direct EDCs to set seasonal event parameters, referencing the use of minimums (30 events) and maximums (60 events) in programs like ConnectedSolutions and Energy Storage Solutions to protect ratepayers and participants. Further, in the Monitoring and Reporting section of the Summary, the system owner shall provide a report with key operational metrics to the Board or administrator within five business days after the last day of each month. The commenter warns that this monthly reporting requirement would make the GSESP unworkable for residential BTM participation, as it is onerous for third-party operators and homeowners. The commenter notes that successful programs rely on distributed energy resource management system (DERMS) providers to report granular data. The commenter advises the Board to remove this requirement entirely from the distribution-connected portion of the program, or at least specifically for BTM devices. (GoodLeap, Sunrun, Enphase, Tesla, Freedom Forever, and IGS Energy)

RESPONSE: The Board appreciates the commenter's detailed feedback regarding the proposed incentive cap, reporting requirements, and program design elements within the distributed segment of the GSESP. The Board clarifies that it was not proposing to adopt the specific incentive levels and the 40 percent cost cap referenced in the Summary, as it planned to set specific incentive levels and any potential cost caps by Board Order. Rather, this information was included in the Summary to prompt stakeholder comment on appropriate incentive levels and help the Board determine whether it should ultimately adopt different incentive levels. Based on stakeholder comments and its independent consideration of recent developments, especially regarding tariffs and Foreign Entity of Concern restrictions on tax credit eligibility, the Board has decided it needs to complete an updated gap analysis before making any final determination on appropriate incentive levels and cost caps. The Board will consider the comments input on these points when determining incentives. As to the commenter's concerns about monthly reporting requirements, the Board notes that both the referenced text, and the actual proposed rule text at N.J.A.C. 14:8-14.3(u), pertains solely to transmission-scale energy storage systems. The only monthly reporting requirements that pertain to residential BTM storage are the reports the *EDCs* would have to provide pursuant to previously proposed N.J.A.C. 14:8-14.7(m)5. The Board did not propose any monthly reporting requirements for homeowners or third-party operators. For clarity, the Board also notes that it is the Board that is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

28. COMMENT: The commenter supports the BPU's initiative to increase storage capacity through an incentive program and is in favor of the Phase 2 first-come, first-served upfront incentive approach. The commenter requests that the Board consider offering a streamlined process or assistance regarding utility interconnection at the distribution level. The commenter suggests that if an applicant is selected, their interconnection process could be marked as being part of the New Jersey GSESP and, thus, expedited or given priority in some way. (Qcells)

RESPONSE: The Board appreciates the commenter's support of the GSESP and its Phase 2 first-come, first-served upfront incentive approach. The Board appreciates the commenter's suggestion regarding the potential for a streamlined or prioritized interconnection process for projects participating in the GSESP. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

29. COMMENT: The commenter requests that the Board consider requiring utilities to accept a first step "preapplication." Upon receipt of this preapplication, the utilities would then be required to share available capacity at the substation and circuit level within 30 calendar days. (Qcells)

RESPONSE: The Board appreciates the commenter's suggestion regarding the proposal to introduce a pre-application process for interconnection. The Board already adopted pre-application reforms at N.J.A.C. 14:8-5.10 through Docket No. QO21010085, *In The Matter Of Modernizing New Jersey's Interconnection Rules, Processes, and Metrics*.

30. COMMENT: The commenter suggests that the program should include host community benefits tailored to specific communities, particularly for those that are already overburdened, when assessing battery siting. The commenter notes that OBCs have historically hosted polluting energy infrastructure and may be apprehensive to host more infrastructure, even if it is emissions-free. The commenter states that host community benefits can only come about through robust community and stakeholder outreach and engagements during the siting and permitting process. (RPA)

RESPONSE: The Board appreciates the commenter's suggestion regarding host communities. As part of the Phase 1, Tranche 1 evaluation process, the evaluation team considered the degree to which OBC outreach was performed and the extent to which feedback from the OBC was incorporated, particularly when the OBC is a host community for the battery project. The Board plans to continue this approach in future Tranches. As for previously proposed OBC adder for distributed energy storage systems provided for at proposed N.J.A.C. 14:8-14.6(d), the Board notes that only systems that serve residential customers or critical facilities in OBCs would be eligible. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development relating to distributed storage.

31. COMMENT: The commenter asks if the BPU would consider offering any streamlined process or assistance regarding site permitting. The commenter suggests that if an applicant is selected, their permitting process could be marked as being part of the New Jersey GSESP and, thus, expedited or given priority in some way. (Qcells)

RESPONSE: The Board appreciates the commenter's suggestion for streamlining site permitting for projects awarded through the GSESP. The Board declines to add provisions regarding permitting streamlining or assistance, as it believes such matters are beyond the scope of this rulemaking, and in most cases, outside the Board's jurisdiction. The Board notes that Executive Order 2, § 5(b) already directs State entities to "initiate all steps that, in the State entity's determination, are necessary and appropriate to prospectively and liberally waive compliance with" permitting and siting restrictions for "electricity generation and grid stabilization projects."

32. COMMENT: The commenter notes that projects are often sold from one developer to another, which creates issues if there is no straightforward assignment process allowing the new developer to change the identified payee. The commenter requests that the program ensure incentive award payments can be easily assigned to the entity that owns the project at any point between the time the award letter is issued and the time the incentive is paid out. (Qcells)

RESPONSE: The Board appreciates the commenter's feedback regarding the need for a clear and flexible process to assign incentive payments to the appropriate project owner. The Board recognizes that project ownership may change over time and the need to ensure that the identified payee can be updated accordingly between the issuance of the award letter and the disbursement of incentives. However, the Board believes the details of such transfer of incentive assignment are best specified either through a Board Order or a specific award letter, rather than in the GSESP Program rules.

33. COMMENT: The commenter states that clarification is needed regarding the relative split between fixed and performance-based

incentives and the duration of guaranteed incentives. The commenter finds this information essential for potential GSESP participants to assess project feasibility. The commenter requests that the Board provide further clarification on the incentive split and the guaranteed duration of performance incentives. The commenter cites the Connecticut ESS program as a good example. (CPower)

34. COMMENT: The commenter urges the Board to provide a specific percentage breakdown of the split between the upfront incentive and the performance incentive, as well as a guaranteed duration (recommending five years) for program enrollment. The commenter states that this clarity is critical for developers to forecast earnings. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 33 AND 34: The Board appreciates the commenters' feedback regarding the need for clarification on the relative split between fixed and performance-based incentives, as well as the duration of guaranteed payments. At this time, the Board has not determined the specific allocation between fixed and performance-based incentives. The Board believes it first needs to complete an updated gap analysis and further refine estimates of the value of services provided by distributed storage that can be properly compensated through performance incentive payments before committing to any specific split. Moreover, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

35. COMMENT: The commenter states that the proposed rule introduces a significant inconsistency by defining the upfront incentive payment as being disbursed over a period of "10 to 20 years," rather than being paid at the time of commercial operation, which makes the use of the term "upfront" misleading. The commenter argues that spreading payments over a decade or two introduces uncertainty and risk, which will likely undermine project financing and slow the deployment of storage assets. The commenter recommends that the NJBPU rule adhere to the true intent of an upfront incentive—paid once upon commercial operation—to maintain program integrity and support market participation. (CPower)

36. COMMENT: The commenters recommend that any upfront incentive should be paid upon commercial operation, rather than over a period of 10 to 20 years, to reduce risk and uncertainty. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 35 AND 36: The Board appreciates the commenters' input regarding the structure of the distributed fixed incentive payment and the potential confusion caused by the referenced sentence in the Summary, as well as the various commenters' thoughts on the advantages of paying incentives upfront when systems reach commercial operation. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

37. COMMENT: The commenter recommends that the Board allocate maximum megawatts to BTM C&I to provide the greatest return on investment for incentive dollars. The commenter suggests incentivizing C&I BTM as much as possible, citing open space constraints in New Jersey for FTM projects and the need to keep New Jersey businesses and jobs from leaving due to high electricity costs. The commenter notes that BTM C&I storage resources provide the maximum return on incentive dollars due to the multiple value streams they can uniquely provide. The commenter explains that this allocation will lower C&I customer bills meaningfully, having a direct impact on the New Jersey economy and preserving jobs for New Jersey ratepayers, which allocation to FTM distribution connected storage or residential storage cannot achieve. The commenter believes that maximizing allocation to BTM storage will directly benefit hosting customers who maximize value for themselves and the system. The commenter notes that options for providing rate relief to large customers are limited, and GSESP provides a way to offer meaningful rate relief to existing large New Jersey customers and positively affect reliability during system stress without changes in the PJM markets. The commenter states that releasing guidance on allocation as early as possible would maximize developer participation, leading to competitive solicitations. (Convergent)

RESPONSE: The Board appreciates the commenter's recommendation regarding the importance of BTM C&I energy storage systems in supporting economic development, reducing customer costs, and enhancing grid reliability. The Board recognizes the potential for BTM C&I projects to deliver multiple value streams and contribute meaningfully to New Jersey's clean energy goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

38. COMMENT: The commenter endorses the creation of a GSESP program that is harmonized with the PJM market. The commenter advises that while this coordination should not delay the deployment of GSESP, the BPU might consider working with PJM's planning and operations groups to ensure the program can be factored into PJM's planning decisions in a meaningful way, given the timing of reliability and cost issues facing PJM. (Convergent)

RESPONSE: The Board appreciates the commenter's support of coordination between the GSESP and PJM market operations. Recent changes to PJM's engagement with state utility regulators has provided the Board with a defined path to annually submit information on State programs that affect PJM's load forecast, which, in turn, informs the development of the reliability requirement in PJM's capacity market, as well as transmission planning. PJM's load forecasting process now also explicitly accounts for forecasted distributed storage deployment. As such, the Board plans to relay information about expected distributed storage deployment to PJM on an annual basis so that PJM can directly incorporate the GSESP's effects into its regional resource adequacy and transmission planning efforts.

39. COMMENT: The commenter reiterates its appreciation for the changes reflected in the current GSESP proposal, noting that the BPU staff is clearly listening and acting upon the interests of stakeholders for the sake of launching a successful and effective program. (Convergent)

RESPONSE: The Board appreciates the commenter's recognition of the changes reflected in the current GSESP proposal. The Board values ongoing stakeholder engagement and remains committed to launching a successful and effective program that reflects the input and priorities of participants across the energy storage sector.

40. COMMENT: The commenter recommends structuring incentives to allow for project upsizing and performance-based value capture. The commenter suggests that this structure would allow systems sized above the on-site load (for example, up to two MW for smaller host loads) to maximize their contribution to grid services. The commenter states that this approach ensures projects remain financeable, provides customers with predictable savings, and rewards developers for delivering measurable grid benefits. (PeakPower)

RESPONSE: The Board appreciates the commenter's recommendation regarding the potential benefits of allowing project upsizing and structuring incentives to support performance-based value capture. The Board recognizes that such an approach could enhance grid services, improve project financeability, and deliver predictable savings to customers. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

41. COMMENT: The commenter noted that the proposed rule indicates fixed incentive payments will be made over 10 to 20 years. The commenter stated that the table in the proposed rule and Senate Bill 4289 require a fixed term of 15 years. The commenter recommends the

proposed rule be revised to reflect the 15-year incentive award term, as required through the enacted legislation. (REV)

42. COMMENT: The commenter notes that the proposed rules state that fixed incentives for transmission-scale energy storage systems will be paid over a 10- to 20-year period, instead of upfront. The commenter points out that spreading out payments results in a greater number of megawatts being procured at the program's inception. However, the commenter highlights that the table above the text in the proposed rules and language in A5267 both propose 15 years. The commenter urges the BPU to mirror the legislation and maintain the 15-year payment structure. The commenter states that a 15-year incentive better aligns with the real economics and useful life of storage projects, which typically operate for 15 to 20 years. (ACP-MAREC)

RESPONSE TO COMMENTS 41 AND 42: The Board appreciates the commenter's suggestion. As outlined in the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), Phase 1, Tranche 1 fixed incentives are expected to be paid out to winning bidders over a period of 15 years. The Board also maintained the 15-year payment term for Tranche 2, as stated in the March 4, 2026, Board Order (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*). This complies with both the referenced provision at P.L. 2025, c. 136 (formerly A5267/S4829 prior to its enactment, and amended as A4529/S3819) and the proposed range in the rules of 10 to 20 years. The Board further notes that P.L. 2025, c. 136 authorizes the Board to modify the contract term for any tranches after Tranche 2. See N.J.S.A. 48:3-121.5.a(3). The Board, therefore, declines to modify this provision of the rules to retain the flexibility to use different contract term lengths after Tranche 2.

43. COMMENT: The commenter observed that the proposed rule requires a predevelopment security of up to $100,000 per MW for transmission-connected energy storage. The commenter noted the rule does not include the maximum-security amount of $10 million. The commenter believes the BPU should specify the methodology for determining the appropriate amount of predevelopment security for any given project to provide predictability for bidders. (REV)

RESPONSE: The Board appreciates the commenter's feedback regarding the predevelopment security requirement. The Board clarifies that the methodology for determining the appropriate amount of pre-development security will be specified in each Board Order establishing a Tranche, should the Board choose to require pre-development security. While the proposed rule references a security of up to $100,000 per MW for transmission-connected energy storage, the Board believes that the maximum-security amount of $10 million established by statute is self-executing and does not need to be specified in the rule. The Board fully intends to comply with the $10 million statutory cap on the amount of predevelopment security it can require from an individual project.

44. COMMENT: The commenter recommends maintaining transparency and flexibility in program reporting and in setting commercial operation date (COD) timelines. (PeakPower)

RESPONSE: The Board appreciates the commenter's feedback emphasizing the importance of transparency and flexibility in program reporting and COD timelines. The Board is committed to maintaining clear communication and adaptable program structures to support effective implementation of the GSESP and ensure alignment with stakeholder needs.

45. COMMENT: The commenter requests that the proposed rule eliminate or revise the requirement stating that "recipients of fixed incentives during the period when only fixed incentives are offered will be ineligible to receive future performance incentives." The commenter argued that this requirement is vague and could prevent developers from bidding future projects into any BPU procurement, including storage and solar. (REV)

RESPONSE: The Board appreciates the commenter's feedback but declines to revise this requirement because the fixed incentives for transmission-scale projects are intended to cover their full revenue gap, at least until such a time as the Board develops a performance incentive for transmission-scale projects. Allowing projects that already had their full revenue gap closed by fixed incentives to collect performance incentives as well would result in excess windfalls to developers at the expense of New Jersey ratepayers. The Board stresses, however, that the referenced language at proposed N.J.A.C. 14:8-14.3(m) applies only to transmission-scale projects that participate in a Phase 1 solicitation, which are specifically designed to close a project's revenue gap. All other energy storage projects are not subject to this limitation.

46. COMMENT: The commenter states that the proposed rule should include the methodology for measuring the accredited capacity. The commenter seeks clarification on whether the applicant should submit the designated method of calculation for "lowest bid prices on a per-unit basis." The commenter indicated that the options provided make it unclear how they will be compared on an equivalent basis and requested clarification in the proposed rule. (REV)

RESPONSE: The Board appreciates the commenter's suggestion. The Board declined to include this methodology directly into its rules because it is possible that PJM will further adjust how it accredits storage capacity in the future. As such, stating the details of this approach in the rules creates the risk that the Board would not be able to adjust the methodology for future Tranches without engaging in another lengthy rulemaking process, which would necessitate either materially delaying such Tranches or require the use of an outdated methodology. The Board has, thus, decided to specify the details of how it will estimate accredited capacity in the Board Order opening the relevant Tranche. For example, a description of the methodology the Board used for measuring accredited capacity in Tranche 1 can be found on page 23 of the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*). Similarly, a description of the methodology used for Tranche 2 can be found on pages 13 and 14 of the March 4, 2026, Board Order that launched Tranche 2. As to the form in which applicants should submit their bids, like in Tranche 2, the Board plans to direct applicants to submit their bids in dollars per MW-year of effective nameplate capacity, with Board staff or the Program Administrator performing the necessary projected-accredited capacity calculations. The Board believes this is the best way to ensure that a consistent and accredited capacity estimation methodology is fairly applied to all bids, and will also reduce the administrative burdens placed on bidders.

47. COMMENT: The commenter states that there is inconsistency between the following two statements in the notice of proposal's Social Impact and Economic Impact, respectively: "... the utilization of energy storage systems to export electricity to the grid at peak times has significant potential to reduce the number of times peaker plants need to operate over the course of a year;" and that the program "may increase emissions in its initial years due to current small differences between peak and off-peak marginal emissions rates" with 2031 being the last year with increased emissions. Assuming the second statement is correct, the notice of proposal essentially asks ratepayers to fund a generation source that will result in additional emissions for six years. The commenter also states that the Board failed to analyze the impact higher rates will have on New Jersey ratepayers. (DRC)

RESPONSE: The Board appreciates the commenter's feedback. As stated in the proposed rule, the net effect of the GSESP will be a reduction in CO_2 emissions between 2025 and 2044. As the harmful effects of GHGs, like CO_2, depend on their cumulative amount in the atmosphere, rather than emissions in isolated years, the Board believes the appropriate metric for judging GHG impacts is the cumulative effect over the lifetime of the GSESP and the storage systems it supports, not emissions in certain years. As the lifetime impact of the GSESP will be to reduce cumulative GHG emissions, the Board believes supporting storage is an appropriate use of SBC funds. The Board further notes that it is also statutorily required to fund incentives for transmission-scale storage pursuant to P.L. 2025, c. 136, and as such, this policy choice has effectively been made by the Legislature as well.

As to the rate impacts, the Board believes it adequately addressed such concerns in the Economic Impact. It is true that the Board did not address the impact of higher rates, but that is because the Board provided an explanation of why it is expected that the GSESP will not lead to rate increases. In particular, the Board referenced its quantitative capacity savings analysis, also included as Appendix B of the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), which demonstrated that Phase 1 of the GSESP is expected to yield net savings to ratepayers. The Board also explained why it expects the net cost to ratepayers of distributed performance incentives to be close to zero. This explanation, and the Board's subsequent conclusion, rendered an analysis of the impact of higher rates unnecessary. In addition, Board staff's analysis of the potential capacity market net savings associated with the three projects awarded in Tranche 1, also included in Appendix B of the March 4, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), indicates that the additional capacity supply provided by energy storage systems would likely produce capacity market savings for New Jersey ratepayers that exceed the cost of GSESP incentives. A similar analysis conducted for Tranche 2, included in Appendix B of the March 4, 2026, Board Order (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*), also indicates that the additional capacity supply provided by Tranche 2 energy storage systems would likely produce capacity market savings that exceed the cost of GSESP incentives. These analyses focused solely on the potential capacity market savings from transmission-scale energy storage systems, and did not account for additional benefits to New Jersey, such as increased energy resilience, economic development, avoided environmental costs, and community benefits, which are part of the GSESP evaluation criteria. Moreover, with regard to the potential rate impacts of the distributed storage incentives, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. As the Board will not proceed with that part of the proposed rules, there is now no possibility of a rate impact related to distributed storage incentives due to this rulemaking.

48. COMMENT: The commenter recommends authorizing EDCs to own (either through development or acquisition) FOM distribution-connected storage. The commenter argues that this would further improve the interconnection situation for community solar projects and would otherwise add more virtual power plant/non-wires alternative benefits. Although the Board's straw proposal says that EDCs cannot participate in GSESP incentives, the commenter submits that the Board should clarify that EDCs can nonetheless own and operate FOM distribution-connected batteries, even if those EDC-owned batteries cannot receive the GSESP incentives. The commenter asks the Board to authorize EDCs to own FOM distribution-connected storage projects, with cost recovery subject to Board review, and encourage utilities to develop such batteries at substations with active community solar queues. (Solar Landscape)

RESPONSE: The Board appreciates the commenter's feedback. As stated in the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), EDCs are not eligible for Phase 1 GSESP incentives. The purpose of the GSESP is to promote private ownership of energy storage systems. The Board seeks to encourage private investment in storage, promote value stacking, and reduce costs to ratepayers. However, the GSESP does not preclude prudent EDC investment in, or ownership of, energy storage systems that do not receive GSESP incentives. The Board acknowledges that direct utility ownership of storage assets may provide value to ratepayers in certain specific scenarios. The Board may provide further guidance on potential EDC ownership of storage in a future Board Order. Regarding distributed storage ownership, the Board notes that the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

49. COMMENT: The commenter asks the State to clarify the language regarding the 36-month grace period for the commercial operation date (COD). The proposed rule requires a 30-month deadline for COD after approval but allows a 36-month grace period if the applicant is behind and demonstrates good cause. The commenter states it is unclear whether that 36-month grace period is in addition to the 30-month deadline or includes that deadline. If the 36-month grace period is in addition to the 30-month deadline, the commenter asks the State to consider shortening that timeframe, noting that a total 66-month period could push projects well past the 2030 target date. (RPA)

RESPONSE: The Board appreciates the commenter's feedback. As outlined in the Board Order published on June 18, 2025 (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), the Board reserves the right to revoke an applicant's awarded incentive if the project fails to achieve commercial operation within 36 months of its guaranteed COD. The order specifies that the Planned COD must be no later than 30 months after the close of the solicitation's application period, and that the guaranteed COD must be no later than 150 days after the planned COD. This 30-month timeline was modified in Tranche 2 to avoid excluding otherwise eligible projects. In Tranche 2, projects were allowed to propose their own planned CODs, with preference given to CODs scheduled within 42 months of the solicitation application closing date. The Board clarifies that the 36-month period is not a grace period in addition to the original deadline. It is the maximum allowable time from the guaranteed COD before the project loses eligibility for any incentive payments. Projects that miss their COD remain subject to penalties and the loss of incentive payments, even within this window. For example, absent a showing of *force majeure*, a project that managed to achieve commercial operation only 35 months after its guaranteed COD would likely lose the first three years of its incentive payments. For Tranche 2, the Board also waived the December 31, 2030, deadline by which guaranteed CODs for GSESP transmission-scale projects must occur in its March 4, 2026, Board Order (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*).

50. COMMENT: The commenter asserts that EDC ownership is essential to safeguard resource adequacy and grant New Jersey greater control over its energy future and asserts that EDC-led projects would allow the State to directly influence the right overall balance of renewables, storage, dispatchable power, and other technologies aligned with climate and affordability goals, and would better enable targeting critical grid locations to address hosting capacity, resilience, reliability needs, and long-term affordability challenges. The commenter urges New Jersey to establish a pathway enabling the Board to oversee and approve proposals for EDC-owned energy storage as prudent, public interest investments. (ACE)

RESPONSE: The Board appreciates the commenter's input regarding EDC ownership of energy storage resources. The proposed rule specifies that a GSESP applicant must not be an EDC, reflecting the Board's long-standing preference for competitive market participation in energy infrastructure development. This approach is intended to promote innovation, cost-effectiveness, and broad stakeholder engagement, while ensuring that resource adequacy and grid reliability are addressed through transparent planning and oversight. However, the GSESP does not preclude prudent EDC investment in, or ownership of, energy storage systems that do not receive GSESP incentives. The Board acknowledges direct utility ownership of storage assets may provide value to ratepayers in certain specific scenarios. The Board may provide further guidance on potential EDC ownership of storage in a future Board Order. Regarding distributed storage ownership, the Board notes that it is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

51. COMMENT: The commenter supports the goal of a competitive, developer-led procurement process in Phase 1 but emphasizes that procurement decisions must be informed by EDC expertise to ensure projects are viable, cost-effective, and aligned with system needs. The commenter states that without structured EDC input, there is a risk that awarded projects could face interconnection challenges, fail to deliver system benefits, or create stranded costs. The commenter recommends amending the rules to require a formal consultation process with EDCs as part of Tranche award evaluations to establish a transparent mechanism for EDC input on siting benefits, system constraints, hosting capacity limitations, and interconnection risks. The commenter urges the Board to require that procurement evaluation criteria include consideration of EDC feedback on interconnection feasibility and system alignment to help

reduce the risk of project failure, improve developer certainty, and protect consumers from unnecessary costs. (ACE)

RESPONSE: The Board appreciates the commenter's support for a competitive, developer-led procurement process in Phase 1 of the GSESP. The Board acknowledges the importance of ensuring that selected projects are viable, cost-effective, and aligned with system needs. While the Board recognizes the value of EDC expertise, the Board believes this expertise is most relevant for projects that interconnect at the distribution level through interconnection processes managed entirely by EDCs. With the limited exception of a few projects of five MW or greater that interconnect at the distribution level but seek to participate in the PJM markets, Phase 1 awards are limited to large projects that interconnect at the bulk transmission level subject to FERC-jurisdictional interconnection processes largely managed by PJM, not the EDCs. The main system needs they are meant to address are the ones identified by PJM markets and price signals. The Board also believes that the project maturity requirements for transmission-scale projects adequately mitigate the risk of project failure. Consumers are also protected from unnecessary costs because Phase 1 projects only receive incentive disbursements after they achieve commercial operation and must continue to operate in order to receive incentive payments. This places the financial risk of project failures on developers, rather than ratepayers. Therefore, the Board declines to formally incorporate EDC input into the Tranche award evaluation process for Phase 1. Instead, the Board, with support from its consultant, will provide the necessary technical and policy guidance to evaluate project proposals for Phase 1. However, the Board may consider structured EDC engagement for the distributed segment of the GSESP in future program development.

52. COMMENT: The commenter recommends that the Board clarify whether energy storage dispatch events pursuant to GSESP can be co-optimized with demand response (DR) events. (ACE)

RESPONSE: The Board appreciates the comment regarding the potential co-optimization of energy storage dispatch events pursuant to the GSESP with DR events. The previously proposed rule stated that the EDCs will offer performance incentives for successfully reducing on-site load and/or injecting power into the distribution system when called upon during designated performance hours, as established by each EDC. The proposed rules would not have precluded, and the Board did not intend to prevent, co-optimization with DR events. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

53. COMMENT: The commenter states that cost recovery mechanisms should explicitly recognize the shared benefits of integrated storage, energy efficiency, demand response, and electric vehicle portfolios. (ACE)

RESPONSE: The Board appreciates the commenter's feedback regarding cost recovery mechanisms and the shared benefits of integrated technology portfolios. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

54. COMMENT: The commenter states that EDCs may face undue risk of interconnection delays caused by factors outside their direct control, such as PJM studies, developer responsiveness, or permitting. The commenter states that without clear accountability and dispute resolution mechanisms, EDCs could be unfairly held responsible for delays or cost overruns, which would ultimately harm customers. The commenter recommends establishing a formal dispute resolution process to properly allocate accountability and avoid unnecessary liability exposure for EDCs.

The commenter recommends that the dispute resolution process clearly defines the roles and responsibilities of developers, EDCs, PJM, and the Board in managing interconnection timelines and obligations. The commenter specifically recommends that the rules require developers to meet milestones and provide timely, complete information to facilitate interconnection studies and approvals. The commenter seeks clarity that delays arising from PJM processes or developer inaction do not constitute EDC non-performance. The commenter also recommends a mechanism for resolving disputes quickly and fairly, without shifting risks or costs onto EDCs and customers. (ACE)

RESPONSE: The Board appreciates the commenter's input regarding interconnection delays, the need for clearly defined roles and responsibilities, and the importance of an effective dispute resolution process. As an initial matter, the Board notes that it believes interconnection-process-related matters are beyond the scope of this rulemaking and are best addressed through the ongoing Grid Modernization Forum. The Board also notes that it recently promulgated dispute resolution mechanisms for State-jurisdictional interconnection-related disputes at N.J.A.C. 14:8-5.12 in Docket No. QO21010085, *In The Matter Of Modernizing New Jersey's Interconnection Rules, Processes, and Metrics*. The Board believes these reforms should address the commenter's concerns as to distributed energy storage system interconnections. The Board, however, declines to adopt dispute resolution mechanisms for transmission-scale energy storage system interconnections or other resources that connect to the bulk grid, in order to avoid potential conflict with FERC regulation of these matters and the accompanying risk of Federal pre-emption. To the extent that the commenter has concerns about the Board's recent interconnection reforms pertaining to dispute resolution mechanisms, the Board encourages them to address these concerns in the relevant Grid Modernization Forum workgroups.

55. COMMENT: The commenter asks the Board to explicitly define and enforce developer obligations, including requirements for cost responsibility, construction timelines, and communication protocols. (ACE)

RESPONSE: The Board appreciates the commenter's request regarding the definition and enforcement of developer obligations, including cost responsibility, construction timelines, and communication protocols. The Board notes that pursuant to the proposed rules, developers are responsible for all project costs that are not covered by GSESP incentives, and GSESP incentives will not be adjusted to insulate developers from the impact of such cost changes. The Board believes that these costs should be borne by developers. To the extent that the commenter is referring to interconnection costs, the Board believes these are beyond the scope of the present rulemaking and instead are best addressed through the Board's ongoing Grid Modernization efforts, except for transmission-scale interconnection matters that fall within FERC's jurisdiction. The Board also believes the COD deadlines in the rules and project milestone requirements effectively constitute construction timeline requirements for projects. As for communication protocols between distributed energy storage systems and EDCs, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

56. COMMENT: The commenter argues that without a performance obligation on Phase I participants, those installing the storage have no requirement to operate them when the grid needs them or in a way that provides benefits to ratepayers, as developers may focus on maximizing profits from the PJM markets, and, thus, recommends a performance obligation. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback regarding the inclusion of a performance obligation for Phase 1 participants. However, the Board notes that Phase 1 participants are, by definition, transmission-scale systems whose purpose is to support the bulk system and be most efficiently dispatched to serve that purpose. The Board, thus, believes that the best way for such systems, which generally cannot provide distribution-level benefits because of the voltages at which they interconnect, to provide value to ratepayers is to follow the PJM market and dispatch systems. The PJM markets, thus, effectively serve the function of a performance incentive for transmission-scale systems, albeit one that may not incentivize storage asset owners to co-optimize providing value to the grid with emissions reductions. However, the latter point is why the Board is reserving the option to potentially launch a GHG-based performance incentive in the future, even though, due to data limitations and unresolved measurement-methodology concerns, the Board is declining to implement such an incentive at this time. The Board also notes that, in order to implement P.L. 2025, c. 136, the Board is requiring Phase 1 incentives to be available for dispatch for a minimum number of hours per year to capture the full value of their incentives. Pursuant to the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*) launching Tranche 1 and the March 4, 2025, Board Order (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*) launching Tranche 2, the Board set this minimum uptime requirement at 7,900 hours. The Board will incorporate similar requirements into Board Orders launching any future Tranches. For these reasons, the Board believes it is neither necessary nor appropriate to provide an explicit performance incentive for transmission-scale storage systems at this time. The Board may revisit this determination at a later date in response to experience gained during GSESP operation or other changes circumstances.

57. COMMENT: The commenter emphasizes that affordable and reliable electrical service is fundamental to the State's economy and residents' well-being. The commenter strongly supports the GSESP's expansion of energy storage to enhance the reliability and affordability of electric utility service. (NJUA)

RESPONSE: The Board appreciates the commenter's support of the GSESP and agrees that affordable and reliable electric service is fundamental to New Jersey's economy and the well-being of its residents. The Board views the GSESP as a key component of the State's strategy to improve system reliability and affordability through diversified energy resources.

58. COMMENT: The commenter asks that the rules clarify whether storage deployed through the program will be required to contribute to existing demand response and energy efficiency goals, and, if so, how such obligations will be integrated. (NJUA)

RESPONSE: The Board appreciates the comment regarding the integration of energy storage with existing demand response and energy efficiency goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

59. COMMENT: The commenter requests that minimum filing requirements be subject to a stakeholder process so that utilities and other stakeholders can help shape the complex program's design, compensation structures, and potential value stacking opportunities. (NJUA)

RESPONSE: The Board appreciates the commenter's feedback regarding the importance of stakeholder involvement in shaping the minimum filing requirements and broader program design for distributed energy storage. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development. That said, the Board plans to provide further opportunities for stakeholder engagement before finalizing the Phase 2 design.

60. COMMENT: The commenter recommends that the Board raise maturity requirements for FTM systems to receive an incentive, suggesting that projects should be required to have paid for a system impact study to enroll in the incentive program. The commenter believes that high project maturity requirements will help allocate capacity to projects likely to come online and are necessary for projects to meet the tight 18 months plus 150 calendar days timeline proposed for guaranteed COD after receiving an incentive. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comment regarding project maturity requirements for distributed FTM systems seeking incentives through the GSESP. The Board understands that requiring a completed system impact study at the time of enrollment could help ensure that capacity is allocated to projects with a higher likelihood of reaching commercial operation within the program's proposed timeline. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

61. COMMENT: The commenter expresses concern about the proposed rule language stating that if a storage asset "is participating in DER aggregation that is bid into PJM's wholesale electricity markets, it will not receive compensation for the same service through both wholesale electricity markets and the distributed performance incentive segment of the GSESP." Though the commenter agrees that storage systems should not be paid twice for providing the same service, the commenter recommends that the Board allow systems to maintain their capacity rights and still receive the performance incentive for grid services, as it is not clear that the GSESP performance incentive and PJM wholesale markets provide 100 percent overlapping revenue. The commenter notes that at the current proposed incentive amount, projects will likely need to utilize additional value stacks from capacity market revenues. Alternatively, the commenter suggests the Board could allow EDCs to retain capacity rights and fully compensate systems through an "all-in" program, like New York's Value of Distributed Energy Resources (VDER), eliminating participation in wholesale markets. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comment and largely agrees with the commenters. To clarify, the previously proposed provision the commenter cites to was meant to simply be a statement of the general prohibition against receiving compensation twice for the same service, a proposition with which the commenters apparently agree. The provision was not intended to preclude eligibility for any GSESP performance incentive simply because a distributed storage asset is participating in the PJM capacity market, or any other wholesale market. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

62. COMMENT: The commenter states that if PJM market rules change to allow EDCs to reduce their load forecast based on energy storage deployment, the Board should reconvene stakeholders for an updated cost-benefit analysis. This analysis should modify rules around capacity ownership and revise the incentive amount to reflect the additional capacity obligation reduction value provided by the assets. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comment regarding the potential capacity reduction value of storage. The Board notes that as of its 2025 Long-Term Load Forecast report, PJM has begun accounting for projected distributed storage deployment, and adjusting the load forecast downward accordingly. See PJM Interconnection, LLC, 2025 Load Report Tables, tbl. B8b (Jan. 24, 2025), https://www.pjm.com/-/media/DotCom/planning/res-adeq/load-forecast/2025-load-report-tables.xlsx. PJM's load forecast feeds directly into the development of the Reliability Requirement that defines the demand for capacity in the capacity market. This means that any load reduction in the load forecast caused by project distributed storage deployment also reduces the amount of capacity load serving entities must buy to serve New Jersey customers, which in turn places downward pressure on capacity costs. The Board intends to account for this benefit as it continues to develop the distributed storage program. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design.

63. COMMENT: The commenter asserts that the rules should specify a date by which EDCs must file their proposals to prevent potential program stall. The commenter suggests a detailed implementation timeline running from October 2025 (EDCs begin developing requirements) through October 2026 (BPU opens Block 1 fixed incentive) and concluding in June 2027 (EDCs initiate performance incentive dispatch and payment). (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comment regarding the importance of establishing a clear implementation timeline to prevent program delays. The Board agrees that timely implementation is essential to ensure the success of the GSESP and to maintain momentum in energy storage deployment. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

Subchapter 14. Garden State Energy Storage Program

N.J.A.C. 14:8-14.1 Purpose and Scope

64. COMMENT: The commenter supports energy storage deployment only when it is cost-effective for ratepayers and is concerned that Board staff's analysis of the potential risks to ratepayers have not been adequately analyzed with respect to current market disruptions. The commenter questions whether ratepayer-funded incentives are necessary to reach New Jersey's 2,000 MW by 2030 goal, as PJM data shows that the state already has over 3.6 GW of queued grid storage capacity resources. (DRC)

RESPONSE: The Board appreciates the commenter's support. The Board believes that GSESP is a critical program if New Jersey is to reach its goal of 2,000 MW of energy storage by 2030. The Board believes that the presence of a storage project in the PJM queue is not a guarantee that a storage project will be placed into service or that they are commercially viable without incentives. Indeed, a Board staff review of PJM queue data indicated that all New Jersey storage projects in the PJM queue entered following the enactment of the Clean Energy Act (CEA) storage mandate in 2018. Furthermore, PJM only implemented significant readiness deposit requirements for projects seeking interconnection after Board staff released the 2022 New Jersey Storage Incentive Program Straw Proposal. Consequently, none of those storage projects in the PJM queue had to make a significant financial commitment to remain in the queue until after Board staff announced a storage incentive program was under development. Additionally, data from PJM's Independent Market Monitor shows that, historically, storage projects have had an extremely low completion rate of just 3.2 percent when weighted on a nameplate capacity basis. Monitoring Analytics, LLC, Indep. Mkt. Monitor for PJM, 2024 State of the Market Report for PJM Volume 2: Detailed Analysis at 74 (Mar. 13, 2025). This suggests that absent incentives, the 3.6 GW (or 3,600 MW) of storage in the queue the commenter points to may only translate to 115 MW of storage capacity reaching commercial operation, which would be far short of the CEA target. This conclusion is further supported by the fact that after Transition Cycle 2, Phase I System Impact Studies were completed, all but one storage project of the original twelve New Jersey storage projects in that interconnection cycle withdrew. See Cycle Service Request Status, PJM, https://www.pjm.com/planning/m/cycle-service-request-status (last visited May 4, 2026). The outdated PJM queue data the commenter cites, thus, does not support the conclusion that adequate storage resources would reach commercial operation in the absence of any transmission-scale incentives to achieve the CEA's storage mandate. Furthermore, N.J.S.A. 48:3-121.3.a(2), explicitly requires the Board to award incentives to at least 1,000 MW of transmission-scale storage capacity by no later than December 31, 2026. Thus, even in the absence of the CEA compliance concerns above, the Board would still be legally compelled to proceed with a transmission-scale storage incentive program. As to incentives for distributed energy storage, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design.

65. COMMENT: The commenter has two concerns with respect to the Board's assertion that Phase I of the GSESP will not add any rate pressure and that the costs are outweighed by expected benefits (that is, a reduction in future capacity market costs). First, the Board should consider evaluating the GSESP Phase I incentives against other options of investment, such as load flexibility. The commenter reminds the Board of its fiduciary duty to ensure that SBC funds collected by ratepayers are needed and expended in the most cost-effective manner. Second, the Board staff's analysis of the capacity value for the GSESP incentive is flawed because it does not consider the possibility of the market clearing at the price cap. If the new storage capacity does not lower the price of the market clearing marginal unit, the resultant capacity cost savings will not be realized. The commenter cites that the dramatic price spike in the 2025/26 Reliability Pricing Model (RPM) Base Residual Auction (BRA) was partially a result of the increase in load forecast between the 2022 and 2024 forecast vintage, with an additional 18 GW of load. A recent analysis by the Independent Market Monitor for PJM has found that the dramatic load growth from data centers will likely continue to have a significant impact on prices and capacity market in conditions in 2026/27 and subsequent BRAs. Further, PJM is undertaking efforts to modify how large loads are treated by the market. Because of these factors, the commenter states that subsidizing the deployment of new capacity resources in this period of extreme prices is imprudent and would result in windfalls to developers. The Board should support changes to PJM's tariff policies and capacity planning practices to protect ratepayers and ensure that large loads are paying their fair share of costs. (DRC)

RESPONSE: The Board appreciates the commenter's feedback and recognizes the importance of all approaches to addressing rate pressure in New Jersey and believes that procuring additional capacity resources, such as energy storage systems, is an important strategy to reduce ratepayer burden. However, the Board respectively disagrees with the commenter's position (apart from the commenter's suggestion to support PJM changes that protect ratepayers) for the following reasons.

First, the commenter's argument that a finding of no rate pressure can only be sustained if the Board can show alternative investments would not provide even greater ratepayers savings confuses the metric at issue. The GSESP notice of proposal did not intend to suggest that the GSESP represented the single most optimal investment for reducing ratepayer costs; it only asserted that the GSESP would not increase rate pressure and would likely reduce ratepayers' cost burden. The fact that the Board declined to undertake an analysis to compare GSESP expenditures with other potential uses of SBC funds (apart from direct refunds to ratepayers) does not undercut the explanation supporting this conclusion. Such an alternative investment analysis is not an appropriate use of agency resources when the program investment in question is mandated by statute, as it is here, by both the Clean Energy Act of 2018 and the recently enacted P.L 2025, c. 136. In such cases, the Board lacks the discretion to pursue alternative investments and its fiduciary duties to ratepayers becomes meeting the particular statutory requirement in a manner that provides net benefits, or at least minimizes net costs, to ratepayers. The Board has done so by using a competitive solicitation approach, leveraging competitive pressure to minimize costs. For Tranche 1, the Board also obtained financial information on bidders' projected revenue streams, project costs, and anticipated rates of return, and checked this information against modeled system costs and projected revenues from their independent consultant. Based on both this confidential and publicly available information, the Board concluded that transmission-scale storage systems needed incentives to be financially viable, and that the incentive requests of winning bidders in Tranche 1 were reasonable.

Second, the Board acknowledges that the capacity market may well clear at the maximum price in one or more BRAs in the coming years, as it did in the referenced capacity savings analysis. The Board also acknowledges that in such years, the capacity savings from the GSESP would be zero. However, the Board need not present quantitative results covering every conceivable scenario to conclude that GSESP Phase 1 capacity savings will likely exceed GSESP Phase 1 incentives costs, especially when the vast majority of modeled scenarios found net savings. Indeed, Board staff modeled a wider array of scenarios than those explicitly presented in the public analysis, as Board staff ultimately decided to focus on a set of relatively conservative scenarios for ease of presentation.

For example, all the scenarios presented assumed that GSESP Phase 1 projects would only hold capacity interconnection rights (CIRs) equal to 40 percent of their nameplate capacity. However, nearly all the projects the Board ultimately awarded in Tranche 1 actually held CIRs equal to 100 percent of their nameplate capacity. This resulted in these projects providing significantly greater capacity value than the hypothetical projects considered in the Board's earlier capacity savings analysis. Indeed, Board staff re-ran the capacity savings model with the weighted average incentive price awarded in Tranche 1 for the Tranche 1 capacity amounts and still found net capacity savings even in a scenario where the capacity market cleared at the maximum price in delivery years 2028/2029, 2029/2030, and 2030/2031, cleared tight but below maximum price for the subsequent three years, and was unconstrained thereafter. It is only under very pessimistic scenarios that GSESP Phase 1 incentive costs would exceed capacity savings, even if the capacity market clears at its maximum price for several years straight. Thus, the fact that the Board did not explicitly present the results of the most pessimistic scenarios does not undercut its conclusion in the Economic Impact that the GSESP will likely provide net ratepayer savings.

The Board also disagrees with this commenter's assertion that a few years of very high-capacity payments necessarily mean any incentives are merely windfall payments. Based upon the Board staff's research and discussions with the Board's consultant, energy storage projects can be prohibitively difficult for developers to finance without some relatively stable and dependable revenue stream—which is not something the PJM wholesale markets provide. Even if developers (and their lenders) knew for certain that they would receive three years of the maximum possible capacity market price, the data available to the Board casts serious doubt as to whether that alone would be enough to obviate the need for GSESP incentives. This indicates that even in this period of extreme capacity prices, incentives are still necessary.

The fact that the capacity savings from GSESP Phase 1 incentives will likely exceed their costs, even in extreme capacity price scenarios, coupled with the fact that energy storage projects would likely still need those incentives, demonstrates that providing incentives to new energy storage capacity resources is a prudent use of ratepayer funds at the present time. Indeed, the Board believes that refusing to enable the development of new capacity resources that can reach operation prior to 2030 would only increase ratepayer costs by prolonging the length of time high-capacity prices persist. Even if the PJM market rule changes designed to address the challenges posed by new large loads that the commenter points to bear fruit—as the Board sincerely hopes they do—the likely impact would be to prevent critical capacity shortages but still leave a tight capacity market. Those are precisely the market conditions in which additional storage capacity would produce the greatest savings to ratepayers.

Finally, as the commenter suggests, the Board is and plans to continue advocating for measures at PJM to ensure the rapid addition of large loads does not create an affordability or reliability crisis. However, the Board also believes it would be remiss to not take the steps it can under its own authority to increase the supply of capacity. The Board believes the present situation calls for a multi-pronged strategy that seeks to both encourage new supply-side capacity, as well as load flexibility, and plans to use all the tool at its disposal to protect ratepayers.

66. COMMENT: The commenter states that GSESP success depends on its ability to work in concert with existing EDC-led EE, DR, and electric vehicle initiatives. The commenter encourages the Board to consider coordination between energy storage performance incentives and existing EE and DR program delivery. The commenter argues that aligning program design and dispatch protocols can maximize customer engagement, support consistent messaging, and deliver greater peak demand reductions and emissions saving (ACE)

RESPONSE: The Board appreciates this commenter's feedback and will work with a variety of stakeholders to ensure the distributed storage segment of the GSESP is as effective as possible and is well coordinated with other incentive programs. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

67. COMMENT: The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.1 to allow for the participation of transmission-connected customers:

> "The program is comprised of two segments: one for transmission-scale energy storage systems directly interconnected to the bulk transmission system and the other for distributed energy storage systems that are *either behind a retail meter of a customer that is directly interconnected to the transmission system* or interconnected to electric distribution companies' distribution systems, either in front of or behind a retail meter." (Calibrant)

RESPONSE: The Board appreciates the commenter's feedback regarding eligibility for BTM transmission-connected storage to access distributed segment incentives and the concern that such systems may be ineligible for any GSESP incentives. The Board likewise acknowledges that excluding such systems from any incentive eligibility could be unreasonably discriminatory and cut off a near term means for helping the State to meet its capacity needs and control capacity prices. The Board's general intent in the previously proposed rules was to ensure all new energy storage systems would be eligible for either transmission-scale or distributed incentives. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

68. COMMENT: The commenter seeks clarification on who is responsible for maintaining the online dashboard described in the rules. The commenter states that if EDCs are expected to manage and update the dashboard, the rules must explicitly recognize this role and allow for the timely recovery of associated costs. The commenter also states that if the program administrator is responsible, the division of responsibilities must be clarified to prevent duplicative or inconsistent reporting. (ACE)

RESPONSE: The Board appreciates this commenter's input regarding dashboard management. As stated at proposed N.J.A.C. 14:8-14.10(a), the program administrator will be responsible for maintaining the dashboard. The Board recognizes the importance of clearly defining roles and responsibilities to avoid duplicative or inconsistent reporting.

69. COMMENT: The commenter states that distributed energy storage should be allowed to be paired with EE and DR measures—such as thermostat programs, building retrofits, and EV charging solutions—to create bundled offerings. The commenter states that pairing energy storage incentives with EE and DR programs that already serve LMI customers—such as weatherization or thermostat programs—can expand reach, reduce barriers to entry, and deliver affordability benefits to communities that are disproportionately burdened by high energy costs. (ACE)

RESPONSE: The Board appreciates this commenter's feedback regarding the potential for distributed energy storage to be paired with EE and DR measures, including thermostat programs, building retrofits, and EV charging solutions. The Board recognizes the potential value of bundled offerings in expanding program reach, enhancing customer engagement, and delivering affordability benefits—particularly for LMI communities that face disproportionate energy burdens. The Board also acknowledges the importance of leveraging existing EE and DR programs that already serve LMI customers and may explore opportunities to align these efforts with the GSESP to advance the program's equity and affordability goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

N.J.A.C. 14:8-14.2 Definitions

70. COMMENT: The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.2 to allow for the participation of transmission-connected customers:

> "Distributed energy storage system" means an energy storage system that *either operates behind a retail meter of a customer that is directly interconnected to the transmission system or* operates in parallel with an electric distribution system, *and* is either connected on the customer side of the meter or directly interconnected to the distribution system in front of the meter, and is owned by the customer or another party that is not an EDC." (Calibrant)

RESPONSE: The Board appreciates the commenter's feedback regarding eligibility for BTM transmission-connected storage to access distributed segment incentives and the concern that such systems may be ineligible for any GSESP incentives. The Board likewise acknowledges that excluding such systems from any incentive eligibility could be unreasonably discriminatory and cut off a near term means for helping the State to meet its capacity needs and control capacity prices. The Board's general intent in the previously proposed rules was to ensure all new energy storage systems would be eligible for either transmission-scale or distributed incentives. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

71. COMMENT: The commenter states that the proposed definition of energy storage is wide and meant to be technologically neutral but that the Board should narrow the definition to exclude hydrogen. The commenter cites concerns about energy storage systems reliant on hydrogen potentially being eligible for ratepayer-funded incentives. Specifically, the commenter notes that potential hydrogen leakage and/or the use of fossil fuel feedstocks in hydrogen production could result in significant GHG emissions that undercut one of the purposes of the GSESP. The commenter also expresses potential safety concerns about hydrogen storage systems. The commenter supports non-battery alternatives, such as pumped hydro-electric facilities and thermal technologies, as these may be lower-cost energy storage systems in some applications. (DRC)

RESPONSE: The Board recognizes the commenter's feedback and concern regarding the definition of energy storage in GSESP. While all storage technologies are being considered, the cost of hydrogen-based energy storage systems makes it highly unlikely that the incentive levels required to make such a project viable are within the acceptable range determined by the Board. That said, the Board acknowledges that if a hydrogen-based energy storage project met all GSESP criteria, it would be able to receive GSESP incentives. The Board may reconsider whether to exclude some or all hydrogen systems from the definition of energy storage, or impose additional requirements on such systems, if it appears such problems are likely to materialize in the future. Though the Board declines to specifically exclude hydrogen energy storage technologies from the definition of "energy storage," the Board is proposing, through this notice, to remove the description "using mechanical, chemical, or thermal processes" from the proposed definition of energy storage in order to ensure true technology neutrality.

72. COMMENT: The commenter notes that the GSESP provides significant regulatory and financial security to developers. The commenter is supportive of comments filed by the American Clean Power Association (ACP) and the Mid-Atlantic Renewable Energy Coalition (MAREC Action) regarding the timeline for fixed incentives, establishing a December 31, 2030, commercial operations date, and a more expansive definition of "force majeure," or the inclusion of other definitions that address unknown or unforeseen risks and mitigants to those risks. The proposed rule's definition of "force majeure" (defined as "an event that is not attributable to the fault or negligence of the system owners and is caused by factors beyond the system owner's reasonable control") is unclear as to whether it covers unforeseen issues, such as changes in law, tariffs, or market rules. The commenter notes that in their experience, events of "force majeure" typically include unforeseen interruptions caused by extreme weather, natural disasters, equipment failure, pandemics, labor disruptions, and acts of God, but do not typically cover changes in law or regulation that could not have been contemplated at the time a bid was submitted. The commenter recommends that the Board consider adopting detailed language similar to the New York State Energy Research and Development Authority's (NYSERDA) 2025 Bulk Energy Storage Solicitation draft Standard Form Agreement (SFA) definition of "force majeure" (Section 16.01). The commenter specifies that this detailed definition includes relief for failure or delay due to causes beyond reasonable control that directly prohibit performance, such as acts of God or the public enemy, expropriation or confiscation of land or facilities, compliance with any law or regulation of any governmental authority, acts of war, rebellion, or sabotage, major equipment failure, and fires, floods, storms, explosions, accidents, riots, or strikes. The commenter notes that the NYSERDA SFA also explicitly includes pandemics and epidemics, covering delays or disruptions resulting from impacts like disruptions to material/equipment supply, illness of personnel, or unavailability of labor, acts of government (quarantines/closures), restrictions put in place for health and safety, and fulfillment of contractual or legal health and safety obligations associated with the pandemic. The commenter notes that the detailed SFA language requires the affected party to use commercially reasonable efforts to mitigate the effects of such events. The rules should also include Provisions for Material Adverse Change (MAC). The commenter recommends that the final rule include language similar to Section 18.12 of the NYSERDA SFA, which defines certain material changes prior to commercial operation as a MAC to be treated with the same force and effect as a force majeure event. The commenter identifies these potential MACs as a material change in a permitting authority's requirements or response timelines compared with prior practice, the Federal tax incentives for energy storage resources, or federal tariffs in effect. The commenter specifies that the project owner/operator would need to demonstrate to the NJBPU that such changes: were not within the operator's control, could not have been prevented, mitigated or avoided through reasonable diligence, result in a material increase in cost or a material delay in the schedule compared to expectations as of the bid date, and exist for 90 days. The commenter notes that changes in applicable law addressed by Section 4.05 shall not be deemed a MAC. The commenter also notes that an Executive Order in and of itself shall not be considered a MAC (absent implementation by applicable Federal agencies), and a local moratorium that existed at the time of the bid shall not be deemed a MAC (though a subsequent law making it permanent may be a MAC). The commenter asserts that although the GSESP's fixed incentive construct is significantly different from the NYSERDA's Index Storage Credit (ISC) methodology, the aforementioned NYSERDA SFA provisions for identifying and addressing risk are equally applicable to New Jersey's GSESP. The commenter also notes that should the NJBPU determine that its force majeure language is inclusive of the risks and mitigants identified in the NYSERDA SFA provisions, the commenter recommends that such risks and mitigants be specifically identified and delineated in the final rule. (Plus Power and Origis)

73. COMMENT: The commenter points out that the proposed rules define "force majeure" as an event not attributable to the system owner's fault or negligence and caused by factors beyond the system owner's reasonable control. The commenter argues that the proposed rule only addresses risk through this narrow definition, which typically applies to utility-caused equipment failures, extreme weather, or natural disasters. The commenter specifies that the definition does not cover regulatory or market changes, which are the uncertainties most likely to affect project viability. The commenter states that New Jersey should directly address these risks with specific provisions, referencing New York's draft storage program (the 2025 Bulk Energy Storage Solicitation) as an example. The commenter asserts that without clear protections, developers must gamble on conditions entirely outside their control, weakening participation and jeopardizing the state's ability to meet its clean energy and storage goals. The commenter indicates that addressing the three issues raised (incentive duration, milestones, and force majeure) will alleviate uncertainty currently existing between the new law and the proposed draft rules. The commenter states that its members are prepared to build projects but require business certainty to bid into the program. (ACP-MAREC)

RESPONSE TO COMMENTS 72 AND 73: The Board appreciates the commenters' recommendations regarding the force majeure provisions of the GSESP. The Board also acknowledges the commenter's recognition of the GSESP's role in providing regulatory and financial certainty to developers. The GSESP is designed to mitigate risks through a robust prequalification process. The current force majeure definition encompasses many of the risks cited by commenters, including acts of God or the public enemy, expropriation or confiscation of land or facilities, acts of war, rebellion, or sabotage, major equipment failure, and fires, floods, storms, explosions, accidents, riots, or strikes, as well as pandemic or epidemic-related delays, to the extent that any failure to perform resulting from such events could not have been avoided or further mitigated through a developer's reasonable efforts. However, the Board views many of the risks cited by the commenters, such as changes in government policy, tax incentives, tariffs, and wholesale markets that affect project profitability, but do not prevent performance, as ordinary business risks that should be borne by the project developers, rather than by ratepayers or taxpayers. Further, the GSESP program rules allow a project to keep its incentive award if it comes online within 36 months of its guaranteed COD even in the absence of a force majeure event, subject only to the loss of incentive payments for the years in which the project was not in operation. This significantly limits the tail risks developers face for even a multi-year delay for reasons that do not rise to the level of a force majeure event. The Board will, therefore, retain the existing definition of "force majeure" as outlined in the notice of proposal.

74. COMMENT: The commenter stated that the proposed rule's definition of "delay damages rate" as "the damages rate that the Board will set by Board order" is far too vague. The commenter argued that the rule should have specific guardrails in place for the delay damages rate, so that bidders can assess any related financial risk. (REV)

75. COMMENT: The commenter notes that the proposed rule specifies that if a system owner fails to achieve a project milestone within 30 calendar days of its scheduled completion date, the administrator shall deduct part of the pre-development security. This deduction is calculated by multiplying the planned installed capacity by the "delay deduction rate." The commenter notes that there is no definition or delineation of the "delay deduction rate" in either the proposed rule or the Board Order, and respectfully requests that the Board clarify in the final rule an actual definition of "delay deduction rate" and how it might be calculated. (Plus Power and Origis)

RESPONSE TO COMMENTS 74 AND 75: The Board intends to specify the delay damages rate applicable to a particular Tranche in the Board Order launching that Tranche. For example, the delay penalties for Phase 1, Tranche 1 are defined in the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*) as:

> *"The deduction from the first annual incentive payment shall equal the lesser of the entire first annual incentive payment or $1,000 per MW of the project's installed capacity for each calendar day of delay, beginning on the calendar day after the project's planned COD if the Division Director does not grant an extension, or the calendar day after the date to which Staff extended the COD deadline if the Division Director granted an extension."*

The March 4, 2026, Board Order (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*), opening the Tranche 2 solicitation likewise specified a delay damages rate of $1,000 per MW per calendar day. The Board believes its practice of specifying the applicable delay damages rate in the Board Orders opening the particular Tranche provides the necessary specificity and advance notice to enable applicants to assess financial risk prior to submitting their bids. Not specifying the exact rate in the rule text also makes it much easier for the Board to adjust the rate in potential future Tranches if experience shows a particular rate is either too high or too low. The Board, therefore, declines to change this aspect of the rule. However, the Board acknowledges the discrepancy between the defined term "delay damages rate" and the phrase "delay deduction rate" used in the rulemaking. For this reason, the Board is now proposing to change any appearance of the term "delay deduction rate" to "delay damages rate" to ensure the rule consistently uses the defined term.

76. COMMENT: The commenter suggests that the definition of "accredited capacity" should be modified to further clarify whether the capacity value is considered unforced capacity or the resultant capacity value reduced by PJM Effective Load Carrying Capabilities (ELCC) adjustment. The commenter explains that the ELCC adjustment can significantly reduce the capacity PJM considers in the base residual auction, which the definition references. (JCP&L)

RESPONSE: The Board does not believe that further clarification of the term "accredited capacity" is warranted because "unforced capacity" and "the resultant capacity value reduced by PJM Interconnection" are synonymous. Specifically, the Board uses the term "accredited capacity" to refer to what the PJM Reliability Assurance Agreement (RAA) currently defines as "accredited UCAP," namely "the quantity of Unforced Capacity, as denominated in Effective UCAP, that an ELCC Resource is capable of providing in a given Delivery Year." PJM Interconnection, LLC, <u>Reliability Assurance Agreement Among Load Serving Entities in the PJM Region 1</u> (2026), <u>https://www.pjm.com/pjmfiles/directory/merged-tariffs/raa.pdf</u>. The RAA, in turn, defines "Effective UCAP" as "a unit of measure that represents the capacity product transacted in the Reliability Pricing Model and included in [Fixed Resource Requirement] Capacity Plans. One megawatt of Effective UCAP has the same capacity value of one megawatt of Unforced Capacity." *Id*. at 9. As the Reliability Pricing Model is the formal name for the PJM capacity market, this means "accredited capacity" or "accredited UCAP" refers to the amount of capacity a resource can bid into capacity market base residual auctions. PJM Manual 21B also makes clear that the "accredited UCAP" of limited-duration resources, the category into which energy storage resources fall, reflect ELCC adjustments. Specifically, it states that a limited duration resource's "accredited UCAP" equals its effective nameplate capacity multiplied by the applicable ELCC class rating, multiplied again by the ELCC resource performance adjustment. PJM Interconnection, LLC, <u>PJM Manual 21B: PJM Rules and Procedures for Determination of Generating Capability</u> 21 (2026), <u>https://www.pjm.com/-/media/DotCom/documents/manuals/m21b.pdf</u>. This means an energy storage resource' unforced capacity is the "resultant capacity value reduced by PJM." The Board, therefore, concludes that there is no need to distinguish between the two terms.

77. COMMENT: The commenter observes that the definition of "block" references a storage system's "installed capacity." The commenter suggests that clarifying whether this is nameplate capacity or some other rating method would be beneficial. (JCP&L)

RESPONSE: The Board appreciates the commenter's input but believes the proposed definition of "installed capacity" is clear on this point. The definition specifically refers to nameplate capacity, as it defines "installed capacity" as "the nameplate output of an eligible project, measured in megawatts of alternating current (MW AC), that is available to the electric grid." The Board acknowledges that this means the GSESP rules' definition of installed capacity is not synonymous with how PJM defines that same term, nor reflects the subtle differences in how PJM uses the concepts of "installed capacity" and "nameplate capacity." The Board believes it is more important, however, to align the GSESP regulatory definition with the identical definition of "installed capacity" used at P.L. 2025, c. 136 to eliminate any potential doubt that the term used in the rules is identical to the one used in the statute.

78. COMMENT: The commenter states that the Board should ensure that the definition of "distributed energy resource or DER" aligns with the DER definition provided in FERC Order 2222. (JCP&L)

RESPONSE: The Board agrees with the commenter and believes the previously proposed definition of "distributed energy resource or DER" was already aligned with the FERC Order 2222 definition. The Board's proposed definition of DERs is "a category of devices and technologies that are integrated with the electricity system at the distribution level, either providing or consuming power." FERC Order No. 2222 defines a DER as "any resource located on the distribution system, any subsystem thereof or behind a customer meter." Participation of distributed energy resource aggregations in Markets Operated by Regional Transmission Organizations and Independent System Operators, 85 Fed. Reg. 67,094, 67,114 (Oct. 21, 2020) (codified at 18 CFR Part 385). The Board considers "devices and technologies … either providing or consuming power" in this context to have the same meaning as "resource" does in

FERC Order No. 2222. The Board likewise interprets "integrated with the electricity system at the distribution level" to be synonymous with FERC's formulation of "located on the distribution system, any subsystem thereof or behind a customer meter." The Board, thus, believes that resources that meet the previously proposed definition of DER would meet the definition outlined in FERC Order No. 2222. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Consequently, the Board believes adding such a definition at this time is premature. The Board will consider the commenter's feedback during future program and rule development and may adjust any newly proposed definition of DER to ensure clarity.

79. COMMENT: The commenter states that the definition of "permission to operate or PTO" references "a grid-connected energy storage system" while other sections of the proposed rules refer to systems "interconnected" to the "transmission system" or "distribution system." The commenter recommends making the proposed definition consistent with the other language. (JCP&L)

RESPONSE: The Board disagrees with the commenter and believes that the current definition is sufficient in that it references the "interconnection" of a grid-connected energy storage system following its installation/construction. The Board, therefore, declines to implement the commenter's suggestion at this time.

80. COMMENT: The commenter states that while the definition of "response kWs" includes "the power discharged from a distributed energy storage system during a dispatch call initiated by a New Jersey [electric distribution company (EDC)]," the proposed definition should further clarify that it does not also include an energy storage system simply curtailing its charging during an event (that is, reducing load). (JCP&L)

RESPONSE: The Board agrees with the commenter that simply curtailing charging should not count as providing response kWs. The Board notes, however, that the previously proposed definition of response kWs explicitly referred to "the power *discharged* from a distributed energy storage system." (emphasis added). Reducing the rate at a which a system is charging does not mean it is discharging. Therefore, any load reduction from curtailing charging would not constitute "power discharged from a distributed energy storage system." Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Consequently, the Board believes adding such a definition at this time is premature. The Board will consider the commenter's feedback during future program and rule development.

81. COMMENT: The commenter states that the Board should consider using "NJ EDC" in the definition of "transmission zone," which currently includes the "jurisdictional territory of an EDC in PJM ..." The commenter explains that while the proposed definition works for New Jersey EDCs because transmission zones align with EDC territory in the State, that is not the case in other transmission zones within PJM's territory. (JCP&L)

RESPONSE: The Board appreciates the suggestion and proposes to clarify this definition as requested in order to avoid any potential confusion in the future.

82. COMMENT: The commenter states that it would be beneficial to amend the definitions of UL 1741, UL 1741 SB, UL 9540, and UL 9540A to include references to any successor standards. (JCP&L)

RESPONSE: The Board believes that the current definitions of these standards are sufficient in the context of the GSESP. The rulemaking includes the following provision at N.J.A.C. 14:8-14.8(e): "All energy storage systems receiving incentives shall be certified to the most recent version of UL 9540, UL9540A, NFPA 855, and/or other codes and standards, as applicable." It is, therefore, unnecessary to specify in the definition itself that the term means the most recent version of these standards; and to the extent a completely different standard replaces or supersedes these standards, proposed N.J.A.C. 14:8-14.8(h) enables the Board to require compliance with those new standards by Board Order.

83. COMMENT: The commenter noted the legislative requirement at P.L. 2025, c.136 § 2(e)(7) that the Board "provide that receipt of an incentive award for an eligible project shall be contingent on achievement of baseline performance requirements, including, but not limited to, availability for dispatch in a minimum number of hours per year, as determined by the board. The board may use the PJM Equivalent Forced Outage Rate or another metric determined appropriate by the board to measure energy storage availability. The board order shall require that the developer report data for the purpose of this paragraph at regular intervals and shall provide for a reduction of an incentive award in proportion to the number of hours of required availability that is unmet by the eligible project" in the Board Order awarding incentives to transmission level projects. They state that this language is not in the proposed rules at N.J.A.C. 14:8-14. The commenter also noted that language from the legislation at P.L. 2025, c. 136 § 2(f) is missing from the proposed rule. The legislative language states that the Board "may amend an order issuing an incentive award pursuant to this section solely to change the funding source of the incentive award. Any incentive award for an eligible project and the conditions for receiving funding pursuant to this section shall remain effective for the full duration of the award period specified in the board order issuing the incentive award, notwithstanding any change to the funding source of the incentive award." (REV)

RESPONSE: The Board notes that while there is additional detail included in the legislation, the proposed rules are consistent with the legislation. The rules are not intended or required to exactly duplicate what is specified in the legislation. The Board also views the statutory provision at P.L. 2025, c. 136 § 2(f) as self-executing and binding on the Board, even in the absence of any rule language reciting it. The Board, therefore, concluded that such a recitation was unnecessary.

Furthermore, the Board will specify all requirements for awarded projects in any Board Order launching a new Program Phase and/or Program Tranche and in associated Board Order awarding projects. The Board appreciates the commenter's feedback, but disagrees with the commenter that this language needs to be incorporated at N.J.A.C. 14:8-14, as the legislation specifies that this language pertains to Board Orders. The Board incorporated such language into the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*) and intends to incorporate similar language into all future Board Orders governing Phase 1 solicitations.

84. COMMENT: The commenter that states clear classification for what constitutes extreme weather will be critical for developing appropriate performance incentives. The commenter suggests defining extreme weather events as forecasted storms with predicted risk factors, such as high winds and large precipitation, to provide the basis for event frequency analysis. (ACE)

85. COMMENT: The commenter suggests that the Board define "extreme weather" to exclude heat waves and extreme cold from the definition, noting that EDCs should have the ability to call on resources during peak load events to optimize benefits. (PSE&G)

RESPONSE TO COMMENTS 84 AND 85: The Board appreciates the commenters' feedback regarding potential definitions of "extreme weather events" for the purposes of previously proposed N.J.A.C. 14:8-14.7(i). However, the Board is declining to proceed with adopting the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Consequently, the Board believes adding such a definition at this time is premature. The Board will consider the commenter's feedback during future program and rule development.

86. COMMENT: The commenter urges the Board to add language that more clearly defines exactly when and how the EDCs will be authorized to dispatch energy storage systems. The commenter specifies that storage must be dispatchable during PJM and transmission peaks, as well as during periods of extreme weather. The commenter recommends adding clear, actionable definitions for "heatwaves" and "extreme cold" to the rules to avoid ambiguity. (NJUA)

RESPONSE: The Board appreciates the commenter's request regarding the need for greater clarity around when and how EDCs will be authorized to dispatch energy storage systems. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

N.J.A.C. 14:8-14.3 Transmission Segment Fixed Incentive Structure

87. COMMENT: The commenter suggests that the rule clarify whether existing projects currently under review in the PJM interconnection queue are eligible for this program. The current language says that transmission resource systems applying into the program should "be a planned resource if it is a transmission resource interconnecting to the PJM transmission network." The commenter also urges the State to clarify the definition of "distributed energy storage system" as the current definition unintentionally omits third-party energy service providers that developers use who are neither customers of the EDC nor the EDC themselves. (RPA)

RESPONSE: The Board appreciates the commenter's thoughts regarding eligibility, third-party ownership, and operational expectations through the proposed GSESP rules. Projects currently under review in the PJM Interconnection Queue are eligible to participate in the program, provided they meet all other eligibility criteria outlined in the proposed rule. Indeed, the project maturity requirements at proposed N.J.A.C. 14:8-14.3(d)5 effectively limit eligibility for transmission-scale incentives to projects that are at least part way through some form of PJM interconnection review. The Board acknowledges the importance of third-party energy service providers in enabling customer participation and investment in energy storage and clarifies that the intent of the rules is to not preclude any form of third-party ownership. This is why the previously proposed definition of "distributed energy storage system" provided that it may "be owned by the customer or another party that is not an EDC" and the previously proposed N.J.A.C. 14:8-14.7(j)4 provided that systems "leased," but not owned by EDC customers are eligible to participate. The Board intended for the word "leased" to encompass all third-party ownership structures, and may clarify this point when it proposes new distributed storage program rules in the future. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Addressing this issue at this time is, therefore, premature.

88. COMMENT: The commenter states that the draft rules require transmission-scale energy storage systems to have a planned COD no later than 30 months after the relevant competitive solicitation application period closes. The commenter calculates that for the June 2026 Tranche 2 solicitation awards, 30 months would mean a date of December 2028. The commenter notes that A5267 says qualification for an incentive requires an anticipated COD of no later than December 31, 2030. The commenter prefers the later date (December 31, 2030) because the 30-month limit lacks an off-ramp for issues beyond a developer's control, such as interconnection upgrades and network facilities. The commenter states that project timelines often extend beyond the initial operational date, and policy and incentive frameworks should account for this. The commenter notes that these two dates (30 months or December 31, 2030) are in conflict and states that the members would prefer alignment with the December 31st deadline. (ACP-MAREC)

89. COMMENT: The commenter supports the request to clarify conflicting timelines and milestones. The commenter notes that the draft rules state transmission-scale systems must have a planned commercial operation date no later than 30 months after the application period closes (which would result in December 2028 for the June 2026 solicitation), but the enacted legislation (A5267) requires an anticipated commercial operations date of no later than December 31, 2030. The commenter agrees with ACP/MAREC Action that the December 31, 2030, date is preferred, as this later date accounts for issues beyond a developer's control, such as interconnection upgrades and network facilities, which often extend project timelines. (Plus Power and Origis)

90. COMMENT: The commenter noted that the requirement proposed at N.J.A.C. 14:8-14.3(d)4 is not included in the legislation enacted. The commenter cited the requirement proposed at N.J.A.C. 14:8-14.3(d)4: "Have a planned COD that is no later than 30 months after the date the solicitation's application period closes, and a guaranteed COD that is no later than 150 calendar days after the planned COD." The commenter seeks clarification regarding how these commercial operation date requirements fit together with the existing requirement at N.J.A.C. 14:8-14.3(d)3 to "Have an anticipated commercial operations date of no later than December 31, 2030, unless the Board permits an exception." (REV)

RESPONSE TO COMMENTS 88, 89, AND 90: The Board appreciates the commenters' feedback and is now proposing to remove the 30-month timeline requirement and the requirement that all systems must have an anticipated COD on or before December 31, 2030. Instead, the Board is now proposing, through this notice, to specify the COD provisions applicable to a specific tranche in the Board Order launching that tranche. The reason for this is that the Board's experience with Tranche 1 and the fact that many storage projects dropped out of PJM's Transition Cycle 2 has convinced the Board that greater COD flexibility is needed to provide a sufficient pool of eligible capacity to ensure competitive pricing. See Cycle Service Request Status, PJM, https://www.pjm.com/planning/m/cycle-service-request-status (last visited May 4, 2026). This aligns with the approach the Board took in the March 4, 2026, Board Order that launched Tranche 2 (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*). There, the Board waived the December 31, 2030, COD deadline, but it gave preferential consideration to projects that could achieve commercial operation within 42 months of the solicitation application closing date. As for how the Board previously intended these two separate timeline requirements to work together, the Board originally envisioned the December 31, 2030, deadline to be an outer deadline that all projects, regardless of the Tranche, would have to meet. The 30-month deadline was envisioned as an additional requirement that projects in a particular Tranche would have to meet. As a practical matter, the 30-month deadline would likely have been the binding constraint. Regardless, the Board's decision to relax the COD requirements and waive the December 31, 2030, outer deadline, pursuant to its authority at N.J.S.A. 48:3-121.3.b(2), renders this issue moot.

91. COMMENT: The commenter notes that the draft rule is generally silent on issues related to availability for projects in Phase 1. The commenter references the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), which indicates that to receive the full value of fixed incentive payments (under Phase 1, Tranches 1 and 2) without penalty, a project must be available for 90 percent of the hours in a given year (or approximately 7,900 hours). The commenter strongly suggests that the final rule further delineate the meaning of "availability" and the requirements necessary to meet it for the purpose of ratepayer protection and value. (Plus Power and Origis)

RESPONSE: At this time, the Board does not believe the GSESP rules need to further specify the definition or measurement of "availability" for Phase 1 projects. The June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*) specified that "availability" means "availability for dispatch." In other words, a project is "available" when it is ready and able to respond to real-time dispatch instructions sent by PJM, or any other entity that may serve as New Jersey's bulk system operator in the future. The Board believes the existing Board Order provides sufficient clarity by establishing a 7,900-hour annual availability threshold—approximately 90 percent of the hours in a year—as a condition for receiving the full value of fixed-incentive payments. This threshold reflects a reasonable performance expectation that supports program goals while allowing developers operational flexibility. Providing additional prescriptive definitions or requirements could introduce unnecessary complexity and limit adaptability without delivering clear benefits to ratepayers. The Board will continue to monitor program performance and may revisit this topic in future phases or rulemakings if further clarification is warranted.

92. COMMENT: The commenter restates their belief that there is no need for incentives for transmission-scale energy storage systems. Therefore, the commenter questions whether the program is necessary. If the Board moves forward with a fixed incentive program for transmission-scale energy storage systems, however, the commenter generally supports

the competitive procurement process as proposed. The commenter also supports incentives that are limited to fixed terms, as this ensures that incentives are sufficient to provide financing of successfully bid projects but also minimizes the period ratepayers support each resource. The commenter agrees with the Board on setting a reasonable set of requirements for participants and supports a program in which participants pay for the administrative and application costs. The commenter also supports the bid participation fee and agrees that it is reasonable given the pre-development security requirement. The commenter also supports the Board's proposed project maturity requirements and the proposed accountability measures for failing to meet the planned COD. (DRC)

RESPONSE: The Board appreciates the commenter's feedback and support for the competitive procurement design of the transmission-scale segment of the GSESP. The Board believes that GSESP is a critical program if New Jersey is to reach its goal of 2,000 MW of energy storage by 2030. The Board believes that the presence of a storage project in the PJM queue does not guarantee that a storage project will be placed into service or that they are commercially viable without incentives. Indeed, a Board staff review of PJM queue data indicated that all New Jersey storage projects in the PJM queue entered following the enactment of the CEA storage mandate in 2018. Furthermore, PJM only implemented significant readiness deposit requirements for projects seeking interconnection after Board staff released the 2022 New Jersey Storage Incentive Program straw proposal. Consequently, none of those storage projects in the PJM queue had to make a significant financial commitment to remain in the queue until after Board staff announced a storage incentive program was under development. Additionally, data from PJM's Independent Market Monitor shows that, historically, storage projects have had an extremely low completion rate of just 3.2 percent when weighted on a nameplate capacity basis. Monitoring Analytics, LLC, Indep. Mkt. Monitor for PJM, 2024 State of the Market Report for PJM Volume 2: Detailed Analysis at 74 (Mar. 13, 2025). This suggests that, absent incentives, the 3.6 GW (or 3,600 MW) of storage in the queue the commenter points to may only translate to 115 MW of storage capacity reaching commercial operation, which would be far short of the CEA target. This conclusion is further supported by the fact that after Transition Cycle 2, Phase I System Impact Studies were completed, all but one storage project of the original 12 New Jersey storage projects in that interconnection cycle withdrew. See Cycle Service Request Status, PJM, https://www.pjm.com/planning/m/cycle-service-request-status (last visited May 4, 2026). The outdated PJM queue data the commenter cites thus does not support the conclusion that adequate storage resources would reach commercial operation in the absence of any transmission-scale incentives to achieve the CEA's storage mandate. Furthermore, P.L. 2025, c. 136, as amended at P.L. 2026, c. 2, explicitly requires the Board to award incentives to at least 1,000 MW of transmission-scale storage capacity by no later than December 31, 2026. N.J.S.A. 48:3-121.3.a(2). Thus, even in the absence of the CEA compliance concerns above, the Board would still be legally compelled to proceed with a transmission-scale storage incentive program.

93. COMMENT: The commenter supports the consideration of "offsetting savings" called for at N.J.A.C. 14:8-14.3(c)2, particularly due to the existing sensitivity to increasing utility bills. The commenter requests details about how offsetting savings will be calculated, including whether they will be based on the applicant's or the Board's calculation. The commenter states that the Board should permit public input on the calculation methodology. The commenter also states that the Board should include a provision allocating awards proportionately among utility territories either at N.J.A.C. 14:8-14.3(f) or elsewhere as deemed appropriate. (JCP&L)

RESPONSE: The Board appreciates the commenter's feedback that the means of quantifying the magnitude of "offsetting savings" requires clarification. The Board intends to err on the side of conservatively underestimating offsetting savings for Tranche 1 and Tranche 2 by projecting capacity cost savings using the methodology described in detail in the appendices to the June 18, 2025, Board Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*) opening the Tranche 1 solicitation, and the March 4, 2026, Board Order (Docket No. QO25120634, *In the Matter of the Garden State Energy Storage Program Phase 1, Tranche 2*) opening Tranche 2, while assuming energy cost savings and all other savings have a value of zero. The Board is also open to public input from EDCs and others on how to conduct a more holistic calculation of offsetting savings for any potential solicitation after Tranche 2. The Board plans to seek such input in the proceeding required pursuant to P.L. 2025, c. 136 to determine whether the Board should hold such additional solicitations. N.J.SA. 48:3-121.4.a.

However, the Board declines to adopt a requirement to proportionally award transmission-scale energy storage systems based on which EDCs they are proposed to be built in. This is mainly due to the limited number of eligible projects that may bid into any given solicitation. Consequently, the commenter's proposed requirement could create seller-side market power or otherwise force the Board to accept a much higher bid price simply based on the project's location, which the Board does not believe would be in the best interest of ratepayers. This is especially the case because transmission-scale energy storage systems—unlike distributed energy storage systems—are unlikely to provide any significantly greater value to the host EDC zone than the State as a whole. This is because the main source of ratepayer value from transmission-scale storage is its ability to serve as a capacity resource, and individual EDC territories rarely clear at different prices in the PJM capacity market. Rather, the capacity prices ultimately passed down to New Jersey are generally either the base PJM-wide clearing price, or a MAAC or EMAAC Locational Deliverability Area clearing price, both of which encompass the entirety of New Jersey.

94. COMMENT: The commenter recommends adding requirements to N.J.A.C. 14:8-14.3(t) for periodic reviews and adjustments by existing projects/system owners, rather than simply requiring updates on "major project developments and/or changes." The commenter asserts that at a minimum, there should be an annual reporting requirement for system owners as market conditions and technology evolve. (JCP&L)

RESPONSE: As noted at proposed N.J.A.C. 14.8-14.3(v), the project-level reporting requirements will be set forth in the program application and will include reporting on a number of metrics (provided in the same section), on a per-year and cumulative basis. Based on the language as proposed, the Board disagrees with the commenter that additional requirements should be added at N.J.A.C. 14.8-14.3 at this time.

N.J.A.C. 14:8-14.5 Transmission Segment Performance Incentive Structure

95. COMMENT: The commenter opposes any performance incentives for transmission-scale energy storage systems, unless the need is clearly identified and necessary. As previously stated, the commenter agrees that PJM's MER data is not suitable as the basis for avoided-emissions incentives, as it does not provide the forward-looking, day-ahead information needed to guide dispatch decisions. Therefore, the commenter supports the Board's proposal to defer implementation of transmission-segment performance incentives until PJM or a qualified third party develops a sufficiently accurate day-ahead emissions signal that can guide storage operations. The commenter reiterates its comments made in response to the November 7, 2024, Straw Proposal that there is not a clear need to provide any additional incentive for grid supply projects. (DRC)

RESPONSE: The Board recognizes this comment and appreciates its support for the Board's current position on transmission-scale performance incentives. The Board, however, disagrees with the commenter's position that no transmission-scale incentives are needed at all for the reasons provided in the Response to Comment 92.

96. COMMENT: In the event that an accurate day-ahead emissions signal is developed, the commenter recommends that the Board more broadly consider how energy storage systems interact with greenhouse gas reductions across interrelated PJM markets. Research has demonstrated that generator decisions to participate in PJM's wholesale energy and ancillary markets are interrelated and that policies meant to impact one market may have complex consequences on the other, which could lead to unintended outcomes related to GHG emissions. Therefore, policies aimed at incentivizing storage to optimize a day-ahead MER can have unintended impacts that may even increase GHG emissions at a societal level, while compensating generators for their performance based on a limited-scope metric. The commenter cautions the Board against applying a simple metric to defining GHG reductions from grid supply storage and to consider the broader market issues. (DRC)

RESPONSE: The Board recognizes this commenter's feedback and notes that it has deferred the transmission-level performance incentive development until the Phase 3-Transmission Performance Incentive of the Program. The Board will keep this feedback in mind when deciding whether to proceed with such an incentive design.

N.J.A.C. 14:8-14.6 Distributed Segment Fixed Incentive Structure

97. COMMENT: The commenter supports that the Board has expanded eligibility for the distributed fixed incentive and the distributed performance incentive to FTM distribution-connected projects. (NineDot)

RESPONSE: The Board appreciates this commenter's feedback regarding expanding GSESP eligibility to front-of-the-meter distribution-connected projects. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

98. COMMENT: The commenter supports fixed incentives for distributed energy storage systems and recognizes that incentives are likely needed to encourage project development. The commenter expresses support for not providing transmission-level adders for OBC projects. The commenter also supports the Board's proposed project maturity requirements and the requirement that energy storage projects demonstrate a planned COD no later than 18 months after application (DRC)

RESPONSE: The Board appreciates and the commenter's support for establishing fixed incentives for distributed ESS and incentivizing for project development, and for the Board's decision not to provide an automatic adder to transmission-scale energy storage projects that are located in OBCs. The Board is also appreciative of the commenter's support for the proposed project maturity requirements. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

99. COMMENT: The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.6(a): "Such energy storage systems must be *either behind a retail meter of a customer of any of the four EDCs in New Jersey and that is directly interconnected to the transmission system or* physically interconnected with the distribution system of any of the four EDCs in New Jersey, either behind a retail meter or in a front-of-the-meter configuration, in accordance with N.J.A.C. 14:8-5." (Calibrant)

RESPONSE: The Board appreciates the commenter's feedback regarding eligibility for BTM transmission-connected storage to access distributed segment incentives and the concern that such systems may be ineligible for any GSESP incentives. The Board likewise acknowledges that excluding such systems from any incentive eligibility could be unreasonably discriminatory and cut off a near term means for helping the State to meet its capacity needs and control capacity prices. The Board's general intent in the previously proposed rules was to ensure all new energy storage systems would be eligible for either transmission-scale or distributed incentives. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

100. COMMENT: The commenter asks for clarification on the fixed incentives for distributed resources regarding whether there is a floor or ceiling to the incentives, and whether there is a guaranteed amount of funding they will be releasing annually. The proposed rule states that incentives, which are set to open in blocks every fiscal year, will be adjusted year-to-year depending on market conditions. The commenter recommends setting a guaranteed amount for program consistency, if there is currently no set amount, to offer applicants stability year-over-year. (RPA)

RESPONSE: The Board appreciates the commenter's feedback regarding the potential value of setting guaranteed fixed incentive amounts. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

101. COMMENT: The commenter proposes revising the first-come, first-served allocation basis by amending N.J.A.C. 14:8-14.6(h). The commenter recommends that allocations should proceed first-come, first-served only after the first seven days a block is open. During the initial seven-day period, allocations should be established based on the date the project received interconnection approval from the EDC, using this date as a proxy for project maturity to ensure funding is allocated to the highest quality projects. (NineDot)

RESPONSE: The Board appreciates the commenter's feedback regarding the proposed allocation methodology and generally agrees that the GSESP incentive allocation process should prioritize project maturity and quality. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

102. COMMENT: The commenter recommends that the Board replace "installed cost" with "capital cost" at N.J.A.C. 14:8-14.6(c). The commenter argues that the difference between revenues and capital cost plus operations and maintenance is more akin to the revenue requirement developed in a utility base rate case and is, therefore, a more appropriate basis for a gap analysis. (JCP&L)

RESPONSE: The Board appreciates the commenter's feedback regarding the use of the term "installed cost" at N.J.A.C. 14:8-14.6(c). However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future programs and rule development.

103. COMMENT: The commenter suggests replacing "located in" with "benefitting" at N.J.A.C. 14:8-14.6(d), which reserves a portion of the incentives for distributed energy storage systems. The commenter notes this is suggested because the location of large battery storage systems has not been without controversy in certain communities over issues such as the risk of battery storage system fires and the amount of space required. (JCP&L)

RESPONSE: The Board appreciates the commenter's feedback regarding the proposed language at N.J.A.C. 14:8-14.6(d), which reserves a portion of incentives for distributed energy storage systems "located in" certain communities. The Board understands the concern that siting large battery storage systems may raise issues in some communities, including space constraints and fire safety risks. This is why the Board previously proposed to incorporate bright-line criteria that limits OBC adder eligibility to residential storage and storage installed at critical public facilities. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

104. COMMENT: The commenter expresses concern with respect to a proposed OBC adder for distributed projects because of a perceived risk of creating windfalls to developers rather than benefits to OBCs. The commenter discourages additional upfront payments in incentives without

analysis and stakeholder engagement. The commenter notes that proposed rules do not yet detail how a carve out for OBC's will be structured or administered. The commenter also requests that any developer receiving ratepayer subsidies provide financial reports to Board staff and Rate Counsel. (DRC)

RESPONSE: The Board appreciates the commenter's feedback regarding how a general OBC adder applicable to all projects that are located in an OBC could result in developer windfalls rather than community benefits. The Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

105. COMMENT: The commenter recommends that instead of relying on administrative determinations, the Board could require EDCs to develop a locational value methodology that targets areas with existing or planned T&D constraints with a methodology that the Board can implement when reviewing annual procurement targets. (DRC)

RESPONSE: The Board appreciates the commenter's feedback regarding administratively determined incentives and locational value methodologies. The Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

106. COMMENT: The commenter stated the Board should require EDCs to charge developers all costs to develop and update hosting capacity maps and develop processes to flexibly interconnect storage devices that allow for seasonal and hourly scheduling.

The Board should also require EDCs to evaluate and propose new mechanisms for procuring distributed storage, such as the distributed capacity procurement model, to facilitate the stakeholder engagement process in the Phase II process. (DRC)

RESPONSE: The Board believes that issues related to hosting or interconnection capacity maps should be addressed within the grid modernization procedure (Docket No. QO21010085, *In the Matter of modernizing New Jersey's Interconnection Rules, Processes, and Metrics*). The Board also appreciates the commenter's feedback regarding a distributed capacity procurement model. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

107. COMMENT: The commenter proposes incorporating the following additional reporting requirements into the metrics column at N.J.A.C. 14:8-14.6(s)1, which pertains to reporting elements: Goal 5 metrics should include "*robust and public-facing hosting capacity maps that are funded entirely by developers"* and goal 9 metrics should require " *a full accounting of the costs and benefits this resource brings to the system...[and]a holistic benefit-cost study following the National Standard Practice Manual, or an equivalent BPU-approved framework, and not simply reporting on electricity prices."* (DRC)

RESPONSE: The Board appreciates the commenter's feedback regarding the incorporation of additional reporting requirements and recommendations regarding hosting capacity map funding. The Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

108. COMMENT: The commenter suggests strengthening the eligibility requirement for the fixed incentive at N.J.A.C. 14:8-14.6(r) to ensure only sufficiently confident projects reserve funding. The commenter proposes that eligibility be limited to projects that have completed the interconnection study process, have certainty on their interconnection costs, and have made associated deposits. The commenter proposes redlining N.J.A.C. 14:8-14.6(r) to replace the requirement that the owner has "executed submitted a level 1, 2, or 3 interconnection agreement application" with a requirement that the owner has "received notice that said application was complete." (NineDot).

RESPONSE: The Board appreciates the commenter's thoughts on project maturity requirements. At this time the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

109. COMMENT: The commenter advises that data such as project cost information is extremely commercially sensitive. The commenter recommends that the Board amend N.J.A.C. 14:8-14.6(s) such that project-specific cost information will not be publicly reported. If cost data is reported, it must be aggregated across all projects. (NineDot)

RESPONSE: The Board appreciates the commenter's feedback regarding the sensitivity of project-specific cost information. The Board recognizes that such data can be commercially sensitive but notes that existing confidentiality at N.J.A.C. 14:1-12 protects such confidential information from disclosure; provided it is submitted in accordance with the procedures described therein. Specifically, N.J.A.C. 14:1-12.1(b) provides as follows: "Any person or entity required to submit or who does submit to the Board any information pursuant to Titles 48 and 52 of the New Jersey Statutes or Title 14 of the New Jersey Administrative Code, which in the person's or entity's opinion constitutes trade secrets, energy trade secrets or other energy information submitted pursuant to N.J.S.A. 52:27F-18, proprietary commercial or financial information, or information which if disclosed, would be likely to cause damage to either a competitive or bidding position or national security, may assert a confidentiality claim by following the procedures set forth in this subchapter."

Any information that proposed N.J.A.C. 14:8-14.6 includes would have been information required to be submitted pursuant to Title 14 of the New Jersey Administrative Code for the purposes of N.J.A.C. 14:1-12.1(b). Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design.

110. COMMENT: The commenter notes that if the EDCs cannot reasonably rely on the batteries (for example, if developers choose not to discharge during peak load or customers opt out), the anticipated benefits, such as deferring transmission and distribution upgrades, are negated. The commenter suggests that a participating DER must respond to a minimum of dispatch events called to receive the fixed annual incentive. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback regarding the reliability of participating DERs and the suggestion to require a minimum number of dispatch events to qualify for the fixed annual incentive. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

111. COMMENT: The commenter recommends that the rules establish how much each EDC will be required to contribute toward the Statewide values and discuss how or if upfront incentives may be segmented by EDC in order for each EDC to achieve their targets. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback regarding EDC contributions toward Statewide targets and the potential segmentation of upfront incentives. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

112. COMMENT: The commenter notes that the rules appear silent on aggregation of customers for this program and requests confirmation that each individual customer will be responsible for enrollment and participation in the program. The commenter also seeks details on the proposed application fee structure for distributed projects, as well as the methodology used to calculate it, to contemplate the investments needed for Phase II. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback. The previously proposed rules do not explicitly address aggregation, and envisioned individual customer enrollment and participation, though this may change in a future design. The previously proposed rules also did not specify the application fees in order to allow the Board to adjust them as needed to properly balance deterring speculative projects against the resulting financial burden on viable projects. Currently, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

113. COMMENT: The commenter recommends aligning Phase 2 incentives explicitly with GSESP's distributed project goals. The commenter notes that these projects should be recognized for delivering resilience, peak reduction, and equity outcomes. (PeakPower)

RESPONSE: The Board appreciates the commenter's feedback regarding aligning Phase 2 incentives with the GSESP's project goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

114. COMMENT: The commenter asserts that the Board must establish a minimum incentive allocation for the upfront fixed incentive, regardless of the amount, because development cannot commence without this certainty. The commenter needs guidance from the BPU on how the maximum incentive payment of 40 percent of a project's fully installed costs will be allocated between an upfront payment and/or fixed disbursements over a number of years and how much of the total incentive value will be guaranteed up front versus earned over a period of years, as this decision has a major impact on the cost of capital. The commenter notes that if the majority of payments are disbursed incrementally, it could become economically challenging for some developers to participate by delaying the recouping of a portion of project investment, thus increasing risk and costs and minimizing return on investment. The commenter also recommends that the Board allocate as much of the total incentive value as possible to the upfront fixed incentive. The commenter suggests that splitting total incentive payments into a certain percentage paid upfront and the remaining percentage paid out over a set number of years, perhaps 50 percent upfront and the rest over five years through performance payments, is a reasonable approach. This structure would provide an upfront payment to help investors recoup a portion of project development costs while binding them to perform efficiently in the New Jersey market for a set number of years. The commenter requests the Board, at a minimum, establish a floor percentage value of the BPU's recommended $150/kWh incentive for large customers that will be reserved for upfront fixed incentives. (Convergent)

RESPONSE: The Board appreciates the commenter's suggestions regarding minimum incentive allocations for the upfront payment and more generally the balance between upfront payments and payments over time. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

115. COMMENT: The commenter states that the current uncertainty regarding when the first distributed fixed incentive block will open, and when the EDCs will establish the distributed performance incentive, makes it difficult for developers to invest in the market. The commenter proposes that firm timelines be established at N.J.A.C. 14:8-14.6(b). Incorporating these amendments would launch the distributed fixed incentive in October 2026, an Order on Minimum Filing Requirements by January 31, 2026, and for EDCs to submit program proposals within 90 days thereafter, and for the distributed performance incentive to be launched in June 2027. The regulations should require the EDCs to consult with stakeholders through workshops, starting in 2025, during the development of program requirements, performance incentive rates, and dispatch mechanisms. The commenter stresses that clear timelines provide confidence to the market and allow project developers to align their development schedules, ensuring assets come online quickly to deliver benefits. (NineDot)

RESPONSE: The Board appreciates the commenter's interest in the distributed segment and the associated schedules. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

116. COMMENT: The commenter recommends increasing the MW allocation for Phase 2 because FOM distribution-connected storage on commercial/industrial properties is the fastest way to meet New Jersey's storage goals and would accelerate interconnections of much-needed community solar projects. The commenter asks the Board to increase the MW size of the Phase 2 tranche and have biannual check-ins to make further increases as necessary. The commenter states this is necessary to take full advantage of the readily available market for FOM distribution-connected storage assets at commercial/industrial properties and to accelerate interconnections of community solar projects on such properties. (Solar Landscape)

RESPONSE: The Board recognizes the potential value of FOM distribution-connected storage on commercial and industrial properties in accelerating interconnections and supporting New Jersey's clean energy goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

117. COMMENT: The commenter requests that the board not implement a fixed, up-front incentive for the GSESP Distributed Storage Program. The commenter believes that a fixed, up-front incentive would be burdensome to the State's budget and is unnecessary for the successful deployment of distributed storage projects. The commenter requests that the performance-based incentive initially be structured as a fixed annual payment per KWH of rated capacity for 15 years. The commenter notes this payment should be based on the recipient's distributed storage projects' performance in providing services to PJM markets, including capacity, transmission, and ancillary service markets. The commenter states that the confirmation of a project's availability and performance for these services should be done in essentially the same way as it will be done for front-of-the-meter projects. (MSSIA)

RESPONSE: The Board appreciates the commenter's thoughts regarding the desirability of a fixed annual payment over 15 years over an upfront incentive. Currently, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

118. COMMENT: The commenter is confident that paying any premium for distributed storage will not be necessary, even though the State receives a premium suite of values from these projects. The commenter included a series of tables to support this. The commenter's recommended incentive levels are significantly lower than the levels stated in the proposed rule. The commenter's recommendations are based on a net present value target of 30 percent of total system costs, which is below the 40 percent level stated in the proposed rule. The commenter calculates the Program Year 1 target storage incentive as 30 percent of the installed cost, using a seven percent discount rate over a 15-year payment term. The commenter estimates the total program size for Program Year 1 at 175 MW. The commenter estimates the total funding requirement for Program Year 1 in the first year is $11,166,443. The commenter recommends a weighted average incentive level for Program Year 1 of $15.95 per kWh capacity per year. The commenter calculates the weighted average net present value (NPV) of the incentives as $145.29 per kWh capacity. The commenter includes a table to support these figures. The commenter provides recommended annual incentive rates varying by size tier, ranging from $29.64/kWh-capacity per year for systems less than 10 KW, down to $12.75/kWh-capacity per year for systems greater than 10 MW. (MSSIA)

119. COMMENT: The commenter recommends that if the same incentives are used across all utility service territories, incentives should be higher to accommodate areas where stacking other value streams is less lucrative. The commenter recommends an incentive of at least $250/kWh (non-OBC) net present value of upfront and performance-based incentives across the first five years for large systems, or an incentive equal to this in value, in order to attract enough qualified applicants. (Qcells)

120. COMMENT: The commenter notes that the existing gap analysis cited in the Summary does not reflect FTM distribution-connected resources or current market conditions. The commenter argues that if EDCs are authorized to maximize ratepayer benefit by including avoided wholesale market costs in the performance incentive, the current cap of the total incentive at 40 percent of total installed costs will be insufficient for FTM distribution-connected resources to recover adequate revenue. The commenter proposes that the BPU refresh the gap analysis by project size and interconnection configuration (FTM or BTM) before opening the first block of the distributed fixed incentive. The commenter asserts that the original analysis was likely done exclusively for BTM resources (which capture on-bill savings), assumed other revenue sources, and failed to reflect recent changes in Federal policy and Federal tax policy, PJM capacity markets, and accreditation values, all of which may have significantly devalued wholesale market revenues. The commenter proposes redlining N.J.A.C. 14:8-14.6(b) and (c) to ensure block sizes and incentives consider interconnection configuration. (NineDot)

121. COMMENT: The commenter argues that the combined target incentive of $150.00 per kWh for all tiers of storage, which remains unchanged from the 2024 Straw Proposal, is inadequate to attract large commercial and industrial (C&I) storage projects. The commenter stresses that C&I customer class participation will be key to closing the large capacity gap remaining after Phase 1. The commenter explains that the incentive is inadequate because it is designed to offset only a portion of total operating costs and fails to consider the rising capital costs due to tariffs. The commenter notes that Phase 2 incentives are proposed to cover up to 40 percent of all fixed and operating costs but exclude opportunity costs—such as foregone PJM revenues or demand charge avoidance—that developers incur when participating in a GSESP event. The commenter urges the Board to incorporate capital, operating costs, and opportunity costs into the target incentive to attract large-scale storage projects. (CPower)

122. COMMENT: The commenter states that the gap analysis used to inform the proposed incentive targets is outdated and not reflective of current industry conditions. The commenter highlights that the imposition of trade tariffs on battery-related materials and supply chain constraints have made storage investments more costly and higher risk. The commenter notes that a recent analysis projected cost increases for utility-scale storage ranging from 12 percent to 50 percent, and the impact on distribution-level storage is expected to be similar or greater. The commenter provides an example where, due to tariffs, the estimated all-in cost for a large one MW battery has risen from $700.00 per kWh to roughly $1,000 per kWh, meaning the incentive would need to be no less than $400.00 per kWh for large projects to align with the goal of covering 40 percent of total costs. The commenter notes that by comparison, the successful CT ESS program yields a net present value of $530.00 to $546.00 per kWh for a one MW project, which is over 250 percent more than the proposed GSESP incentive. The commenter recommends the gap analysis be revised using values that accurately reflect today's industry conditions to counterbalance rising costs and risks. (CPower)

123. COMMENT: The commenter recommends setting total incentive levels at approximately 40 percent of installed costs. The commenter suggests specific incentive rates based on project size: approximately $400/kWh for large projects (greater than 500 kW), $450/kWh for medium projects (100–500 kW), and $500/kWh for small projects (less than 100 kW). (PeakPower)

RESPONSE TO COMMENTS 118 THROUGH 123: The Board appreciates the commenters' thoughts regarding incentive levels and program design for distributed storage through the GSESP. The Board also agrees that in light of recent developments, especially changes in Federal tax and trade policy, the Board will need to conduct an updated gap analysis and likely recalibrate incentive levels to achieve program goals. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

124. COMMENT: The commenter recommends that the Board establish separate incentive blocks for BTM residential, BTM commercial and industrial, and FTM distribution connected assets. The commenter states that clarification is needed immediately from the BPU on the total procurement of the distributed storage phases, how that total will be allocated across individual phases and fixed and performance incentive blocks, and whether there will be a distinction between total MWs allocated for FTM and BTM assets. The commenter also requires clarification as to whether MWs will be distinguished between residential and non-residential assets. The commenter emphasizes that investors rely on radically different economic models based on the segment a project belongs to, necessitating that the GSESP incentive structure account for these differences to attract capital across diverse storage types and sizes. (Convergent)

RESPONSE: The Board appreciates the commenter's suggestions regarding different incentive blocks for different distributed storage projects and clarity on deployment levels. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

125. COMMENT: The commenter provided specific recommendations for the annual program size in megawatts (MW) from 2026 through 2030 for the distributed segment. The recommended program size for 2026 is 175 MW, 2027 is 190 MW, 2028 is 210 MW, 2029 is 210 MW, and 2030 is 215 MW. The commenter recommends a total program size of 1,000 MW through 2030. (MSSIA)

RESPONSE: The Board appreciates the commenter's recommended annual procurement targets for the GSESP. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

126. COMMENT: The commenter notes that the State obtains a premium suite of values from distributed storage, including values that are unique to distributed storage projects. The commenter includes a table detailing these values. These unique values include resilient power for critical community facilities (microgrids), increased solar hosting capacity, and remitting project net revenue (profit) to local entities. BTM

storage can participate in PJM capacity auctions or demand reduction credits but cannot double-dip. BTM storage is the only listed category that can participate in PJM capacity markets (from the demand side) and transmission markets (from the demand side), where it is approximately two times more effective than supply-side participation. BTM storage provides value to the PJM grid, distribution system, and communities. BTM storage can increase renewable hosting capacity, improve distribution grid stability, and avoid distribution system upgrades. The commenter notes that BTM storage provides resilient power and cost savings while remitting project revenue/profit to local entities. BTM storage can be used by utilities for Volt/VAR control, Volt/watt control, and peak line loading reduction for hosting capacity increases, and mitigation of distribution system instability. BTM storage projects are expected to have low incentives because they benefit from low- to medium-economies of scale, low development costs, and high, diverse, and flexible sources of revenue. (MSSIA)

RESPONSE: The Board recognizes that BTM storage can provide a diverse suite of values to the grid, communities, and ratepayers, including resilient power for critical facilities, increased solar hosting capacity, and participation in PJM capacity and transmission markets from the demand side. The Board also acknowledges the role BTM storage can play in improving distribution system stability, avoiding infrastructure upgrades, and supporting local economic benefits. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

127. COMMENT: The commenter recommends that the BPU direct the EDCs to open Block 1 of the "Fixed Incentive" and award incentives to qualified applicants by October 2026, noting that finalizing the dispatch mechanisms is not required at this stage. The commenter also recommends that the EDCs initiate dispatch of the "Distributed Segment" and payment of "performance incentives" by June 2027. (Calibrant)

RESPONSE: The Board appreciates the commenter's feedback and the recommendation to initiate Block 1 by October 2026 and will consider this input as part of the ongoing development and implementation planning for Phase 2. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development, including alternative pathways to launching the program on the recommended timeline.

128. COMMENT: The commenter argues that the increasing load forecast is responsible for the surge in PJM capacity prices, with each additional MW of load costing ratepayers over $1.17 M. The commenter states that load reduction is significantly more valuable than supply because PJM procures 1.2 MW for every MW in the load forecast (20 percent reserve margin), reducing capacity needs by 20 percent. Furthermore, supply is subject to an effective load carrying capacity (ELCC) derate (estimated at 50 percent to 60 percent for four-hour storage), whereas load-reducing resources have no ELCC derate and can maximize their impact on the load forecast. The commenter recommends the BPU direct the EDCs to dispatch the "Distributed Segment" during the hours necessary to reduce PJM's load forecast or shift the demand curve left, which would significantly reduce capacity costs. The commenter states that BPU should collaborate with other states and PJM to ensure that PJM's load forecasts or auction parameters reflect the MW participating in the "Distributed Segment." The commenter further recommends that the BPU direct the EDCs to factor the avoided capacity costs into the "performance incentive" calculation. If distribution-connected storage earns performance incentive compensation based on avoided capacity costs from reducing the PJM load forecast, those MW would then be ineligible to participate as supply in the PJM Base Residual Auction. (Calibrant)

RESPONSE: The Board appreciates the commenter's feedback regarding the potential role of distributed energy storage in reducing PJM's load forecast and mitigating capacity costs for New Jersey ratepayers. The Board recognizes the value of load-reducing resources and their ability to contribute to grid reliability and affordability, and that distributed storage acting as load reducers may provide materially greater value than storage systems that act as supply-side resources, subject to ELCC derating. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design.

129. COMMENT: The commenter urges the Board to ensure there are opportunities for stakeholder and EDC input on minimum filing requirements or orders as they pertain to the distributed segment performance incentive structure. (JCP&L)

RESPONSE: The Board appreciates the commenter's feedback regarding stakeholder and EDC input on minimum filing requirements and orders related to the distributed segment performance incentive structure. The Board intends to seek EDC input before issuing any Board Order setting forth minimum filing requirements and provide opportunities for other stakeholder engagement as well. The Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board encourages the commenter to participate in future stakeholder opportunities regarding Phase 2.

130. COMMENT: The commenter is excited about the proposed distributed incentive program but urges the Board to provide further details about total distributed procurement targets and capacity block allocations between different types of distributed storage as soon as possible. The commenter generally supports the positions filed by Calibrant Energy, as well as Advanced Energy United/SEIA. (Convergent)

RESPONSE: The Board appreciates commenter's feedback regarding distributed procurement targets and capacity block allocations. The Board agrees that the details the commenter requests clarification on should be specified in the near future. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

131. COMMENT: The commenter recommends calibrating GSESP incentives for front-of-the-meter distribution-connected storage to reflect the value these projects provide, so that these projects are financeable. The commenter notes that FTM storage projects are better at relieving feeder/substation constraints, are substantially faster to deploy, and are more easily applied as virtual power plants/non-wires alternatives compared to behind-the-meter storage projects. The commenter asserts that FTM storage is more valuable to the grid and to ratepayers and should be incentivized accordingly. The commenter asks the Board to set the combined upfront incentive, plus PBI, at launch to at least $500/kWh (NPV), citing the Brattle Report included in Solar Landscape's December 18, 2024, NJ SIP comments (Docket No. QO22080540), with scheduled reviews. (Solar Landscape)

RESPONSE: The Board recognizes the potential value that FTM projects offer in relieving feeder and substation constraints, accelerating deployment timelines, and supporting virtual power plant and non-wires alternative applications. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

132. COMMENT: The commenter highlights that service to PJM markets, especially capacity markets, is a very high societal priority currently due to the need to mitigate the recent spike in capacity prices. The commenter asserts that behind-the-meter storage projects will be approximately twice as effective at mitigating costs in the PJM capacity markets compared to front-of-the-meter projects. The commenter assures that the BPU can be fully confident that the numerous developers working on BTM projects will provide the PJM services, as the source of revenue for investors depends on this performance. The commenter includes a table illustrating revenue sources for BTM projects. Once virtual power plant (VPP) structures become available in the state, those non-pass-through bill structures will also derive revenue from PJM markets. The commenter notes that BTM projects have a significant advantage in deployment speed. The commenter observes that BTM projects experience no delay for PJM interconnection queues, utilize relatively fast local permitting, and many can be developed and built within a year. The commenter believes there is no other resource that can be deployed as quickly to contribute to resource adequacy. The commenter proposes that the program be simple and similar to the proposed program for transmission-scale storage. This approach will relieve BPU staff of the burden of having to rush the development of a new market for storage distribution services to start the distributed program. The commenter believes that distributed storage incentive recipients will still be able to begin offering services to the distribution system once that program is ready. (MSSIA)

RESPONSE: The Board appreciates the commenter's input regarding behind the meter storage projects and their potential to support PJM capacity markets, accelerate deployment, and contribute to resource adequacy. The Board recognizes the value of BTM storage in providing grid services and its relative speed of deployment compared to other configurations. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

133. COMMENT: The commenter is concerned that the requirement for a guaranteed COD will create an unnecessary barrier to storage adoption. The commenter states that the rule effectively gives developers less than two years to move from application submission to full interconnection and operation (a planned COD within 18 months of application and a guaranteed COD no later than 150 days after that). The commenter notes that BTM projects must guarantee CODs before December 31, 2030, which imposes increasingly compressed development windows for successive annual blocks, likely resulting in strain on NJBPU resources due to extension and exemption requests. The commenter points out that interconnection processes in successful New England programs often take three or more years, and developers face real-world challenges like supply chain constraints, utility coordination, and permitting complexities. The commenter urges the Board to adopt more realistic maturity requirements, such as requiring a signed letter of intent at the time of application or constructing the timeline around meaningful project development milestones (for example, planned COD within 18 months of achieving interconnection). (CPower)

RESPONSE: The Board appreciates the commenter's feedback regarding the guaranteed COD requirement. The Board acknowledges the challenges developers may face related to interconnection, permitting, and supply chain constraints. The Board also notes that it has recently adopted reforms to its DER interconnection rules in Docket # QO21010085, *In The Matter Of Modernizing New Jersey's Interconnection Rules, Processes, and Metrics*, for the express purpose of accelerating interconnection timelines. It is anticipated that these accelerated processes at N.J.A.C. 14:8-5 should alleviate some timeline concerns. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

134. COMMENT: The commenter recommends establishing annual reviews to adjust incentives. The commenter clarifies that these adjustments should cover tariffs, supply chain, and financing conditions. (PeakPower)

RESPONSE: The Board appreciates the commenter's suggestion and anticipates undertaking an annual process to evaluate the capacity block sizes and, if necessary, adjust the incentive levels for the distributed segment of the GSESP. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

135. COMMENT: The commenter notes that the Board's gap analysis, used to determine incentive amounts, should be re-evaluated for the FTM distributed storage segment. The commenter argues that the proposed incentive amount of $150/kWh Net Present Value (NPV) for 500+ kWh systems is too low to attract sufficient participation, especially considering new Federal policies (tariffs and FEOC restrictions) and additional costs associated with battery ownership, operation, and maintenance. (United, CCSA, NJSEC, SEIA)

RESPONSE: The Board appreciates the commenters' feedback. The Board has already decided to proceed with an updated gap analysis, which Board staff and their consultant are currently preparing, for many of the reasons the commenters cite. The Board anticipates reviewing the provided incentive levels for distributed storage as part of program development and will use the updated gap analysis to help guide decisions on appropriate incentive levels. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

136. COMMENT: The commenter seeks clarification on what a "capacity block" means. The commenter supports releasing megawatt-hours in tranches over time (for example, 100 MWh per year) but recommends that the incentive amount for each block remain the same until the Board reviews the gap analysis to determine a necessary change, particularly due to new Federal Foreign Entity of Concern (FEOC) compliance requirements starting in January 2026. The commenter also recommended the Board clarify total distributed storage procurement, allocation across phases and incentive blocks, distinctions between FTM v. BTM assets, and residential vs. non-residential allocations. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the commenters' feedback. A capacity blocks refers to what the previously proposed definition formally referred to as a "block," that is, the target deployment level of distributed energy storage system installed capacity for a given fiscal year to which the Board seeks to avoid fixed incentives. The Board plans to perform a new gap analysis and update the recommended incentive amounts prior to launching Phase 2 of the GSESP, in part due to recent Federal policy changes, such as FEOC compliance requirements. The Board also appreciates the commenters' suggestions regarding total distributed storage procurement, allocation across phases and incentive blocks, distinctions between FTM vs. BTM assets, and residential vs. non-residential allocations. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

N.J.A.C. 14:8-14.7 Distributed Segment Performance Incentive Structure

137. COMMENT: The commenter notes that driving meaningful VPP Program participation requires providing market confidence in an enduring and sustainable program. The commenter states that the

proposed rule's limit on eligibility to systems with a COD of December 31, 2030, introduces unacceptable risk and uncertainty regarding access to pay-for-performance compensation after that date. The commenter argues that pay-for-performance programs administered by EDCs have more flexible levers to encourage storage adoption while maximizing ratepayer value. The commenter recommends striking the proposed COD date of December 31, 2030, for the distributed performance incentive structure, allowing customer participation in perpetuity. The commenter asks that the Board provide enrolled customers with a five-year lock-in period at the performance compensation rate within which they enrolled, along with the option for a five-year extension at the prevailing compensation rate. (GoodLeap, Sunrun, Enphase, Tesla, Freedom Forever, and IGS Energy)

RESPONSE: The Board appreciates the comments regarding the proposed COD eligibility limit for distributed performance incentives. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development. The Board, however, notes that it is now proposing to strike the December 31, 2030, COD requirement for transmission-scale systems.

138. COMMENT: The commenter specifically addresses Phase 2 of the Program, noting concern over the decision to vest the EDCs with the authority to manage and organize the distributed performance incentive segment. The commenter warns that this decision runs the risk of repeating implementation issues. The commenter urges the Board to carefully oversee EDCs' management of this specific segment to alleviate this risk. (EEANJ)

RESPONSE: The Board appreciates the commenter's feedback regarding EDCs' role in the Phase 2 Distributed Performance incentive. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

139. COMMENT: The commenter supports establishing performance-based incentives for distributed energy storage systems, provided deferment of distribution and transmission upgrade cost benefits are realized through location of batteries in constrained areas identified by EDCs and sharing this information upfront with developers. (DRC)

RESPONSE: The Board appreciates the commenter's support for establishing a performance-based incentive for distributed energy storage systems under the GSESP. The Board agrees that aligning incentives with locational benefits can enhance grid efficiency and maximize system value. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

140. COMMENT: The commenter states that the current uncertainty regarding when the first distributed fixed incentive block will open, and when the EDCs will establish the distributed performance incentive, makes it difficult for developers to invest in the market. The commenter proposes that firm timelines be established at N.J.A.C. 14:8-14.7(a), (k), and (l). Incorporating these amendments would launch the distributed fixed incentive in October 2026, a Board Order on minimum filing requirements (MFRs) by January 31, 2026, and for EDCs to submit program proposals within 90 days thereafter, and for the distributed performance incentive to be launched in June 2027. The regulations should require the EDCs to consult with stakeholders through workshops, starting in 2025, during the development of program requirements, performance incentive rates, and dispatch mechanisms. The commenter stresses that clear timelines provide confidence to the market and allow project developers to align their development schedules, ensuring assets come online quickly to deliver benefits. (NineDot)

RESPONSE: The Board appreciates the commenter's interest in the distributed segment and the associated schedule and understands the importance of providing clarity on launch timelines. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

141. COMMENT: The commenter argues that the purported "pay-for-performance" model described in Phase 2 is an all-or-nothing framework because customers are only compensated if their battery responds for the entire duration of an event. The commenter asserts that this structure devalues storage assets by penalizing partial performance (for example, 85 percent or 95 percent of event duration) by awarding zero "response kWs." The commenter suggests that this rigid structure introduces unnecessary risk and will hinder BTM storage investments. The commenter urges the NJBPU to revise the compensation rules to adopt a true pay-for-performance model that fairly values grid services, even when performance is partial, citing successful programs like ConnectedSolutions that compensate customers based on average curtailed capacity across events. (CPower)

142. COMMENT: The commenter recommends revising the proposed performance incentive rules, which currently employ an "all-or-nothing" compensation model requiring availability for the entire duration of a call (up to four hours), to scale the payment to the number of hours a customer participated in a call. The commenter states that the all-or-nothing model devalues storage assets, is unrealistic for customers, and poses a significant risk that storage owners will opt out entirely. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 141 AND 142: The Board appreciates the comments regarding the structure of the performance incentive in the distributed segment of the GSESP. The Board largely agrees with the commenters underlying concern, and clarifies the intent of previously proposed N.J.A.C. 14:8-14.7(e) was not to create such an all-or-nothing dynamic. Rather, the provision is designed to have EDCs enforce a requirement to provide response kWs for the duration of an event to receive full compensation, without treating every performance shortfall as a missed call that receives no compensation. The Board envisions that EDCs might accomplish this by providing somewhat less than exactly proportional compensation for failing to respond for the entire call duration. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

143. COMMENT: The commenter recommends modifying the maximum event duration from four hours to three hours. The commenter notes that successful and mature programs like CT ESS and ConnectedSolutions use call windows of two to three hours and have demonstrated that grid relief can be delivered in this time. The commenter states that shorter dispatch events provide more operational flexibility for customers, enhancing enrollment, participation, and retention. Furthermore, the commenter advises that the GSESP rules should specify that customers be notified of events with reasonable advance notice, suggesting day-ahead notice (24 hours), to allow customers time to evaluate the opportunity costs before deciding whether to participate. (CPower)

144. COMMENT: The commenter requires clarification on the performance hours required during the call windows. The commenter suggests that not including a four-hour duration requirement during these call windows would encourage a wider range of battery storage technologies to participate in the performance-based incentive blocks. The commenter notes that developers can optimize two-hour duration batteries while still providing needed reliability and cost relief. (Convergent)

145. COMMENT: The commenter suggests that if the Board chooses to retain the requirement that a battery must participate in the entire call to receive the performance payment, the maximum call duration should be limited to three hours, citing the ConnectedSolutions and Energy Storage Solutions programs in other states. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 143, 144, AND 145: The Board appreciates the comments regarding event duration, notification timing, and performance requirements pursuant to the distributed segment of the GSESP. First, as explained in the Response to Comments 141 and 142, the Board's intent with the previously proposed rule was that a distributed energy storage system that participates in some, but not all, of a call would receive reduced rather than zero compensation. The Board believes this would have made a maximum call duration of four hours less onerous than the commenters may fear. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

146. COMMENT: The commenter believes it is imperative for the BPU to clearly define a target level for the distribution-connected Phase 2 to provide certainty for developers. The commenter recommends 1,000 MW and 4,000 MWh as a reasonable cap to help ensure New Jersey achieves its stated goals. (Qcells)

RESPONSE: The Board appreciates the commenter's feedback regarding the importance of establishing a defined target for the distribution-connected segment of the GSESP. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

147. COMMENT: The commenter states that the primary benefit of locating storage on the distribution system is avoiding expensive distribution and/or transmission upgrades by reducing peak demand, but that these benefits are only realized if storage is sited in constrained areas. The commenter states that EDCs should, therefore, identify such constrained areas, provide that information to developers upfront, and incentives should only be paid to systems that can demonstrate they reduce peak load in constrained areas. The commenter also asserts that the value of such benefits should be quantified in a benefit-cost analysis. Avoided costs must be quantified into BCA's and that incentives should only be provided in instances where batteries can discharge during dispatch events and reduce peak load. (DRC)

RESPONSE: The Board appreciates and generally agrees with this comment regarding the importance of quantifying avoided costs and ensuring that incentives correspond to measurable system benefits, such as peak load reduction. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

148. COMMENT: The commenter supports allowing participation in EDC calls to remain voluntary and further recommends the Board consider offering a compulsory-response option that includes consumer protections, such as a cap on the maximum portion of a storage asset's capacity that may be dispatched. (DRC)

RESPONSE: The Board appreciates the commenter's feedback supporting voluntary participation in EDC dispatch calls and the suggestion to explore a compulsory-response option with associated consumer protections. The Board also believes providing a compulsory response option potentially has merit. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

149. COMMENT: The commenter states that proposed N.J.A.C. 14:8-14.7(a) provides that "[d]istributed segment performance incentive programs will be established by each of the EDCs pursuant to a common program framework, set forth in minimum filing requirements (MFRs) that the Board shall establish by order, consistent with the provisions of this section." They state that the use of the word "common" in this subsection could be construed as limiting such flexibility. (JCP&L)

RESPONSE: The Board acknowledges the commenter's concern regarding EDC flexibility in tailoring performance-based incentives. The Board believes that the previously proposed rule's "common framework" approach would have ensured consistency while permitting EDC-specific filings and flexibility. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

150. COMMENT: The commenter notes that front-of-the-meter distribution-connected projects currently lack a clear, near-term pathway to participate in PJM's markets and would face unacceptable risk and devaluation if forced to participate through models like FERC Order No. 2222, which is not anticipated to be in full force until February 2028. The commenter proposes that the BPU allow EDCs to compensate FTM distribution-connected projects for avoided wholesale market costs within the GSESP Distributed Performance Based Incentive if the projects do not participate directly in PJM's markets. The commenter asserts that including FTM assets as reductions in the load forecast (a load reducer model) will produce greater consumer cost savings through larger impacts on PJM market clearing outcomes than participation as supply. The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.7(b): "The performance incentive shall be designed to incentivize participants to dispatch their energy storage systems when called upon by the EDC *to provide distribution-system level services and to avoid wholesale market costs*." The commenter asserts that reductions in the load forecast are not subject to PJM's ELCC derating factors, which are significantly lower for energy storage than for other dispatchable technologies and are expected to decline further. Furthermore, the commenter details that reducing the peak load forecast decreases the total supply procured by PJM by an amount equal to the load reduction plus the reserve margin, resulting in a greater impact on capacity costs. The commenter recommends the BPU direct EDCs to dispatch these resources during hours necessary to reduce PJM's load forecast. (NineDot)

RESPONSE: The Board appreciates the commenter highlighting the challenges facing FTM distribution-connected projects through current PJM market rules, including the delayed implementation of FERC Order No. 2222, and its suggestions regarding allowing FTM systems to be compensated for avoided wholesale market costs in lieu of wholesale market participation. The Board agrees with the commenter that distributed energy storage systems acting as load reducers rather than supply-side capacity resources may be able to provide greater savings to ratepayers. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

151. COMMENT: The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.7(l) to encourage EDCs to begin hosting stakeholder workshops to preview their approach and solicit input as early as possible: "*After consultation with stakeholders through a series of workshops beginning in 2025,* the EDCs shall develop the performance incentive program call hours, \$/kW per year performance incentive rates, and payment disbursement procedures. The EDCs shall submit the program call hours,

$/kW per year performance incentive rates, and payment disbursement procedures to the Board for approval." The commenter also recommends that the EDCs begin hosting stakeholder workshops to preview their approach and solicit input starting in October 2025. Further, the commenter recommends the EDCs submit the program call hours, $/kW per year performance incentive rates, and payment disbursement procedures to the Board for approval by April 2026. (Calibrant)

RESPONSE: The Board appreciates the commenter's recommendation for stakeholder engagement related to the distributed performance incentive. The Board agrees that early engagement is valuable and anticipates that stakeholder input will play a key role in shaping the program. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

152. COMMENT: The commenter suggests that the BPU issue a Board Order modifying or approving the EDCs submission to the BPU containing their program call hours, $/kW per year performance incentive rates, and payment disbursement procedures, thus enabling a determination of the "Fixed Incentive" rate, by July 2026. (Calibrant)

RESPONSE: The Board appreciates the commenter's input regarding the timing and approval process for EDC filings related to program call hours, performance incentive rates, and payment procedures. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. These same considerations will unfortunately preclude a determination of the fixed incentive rate by July 2026.

153. COMMENT: The commenter seeks involvement in determining how program incentives will work for participants who are also participating in retail demand management programs, expressing concern that there is an opportunity for double dipping that can impact the ratepayer. The commenter recommends that only energy injected into the grid should qualify for performance incentives, not behind-the-meter reductions in load, to maintain fairness and cost-effectiveness. The commenter requests clarity from the Board on the difference in measuring and valuing the benefits of energy injection versus behind-the-meter load reduction. (NJUA)

RESPONSE: The Board appreciates this comment regarding potential overlap between retail demand management programs and the proposed distributed performance-based incentive. The Board shares the commenter's concern about double compensation. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

154. COMMENT: The commenter states that the proposed rules should indicate that the MFRs will include service type options that are based on individual EDC system needs, which may differ by EDC or area of deployment. The commenter believes EDCs should have maximum flexibility in incentivizing benefits most relevant for their territories, recognizing that the relative importance of such benefits may change over time. The commenter states that after the Board adopts MFR's that the proposed rules should provide EDCs with sufficient time, such as a year, to set up distributed segment performance incentive programs. (JCP&L)

RESPONSE: The Board appreciates the commenter's suggestions regarding service-type options, individual EDC-flexibility, and the time needed to set up distributed performance incentive programs. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

155. COMMENT: The commenter states that the definition of "response kWs" should be based solely on power discharged from a distributed energy storage system during a dispatch call and should not include a system curtailing the charging of its storage, which is acting as more traditional demand response. The commenter further suggests that the Board should allow the EDCs to offer incentives that consider the storage system's ramp rates. (JCP&L)

RESPONSE: The Board appreciates the commenter's recommendation and agrees that incentives should not be provided to systems that curtail charging. As explained in the Response to Comment 80, the previously proposed definition of "response kW" was limited to discharged power, and, thus, clearly and explicitly excluded curtailment of charging. The Board also sees potential merit in the commenter's suggestion to account for ramp rates in incentive design. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

156. COMMENT: The commenter states that the Board's requirement at N.J.A.C. 14:8-14.7(f) for EDCs to measure response kWs based on total power discharged by a distributed energy storage system will require the storage system to be separately metered. The commenter recommends that the proposed rules should permit an EDC to require that an EDC meter be utilized to avoid the use of third-party meter data and exchanges and to ensure the timely acquisition of data at least cost using the EDC network. (JCP&L)

RESPONSE: The Board appreciates this comment recommending clarification of metering requirements. The previously proposed rule's measurement approach may necessitate separate metering to ensure data accuracy. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

157. COMMENT: The commenter states that EDCs should be able to vary incentive levels based on factors or services unique to their territories. The commenter suggests that EDCs should also be able to vary incentives for systems co-located with renewable generation versus those that are standalone, as EDCs may determine that each type offers different benefits. (JCP&L)

RESPONSE: The Board appreciates this comment supporting differentiated incentives. The previously proposed rule at N.J.A.C. 14:8-14.7(g) would have allowed the EDC to establish geographically varying performance incentive rates. The Board may consider allowing varying incentive rates based on co-location in the future. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

158. COMMENT: The commenter objects to the prohibition at N.J.A.C. 14:8-14.7(h) on penalizing "distributed energy storage systems that fail to respond or opt out of a call," apart from withholding performance incentive payments. The commenter argues that if fixed incentives were paid to such a system, they should be recoupable through penalties if the system consistently ignores dispatch signals or otherwise fails to respond. The commenter states that there should be an opportunity for EDCs to suggest, and the Board to approve, some form of penalty structure. (JCP&L)

RESPONSE: The Board appreciates the commenter's suggestion to impose penalties on distributed energy storage systems that fail to perform. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

159. COMMENT: The commenter notes that N.J.A.C. 14:8-14.7(m) would require EDCs to report numerous data items that are already required pursuant to N.J.A.C. 14:8-5.9. The commenter also reminds the Board that its existing regulations include storage devices in the definitions of "customer-generator" and "customer-generator facility" at N.J.A.C. 14:8-4.2. The commenter argues that monthly reporting requirements in the proposed rules are excessive and creates an unnecessary administrative burden. The commenter further notes that N.J.A.C. 14:8-14.7(m) creates new requirements to report items like "[t]he measured average and peak amount of response kWs discharged by energy storage systems" monthly. The commenter suggests that if the Board requires such data to be reported each month, the proposed rules should also require that the energy storage system owner or operator provide the required reporting data to the EDCs within 10 calendar days of the end of the applicable reporting month. The commenter specifies that this reporting data shall include the metered energy delivery and energy discharge from a revenue-grade meter as required by the EDC. The commenter suggests the proposed rules should specify that any new reporting requirements should be subsumed in existing regulatory reporting requirements, required only insofar as they are not duplicative of existing reporting requirements (like N.J.A.C. 14:8-5.9), and provided at a frequency determined in a subsequent Board order. (JCP&L)

RESPONSE: The Board acknowledges the commenter's concerns that the reporting requirements at N.J.A.C. 14:8-14.7(m) may overlap with existing obligations at N.J.A.C. 14:8-5.9 and 4.5, as well as the commenter's suggestions regarding the timing and provision of data from energy storage owners and operators. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order No. 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

160. COMMENT: The commenter notes that the allocation of the targeted $300/kWh support between the Board-administered upfront incentive and the EDC-administered performance incentive creates uncertainty. The commenter points out the lack of clarity on how a per-kW-per-year performance payment will be translated into a per-kWh value. The commenter expresses concern that the current setup might create a perverse incentive for EDCs to set an artificially low performance incentive, as the Board is required to cover the difference to reach the $300/kWh total net value.

The commenter argues that to calculate the conversion between EDC-proposed per-kW compensation and the per-kWh target support, the Board needs to rule on foundational parameters like event duration, performance evaluation method, and enrollment duration. The commenter states that the Board should be decisive in setting these parameters and clear about the assumptions EDCs must discuss in their proposals to enable the necessary dollars per kW-to-kWh conversion. The commenter provides a set of equations as a suggestion for how to calculate an incentive based on the appropriate parameters and recommends amendments at N.J.A.C. 14:8-14.7(e) and (d) to ensure the parameters in the proposed equation can be calculated. The commenter suggests changing N.J.A.C. 14:8-14.7(e) to measure average response kWs within each event. The commenter explains that this is better than setting the event response kWs to zero if a system misses a single minute of the call, as measuring the average would improve the customer experience without sacrificing cost effectiveness. The commenter recommends changing N.J.A.C. 14:8-14.7(d) by reducing the event duration to two hours. The commenter notes that a four-hour event duration limit associated cost and environmental savings and undermines customer attractiveness. The commenter clarifies that a two-hour duration aligns with the narrow power-to-energy ratios of leading residential battery products and drives EDCs to target the sharpest points of the peak. (GoodLeap, Sunrun, Enphase, Tesla, Freedom Forever, and IGS Energy)

RESPONSE: The Board appreciates the commenters' detailed feedback regarding the allocation and calculation of the targeted combined incentive level through the GSESP, and acknowledges concerns about converting per-kW-per-year performance payments into a per-kWh value, as well as the potential for misalignment in EDC proposals. The Board also notes recommendations regarding conversion methodologies, event duration, and response measurements. Clear alignment between $/kW-year performance payments and the overall $/kWh program target is essential to ensure transparency, market confidence, and effective cost control. Lastly, the Board clarifies that the intent of the previously proposed rules was not to treat any failure to perform during a call as a missed call, such that the resource is credited as providing zero response kW during an event, even if the system only failed to discharge for a single minute. Rather, the Board's intent was for such systems to still earn partial credit based on their average response kWs for the call, subject to a potential further reduction in payment for being non-responsive for part of the call. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

161. COMMENT: The commenter finds the expectation that distributed energy storage systems "are expected to be able to respond automatically" concerning, as it suggests utility control. The commenter stresses that it is critical for storage owners to maintain full control over their storage assets and participation decisions due to the importance of resilience for large C&I customers. The commenter requests confirmation that enrolled batteries will remain exclusively within the control of the owner/operator. (CPower)

RESPONSE: The Board recognizes the commenter's concern about utility control of storage assets, especially those owned by large C&I customers. The Board clarifies that its statement that distributed storage systems participating in the previously proposed distributed performance incentive program would be "expected to be able to respond automatically," referred to the battery operator's ability to respond to a dispatch signal, likely sent by a utility, in order to qualify for a performance incentive. This was not meant to imply direct utility control over the battery, but only that energy storage systems should have the technical ability to respond automatically to utility signals so customers voluntarily participating in the performance incentive program would not have to manually respond to calls. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

162. COMMENT: The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.7(a) in order to specify deadlines for the MFR order, for EDCs submitting their approval proposals for performance incentive programs to the Board following the MFR order, and for the EDCs' proposed program launch dates: "a) Distributed segment performance incentive programs will be established by each of the EDCs pursuant to a common program framework, set forth in minimum filing requirements (MFRs) that the Board shall establish by order *by January 31 2026*, consistent with the provisions of this section. *The EDCs shall submit to the Board for approval proposals for performance incentive programs within 90 days of the Board establishing the minimum filing requirements. In their petition for approval of the performance incentive program, the EDCs shall propose a program launch date which shall not be later than June 1, 2027.*" (Calibrant)

RESPONSE: The Board appreciates the commenter's suggestion for defined deadlines for an MFR Board Order, compliance filings, and a performance incentive launch date. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the

VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

163. COMMENT: The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.7(k) in order to encourage the EDCs to hold a stakeholder workshop to preview their approach and solicit input immediately following the BPU order: "*In consultation with stakeholders*, the EDCs shall develop the application process, application requirements, and eligibility criteria for the performance incentives by building upon the common program framework established by Board order and then submit them to the Board for approval." (Calibrant)

RESPONSE: The Board appreciates the commenter's recommendation to incorporate stakeholder engagement into the development of the distributed performance incentive. The Board agrees that stakeholder engagement is important and may consider this approach during Phase 2 program development. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

164. COMMENT: The commenter recommends the EDCs begin consulting with stakeholders regarding the performance incentives application process by January 2026. The commenter also recommends the EDCs submit their developed application processes, application requirements, and eligibility criteria for the performance incentives to the Board for approval by April 2026. (Calibrant)

RESPONSE: The Board appreciates the commenter's recommendation for stakeholder engagement and specific timelines following the MFR order. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

165. COMMENT: The commenter recommends additional language be added to N.J.A.C. 14:8-14.7(j) to make clear whether a standalone FTM distribution-connected system would qualify as a "residential or non-residential customer of an EDC." The commenter urges the Board to support multiple forms of ownership models for distribution-connected resources, provided they are connected to a New Jersey EDC distribution system and are not owned by the EDC. (NineDot)

RESPONSE: The Board recognizes the potential benefits of diverse ownership models. The Board views a front-of-the-meter distribution system as a non-residential customer for the purposes of this previously proposed provision, as such a system would necessarily be using and paying for the EDC service of delivering electricity to the storage system, provided that at least some of the energy the system stores comes from electricity delivered to the system by the EDC. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

166. COMMENT: The commenter recommends broadening the language at N.J.A.C. 14:8-14.7(b), related to guidance for EDC incentive design to account for price signals for charging. (DRC)

RESPONSE: The Board appreciates the commenter's input recommending that price signals for charging be considered in EDC incentive design. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

167. COMMENT: The commenter recommends modifying proposed regulations at N.J.A.C. 14:8-14.7(f). The commenter states that, currently, there is a risk of double-counting benefits of reducing on-site load from self-consumption of the distributed storage generation if the same asset or customer received additional incentive payments. The commenter states that this concern could be alleviated with good tariff design. The commenter's recommendation is that current proposed language be modified to identify the relationship between existing retail tariffs and the new incentive design. The commenter also asserts that the regulations must not preclude future rate designs (such as development of time-of-use tariffs and/or export tariffs). (DRC)

RESPONSE: The Board appreciates the commenter's recommendation to ensure there is no double-counting of benefits associated with load reduction from self-consumption. The Board agrees that the interaction between existing retail tariffs and new performance incentives should be carefully designed to maintain fairness and cost-effectiveness. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

168. COMMENT: The commenter emphasizes the importance of aligning locational dispatch needs with bulk system capacity benefits and the need for forethought about performance incentive payments and settlement rules, particularly with respect to distributed storage taking part in a resource aggregation selling into PJM. The commenter also states that currently proposed regulations for calculating response kWs do not align with PJM's process for determining capacity accreditation. Additionally, aggregation of DER's is prohibited pursuant to FERC Order 2222 from receiving double compensation for same grid service, meaning distinction of participation channels for distributed storage is necessary to avoid this issue. The commenter recommends that the Board pursue streamlined processes for aggregations of distributed DERs into wholesale markets, and base any additional incentives based on incremental realized system benefits. (DRC)

RESPONSE: The Board appreciates the commenter's detailed comments concerning the coordination between distribution-level incentives, PJM market participation, and FERC Order 2222 compliance. The Board agrees that clear participation channels and safeguards against double-compensation are essential to maintaining regulatory integrity and avoiding overlapping payments for the same grid service. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

169. COMMENT: The commenter supports moving quickly to launch Phase 2 performance programs but cautions that the proposed six-month development window is insufficient for durable and customer-ready implementation. (ACE)

RESPONSE: The Board appreciates the commenter's input about the prompt implementation of Phase 2 and the comment regarding the challenges of a six-month timeline. However, the Board notes that the previously proposed rules, themselves, would not have required implementation within just six months. Indeed, the only reference to a six-month timeline was a statement in the Summary that development of a mechanism for calling resources was anticipated to take between six months and a full year. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

170. COMMENT: The commenter states that standing up DERMS, IT platforms, and customer engagement mechanisms require careful planning and stakeholder input. (ACE)

RESPONSE: The Board agrees that robust technical and stakeholder preparation would greatly help the process of standing up the infrastructure needed to support distributed storage performance incentives. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

171. COMMENT: The commenter recommends adopting a phased approach that allows EDCs flexibility to establish a core program framework within six months, while providing additional time or the option to design full functionality and enhancements in the future. (ACE)

RESPONSE: The Board appreciates the commenter's recommendation to implement a phased approach to program development. The Board views such an approach as potentially well-suited to balancing the need to provide guidance and regulatory certainty to developers and customers as soon as possible with the need to ensure the final program design is thoroughly vetted and durable. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

172. COMMENT: The commenter states it would be beneficial for the EDC's and Board to meet prior to the publication of minimum filing requirements for Phase II to obtain clarity on timelines, and distributed performance incentives so they can integrate with changes needed for FERC Order 2222 and grid modernization, where possible. (PSE&G)

RESPONSE: The Board appreciates this comment emphasizing the value of early engagement between the EDCs and the Board prior to the publication of minimum filing requirements for Phase 2. The Board agrees that BPU and the EDCs will need to have a robust dialogue to develop the balance of the program details. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

173. COMMENT: The commenter recommends the EDCs work with the Board to define the performance incentive rates. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback and concurs that collaborative development of performance incentive rates will be essential to ensuring transparency, fairness, and effectiveness. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

174. COMMENT: The commenter asserts that the proposed mechanism for cost recovery is insufficient because administrative costs and the actual performance incentives paid out are proposed to be a pass-through. The commenter asserts that EDCs should have financial incentives to ensure program success if managing performance incentives and dispatching resources will be their responsibility. The commenter suggests this could be implemented in a manner similar to the incentive structure for the EDCs' energy efficiency programs where the incentive is treated as an investment for the utility and amortized over a period of time. (PSE&G)

RESPONSE: The Board appreciates the commenter's feedback regarding the cost-recovery mechanism of the program. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

175. COMMENT: The commenter notes that the EDCs request authorization to participate in determining how to calculate and distribute incentives for the distribution-side program. The commenter appreciates the ability to determine the per kW performance incentive rate through minimum filing requirements. The commenter also requests the ability to engage on the determination and calculation of performance incentives, including consideration for minimum required dispatches and consequences for when this minimum is not met. (NJUA)

RESPONSE: The Board appreciates the commenter's input emphasizing the importance of stakeholder participation in the development of the distributed performance-based incentive, specifically with regard to how incentives are calculated, distributed, and tied to dispatch requirements. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

176. COMMENT: The commenter notes that the proposed rules require the distributed energy storage system to be "owned, leased, or operated by a residential or non-residential customer of an EDC" to receive an incentive (see N.J.A.C. 14:8-14.7(j)4). The commenter explains that the most common arrangement for BTM storage is "storage-as-a-service," where a developer owns the storage and contracts with the customer to share savings; the customer contracts for the output but does not own, lease, or operate the system. The commenter recommends amending the rules (specifically N.J.A.C. 14:8-14.7(j)4) to include systems that are "contracted," ensuring that customers who utilize this common arrangement can participate. The commenter proposes incorporating the following language, indicated by italics, into the rules text at N.J.A.C. 14:8-14.7(j)4: "It is *contracted*, owned, leased, operated by a residential or non-residential customer of an EDC." (Calibrant)

177. COMMENT: The commenter states that the eligibility criteria for Phase 2 are vague, as the language appears to exclude customer-sited systems owned or operated by third parties from receiving financial incentives. The commenter's experience across similar programs shows that large-scale, non-residential storage projects are virtually never financially viable without third-party ownership. The commenter asserts that the Board is essentially prohibiting an entire segment of the customer class from contributing storage capacity unless they amend the proposed rule. The commenter requests that the Board make clear a pathway for third-party ownership in the GSESP Phase 2 rules. (CPower)

178. COMMENT: The commenter recommends that the Board allow flexible forms of asset ownership, including by third parties on customer property. The commenter states that the current eligibility requirement — "The system shall be owned, leased, or operated by a residential or non-residential customer of an EDC"— challenges the development of financially viable BTM storage assets by limiting participation by third-party storage developers. The commenter recommends adjusting this eligibility requirement to read: "The system shall be contracted, owned, leased, or operated by a residential or non-residential customer of an EDC." The commenter asserts that this amended wording would encourage third-party capital investment in the program, increase retail choice for ratepayers, and make New Jersey a more competitive State for battery storage development. The commenter notes that allowing third-party ownership will attract greater amounts of capital to New Jersey without having to put the risk of investments on ratepayers. (Convergent)

179. COMMENT: The commenter seeks clarification on the eligibility of third-party ownership and operation of distributed energy storage systems through the proposed GSESP rules. The commenter observes a conflict between the program rules. The commenter notes that the definition of a "distributed energy storage system" includes systems that are behind or in front of the meter and are "owned by the customer or another party that is not an EDC." However, the commenter highlights that several operational sections (specifically the "Project Maturity Requirements" at 57 N.J.R. 1652, the "Participation Terms, Conditions, and Enforcement" at 57 N.J.R. 1655, and the "Distributed segment

performance incentive structure" at 57 N.J.R. 1664) state that eligible distributed projects must be "owned, leased, or operated by a residential or non-residential customer of an EDC." The commenter frequently collaborates with energy-as-a-service providers to deploy storage systems and explains that in this common scenario, a third party owns and operates the infrastructure through an energy services agreement (ESA) or similar contract structure with the end user. The commenter notes that this often involves a site or land lease (or license), but not a formal energy system equipment lease agreement with the end user. The commenter is concerned that such third party own/operate arrangements—which are common throughout the energy services industry—may be excluded pursuant to the current language of the proposed rules. The commenter suggests that the Board of Public Utilities revise the aforementioned language at 57 N.J.R. 1652, 1655, and 1664 to address this challenge. The commenter recommends the revised language state that eligible systems "must be owned, leased, or operated by a residential or non-residential customer of an EDC, or be owned and/or operated by a third party that provides energy storage services to a residential or non-residential customer of an EDC under a contractual arrangement, such as an energy services agreement." (Siemens)

180. COMMENT: The commenters recommend amending the eligibility requirement, which currently states that the system shall be owned, leased, or operated by a residential or non-residential customer, as follows: *"The system shall be contracted, owned, leased, or operated by a residential or non-residential customer of an EDC."*

This amendment would encourage third-party capital investment, enhance New Jersey's competitiveness for battery storage development, and increase retail choice for ratepayers. The commenter repeats the recommendation to expand permitted ownership structures to include contracted systems. (United, CCSA, NJSEC, and SEIA)

RESPONSE TO COMMENTS 176 THROUGH 180: The Board acknowledges the importance of third-party energy service providers in enabling customer participation and investment in energy storage, and clarifies that the intent of the previously proposed rule was to not preclude any form of third-party ownership. This is why the previously proposed definition of "distributed energy storage system" provided that it may "be owned by the customer or another party that is not an EDC" and why previously proposed N.J.A.C. 14:8-14.7(j)4 provided that systems "leased" but not owned by EDC customers are eligible to participate. The Board intended for the word "leased" to encompass all third-party ownership structures. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

181. COMMENT: The commenter requests that the BPU confirm that the value of the performance incentives is not expected to be based on administratively burdensome calculations. (NJUA)

RESPONSE: The Board appreciates the commenter's feedback and agrees that performance incentive calculations should remain straightforward and practical, avoiding administratively burdensome processes. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

182. COMMENT: The commenter seeks clarity on the call process described in Phase II, which states that resources receive payments when they respond to calls from the EDC and explicitly receive no penalty for missing a call. The commenter asks for a description of a scenario in which a resource owner may miss a call and suggests potentially including a penalty if their resources are not up to a certain standard or threshold (for example, not being fully charged within 48 hours of a potential call time). (RPA)

RESPONSE: The Board appreciates the commenter's question and suggestions regarding potential penalties. As the commenter notes, the previously proposed framework provided performance incentives for resources that respond to calls from the EDC, without imposing penalties for non-response. This framework was intended to ensure performance incentive revenue only went to participants that actually performed, without adopting an overly punitive approach that may discourage participation. In its prior proposal, the Board recognized that there may be scenarios where a resource is unable to respond to a call, such as insufficient charge or operational constraints, and took the view that these instances did not warrant penalties. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules or the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

183. COMMENT: The commenter states that as EDCs stand up the capabilities to provide dispatch signals to GSESP devices, New Jersey would be remiss to exclude existing assets from participation in the pay-for-performance element. The commenter suggests that existing systems, which do not require upfront incentive support, could be recruited for the VPP-style portion by allowing them to access the same per-kW performance compensation offered to new devices. The commenter believes that this change or a lack of prohibition in the EDCs' applicable controlling documents would unlock significantly more potential capacity for New Jersey's grid. The commenter explains that because of the pay-for-performance nature, ratepayers are protected as participating customers are compensated only for their grid service. (GoodLeap, Sunrun, Enphase, Tesla, Freedom Forever, and IGS Energy)

RESPONSE: The Board appreciates the commenter's feedback regarding the inclusion of existing energy storage assets in the pay-for-performance component of the GSESP, and acknowledges the potential value of leveraging existing resources. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

184. COMMENT: The commenter maintains that the Board must specify the length of time a qualifying resource is guaranteed to have access to the performance incentive. The commenter recommends the Board set performance incentive eligibility for at least five years, citing the successful program of Connected Solutions. The commenter recommends the BPU set a five-year term limit for performance-based incentives. The commenter notes that a preset term limit will encourage investor participation by providing financial certainty with guaranteed performance incentives for a certain number of years. The commenter states that the important factor is certainty regarding what the term is, regardless of the limit itself. The commenter recommends that the BPU allow for the electric distribution companies (EDCs) to potentially extend these incentives on a project-by-project basis. The commenter explains that the possibility of an extension would ensure distributed storage resource performance for a longer period without requiring additional investment from the BPU. (Convergent)

RESPONSE: The Board appreciates the commenter's feedback regarding the need to clarify the duration of access to performance incentives for qualifying distributed storage resources. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

185. COMMENT: The commenter expresses concern that if customers can opt out of a dispatch call without penalty (voluntary demand response), EDCs would need to continue planning for worst-case scenarios, which would undermine the GSESP's intended benefit of deferring infrastructure investments. The commenter suggests that a cost-benefit analysis may show that a non-wires alternative (NWA) with utility dispatch rights and associated penalties for missed dispatches would

provide greater grid and customer benefits. The commenter suggests the Board may consider a tiered program incorporating both voluntary and committed (with penalty) customers, where voluntary enrollment may receive a smaller performance incentive. (NJUA)

RESPONSE: The Board sees potential value in allowing such a tiered approach, in which EDCs offer an option for participants to voluntarily provide a firmer level of service for a higher incentive payment. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

186. COMMENT: The commenter recommends that the Board consider setting a minimum incentive amount or "floor" for performance payments to ensure the target combined incentive levels cover the revenue gap for storage projects, should an EDC propose a low payment amount. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comment recommending the establishment of a minimum or "floor" for performance incentive payments. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

187. COMMENT: The commenter seeks clarity on whether GSESP participants are expected to enroll their resources pursuant to the rules of FERC Order 2222, through which the exported energy prices and revenues will be paid through PJM markets, or if the Board expects participants to be paid for exported energy in a different manner. The commenter notes that if a different payment manner is intended, BPU staff will need to work with EDCs to establish a price structure for all energy exported to the grid and that EDCs may need to impose restrictions on a customer's ability to export to the grid if it interferes with safe operation of the distribution grid. (PSE&G)

RESPONSE: The Board clarifies that the previously proposed rule does not mandate that customers participate in an aggregation pursuant to FERC Order No. 2222, but rather would have allowed them to do so. The Board agrees that any program design that does mandate participation in distributed energy resource aggregations (DERAs) would have to address how such systems are compensated for exports and related safety matters. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

188. COMMENT: The commenter asserts that mandating a specific scope or timeline for the development of each utility's DERMS has the potential to increase costs significantly and delay the distributed market performance incentives. The commenter recommends that DERMS development should align with existing utility timelines, initiatives, systems, and other related BPU dockets, such as the Board's Grid Modernization Program and the implementation of FERC Order 2222. The commenter recommends that the BPU convene a stakeholder workgroup to allow Board staff and the EDCs to work together to address how this requirement aligns with evolving State and Federal regulations. (NJUA)

RESPONSE: The Board appreciates the commenter's feedback and acknowledges that the DERMS will require significant development effort and that requiring a comprehensive DERMS to be fully operational prior to the launch of distributed performance incentives may unduly delay the rollout of such incentives. The Board, thus, plans to consult with the EDCs prior to issuing the MFR Order on what alternatives could be used prior to the time a DERMS becomes operational. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

The Board also notes that it is conducting stakeholder opportunities on the importance of DERMS through the IDDER workgroup pursuant to the GMF and through the Proactive System Upgrade Plan Straw Proposal (Docket No. QO24030199, *In the Matter of Developing Integrated Distributed Energy Resource Plans to Modernize New Jersey's Electric Grid*).

189. COMMENT: The commenter expresses concern that it is unclear which existing EDC tariffs apply to the charging and discharging of standalone, front-of-the-meter distribution-connected storage, potentially resulting in an unfair allocation of system costs and increasing the cost of the entire GSESP program. The commenter proposes that the Board require EDCs to work with stakeholders to develop new tariff rates specifically for standalone energy storage projects connected to the distribution system to ensure clarity on rate design and reduce program costs. The commenter suggests the EDCs submit proposed new bidirectional rates to the Board for approval by April 2026. The commenter stresses that these rates must reflect the flexible operating capability of energy storage projects. The commenter advises that for "retail only" assets (not participating in PJM), EDCs need to design rates reflecting distribution, transmission, and generation service, while "wholesale assets" (participating in PJM) need rates for distribution service. The commenter provides nine guiding principles for FTM distribution-connected rate design, including incorporating a unique rate class, ensuring access to time-varying rates, and reflecting contributions to system costs. The commenter recommends the BPU host stakeholder meetings in Q4 2025 and Q1 2026 to align on tariff design. (NineDot)

RESPONSE: The Board appreciates NineDot's suggestions regarding tariff and rate design for FTM distribution-connected storage and recommendations for related stakeholder meetings. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

190. COMMENT: The commenter encourages the Board to amend the proposed rules to provide for semi-annual, rather than monthly, electronic reporting. The commenter states that preparing monthly reports containing all required criteria would be time intensive and impose unnecessary administrative burdens. The commenter notes that semi-annual reports, potentially with data broken down by month, will capture the corresponding summer and winter peak performance. (NJUA)

191. COMMENT: The commenter supports the importance of transparency but states that the proposed rule's monthly reporting requirement is highly resource-intensive and administratively burdensome. The commenter recommends adopting a more practical and useful reporting cadence, specifically quarterly reporting on performance metrics paired with one comprehensive annual report for data reconciliation and evaluation. The commenter suggests an alternative tiered reporting structure, such as monthly high-level interconnection statistics, quarterly performance outcomes, and annual evaluations. (ACE)

RESPONSE TO COMMENTS 190 AND 191: The Board appreciates the commenters' suggestions regarding the frequency of electronic reporting for the distributed segment of the GSESP. The Board recognizes that monthly reporting may present administrative challenges and appreciates the suggestion to consider semi-annual or quarterly reporting with monthly data granularity. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

N.J.A.C. 14:8-14.8 Technical Requirements

192. COMMENT: The commenter supports the Board's proposed technical requirements and recommends that these be monitored by a third-party administrator. (DRC)

RESPONSE: The Board appreciates the commenter's support for the GSESP program's proposed technical requirements. A third-party administrator is supporting the GSESP throughout the entirety of the development and implementation process, as well as the subsequent administration of the program. Their responsibilities include helping Board staff to monitor compliance with the program's technical requirements.

193. COMMENT: The commenter recommends adding a provision at N.J.A.C. 14:8-14.8 stating that "nothing in this subchapter shall be construed as preventing an EDC from requiring a system owner to install additional controls or external disconnect switches not included in interconnection equipment, to perform or pay for additional tests, or to purchase additional liability insurance at the EDC's discretion." (JCP&L)

RESPONSE: The Board appreciates this commenter's recommendation but declines to add a provision at N.J.A.C. 14:8-14.8 clarifying EDC discretion to require additional equipment, testing, or insurance. The Board understands that this language is similar to provisions at N.J.A.C. 14:8-5.2(e), which address distributed energy resource interconnections. However, the current rulemaking only establishes the framework for the energy storage incentive program and does not address nor modify interconnection standards and processes for distributed energy resources, which are governed at N.J.A.C. 14:8-14.5. Adding such interconnection focused language at N.J.A.C. 14:8-14.8 could create the misleading impression that it alters interconnection requirements in other ways.

N.J.A.C. 14:8-14.9 EDC Responsibilities and Cost Recovery

194. COMMENT: The commenter recommends that all EDC costs incurred as part of providing information or assisting the Board/third-party administrator in implementation/operation of the program should be paid for by program participants. (DRC)

RESPONSE: The Board appreciates the commenter's feedback regarding the funding of program administrative costs. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

195. COMMENT: The commenter proposes that a new subparagraph be added at N.J.A.C. 14:8-14.9(a) that creates an EDC responsibility to file a proposal for new rates. The subparagraph should read as follows: "Developing rate structures for distributed energy storage systems-the EDCs shall work with stakeholders and submit to the Board for approval by April 2026 new bidirectional rates which address the manner by which front-of-the-meter distributed energy storage systems take and supply electricity services with their respective EDC, which should reflect the flexible operating capability of energy storage systems." (NineDot)

RESPONSE: The Board appreciates the commenter's feedback regarding a potential requirement for EDCs to work with stakeholders to establish new rates specific to storage. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

196. COMMENT: The commenter states that the current uncertainty regarding when the first distributed fixed incentive block will open, and when the EDCs will establish the distributed performance incentive, makes it difficult for developers to invest in the market. The commenter proposes that firm timelines be established at N.J.A.C. 14:8-14.9(a). Incorporating these amendments would launch the distributed fixed incentive in October 2026, an Order on Minimum Filing Requirements (MFRs) by January 31, 2026, and for EDCs to submit program proposals within 90 days thereafter, and for the distributed performance incentive to be launched in June 2027. (NineDot)

RESPONSE: The Board appreciates the commenter's interest in the distributed segment and their suggestion to include a fixed implementation timeline in the rules. However, the Board is declining to proceed with adopting the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

197. COMMENT: The commenter notes that the proposed GSESP rules do not clearly indicate whether the EDCs will be responsible for disbursing both the performance incentives and the fixed incentives on behalf of the BPU, or whether the BPU will handle the payment of fixed incentives directly to customers. (NJUA)

RESPONSE: Pursuant to the previously proposed rule, the Board intended for its GSESP program administrator (which will be a non-EDC contracted to administer the program for the Board) to administer the fixed incentive portion of the distributed segment, such that EDCs would only have responsibility for the performance incentive component.

However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

198. COMMENT: The commenter opposes the administrative cost and incentives being calculated as a passthrough, although the cost recovery provisions are improved compared to previous proposals. The commenter argues that if EDCs are responsible for the success of the GSESP (including recruitment, enrollment, event management, analysis, results, and reporting), they should be given an incentive structured similarly to the incentive structure for EDCs' energy efficiency programs. The commenter specifies that this incentive should be treated as an investment for the utility and amortized over a period commensurate with the average lifetime of an energy storage project. (NJUA)

RESPONSE: The Board appreciates the commenter's feedback regarding the treatment of administrative costs and the suggestion to provide EDCs with a separate performance incentive for administering the distributed segment of the GSESP. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

199. COMMENT: The commenter supports the rules' emphasis on EDC-led interconnection support; however, they request clarification to carry out interconnection responsibilities. (ACE)

RESPONSE: The Board appreciates the commenter's feedback emphasizing the need for clear delineation of interconnection responsibilities through EDC-led implementation. The Board intends to address this issue through the Grid Modernization Forum proceedings. The Board also notes that it is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. Any interconnection responsibilities that are directly relevant to or impact the GSESP that have not been covered in the Grid Modernization Forum will be addressed during future program and rule development.

200. COMMENT: The commenter states that N.J.A.C. 14:8-14 should explicitly address the treatment of hosting capacity enhancements for energy storage and give the EDCs a clear pathway to recover investments. (ACE)

RESPONSE: The Board appreciates the commenter's feedback regarding the need to explicitly address hosting capacity enhancements for energy storage and to provide EDCs with a clear pathway for investment recovery. The Board agrees that this is an important consideration for long-term grid planning and program sustainability. However, the current rulemaking is focused on establishing the foundational framework for the GSESP. The Board intends to holistically address hosting capacity matters through a single approach for all DERs in the grid modernization proceeding, rather than promulgate different rules for different DERs. The Board also notes that it is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. To the extent hosting capacity issues relevant to the GSESP have not yet been resolved by the Grid Modernization proceeding, the Board intends to provide the necessary guidance to the EDCs during future program and rule development.

201. COMMENT: The commenter proposes incorporating the following language, indicated by italics, at N.J.A.C. 14:8-14.9(a)1 to encourage EDCs to begin consulting with stakeholders regarding the dispatch mechanism as early as possible: "… EDC key responsibilities, subject to NJBPU oversight, include, but are not necessarily limited to: 1. Operational oversight and performance monitoring—the EDCs *in coordination with stakeholders* shall establish a dispatch mechanism, develop and then implement a distributed energy resource management system, ensure energy storage systems respond effectively to grid needs, and oversee data reporting as a means to track, measure, and monitor energy storage performance for the GSESP." The commenter also recommends that the EDCs begin consulting with storage developers regarding the dispatch mechanism in October 2025. (Calibrant)

RESPONSE: The Board appreciates the commenter's recommendation to incorporate language at N.J.A.C. 14:8-14.9(a)1 encouraging early stakeholder consultation on the dispatch mechanism and distributed energy resource management systems. The Board agrees that coordination between EDCs and stakeholders—including storage developers could help improve system design and performance tracking. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

202. COMMENT: The commenter supports the provision that the distributed performance energy storage incentive programs would be recovered "through ratepayer tariffs through their base rate cases." They state the Board should allow for rider recovery of these costs at the utility's discretion, which may include use of an existing utility rider.

The commenter supports the Board's recognition that full and timely cost recovery at the approved weighted average cost of capital (WACC) is essential to accomplish program goals at N.J.A.C. 14:8-14.9(a). The commenter suggests clarifying that the WACC approved in the EDC's most recent base rate case is the appropriate return on capital expenditures. The commenter suggests that N.J.A.C. 14:8-14 should allow the flexibility for rider recovery at the utility's discretion, stating that this provides a timelier means of recovery than through a base rate case. The commenter supports that N.J.A.C. 14:8-14.9(a) permits recovery of administrative expenses, and the proposed rules should make clear that they include expenses incurred during the standup of the program as well as the facilitation of the program after "go-live." (JCP&L)

RESPONSE: The Board appreciates the commenter's insight regarding cost recovery mechanisms for the distributed energy storage incentives and program administration costs but declines to codify the commenter's suggested language. The Board is proposing, through this notice, to not adopt the proposed rules for the underlying Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

203. COMMENT: The commenter objects to the requirement that incentive payments be treated as expenses and thus as a "pass-through." The commenter states that this is not consistent with past practice of the Board concerning incentive payments offered through other programs, such as energy efficiency. The commenter cites an October 30, 2024, Board Order regarding the JCP&L EE&C Plan II Filing (Docket No. QO23120872, *In the Matter of the Verified Petition of Jersey Central Power & Light Company for Approval of JCP&L's Second Energy Efficiency and Conservation Plan Including Energy Efficiency and Peak Demand Reduction Programs*), which granted recovery of customer incentives with amortization over a 10-year period and a return on the incentives using WACC. (JCP&L)

RESPONSE: The Board appreciates the commenter's input regarding the treatment of incentive payments for distributed storage systems. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

204. COMMENT: The commenter states that the Board should be aware that some DERMS requirements necessary for the distributed segment program, such as a "grid-edge DERMS," may take years to develop and implement. (JCP&L)

RESPONSE: The Board acknowledges that such systems require significant planning and investment and that interim solutions will be necessary. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

205. COMMENT: The commenter states that the rules, as written, require EDCs to fund program costs upfront and then seek recovery through future base rate cases, which presents several challenges. These include immediate bottom-line impacts when costs are incurred, with recovery only possible in future rate cases, EDCs being forced into filing frequent, recurring base rate cases, which is administratively burdensome and not feasible, and the creation of a transparency problem by embedding storage program costs within base distribution rates. The commenter instead recommends allowing EDCs to defer program incentive and administrative costs as a regulatory asset, which would eliminate immediate financial strain until recovery can occur, and to implement a separate cost recovery rider, similar to the energy efficiency RGGI rider, which provides transparency by allowing customers to clearly see the cost of State-mandated energy storage programs without distorting base distribution rates. Additionally, the commenter recommends that the Board should allow EDCs to earn a return not only on specific capital improvements but also on key program enablement investments and requests the rules specify whether administrative costs include customer education, marketing, and technical support personnel. (ACE)

RESPONSE: The Board appreciates the commenter's feedback on potential cost recovery challenges for the distributed storage segment and related transparency issues. Regarding the commenter's transparency concerns, the Board notes that it does not interpret N.J.A.C. 14:8-14.9(a)2, as originally proposed, as requiring EDCs to subsume all GSESP-related costs into their main distribution cost line item. Rather, the provision was simply meant to provide for the review of such costs and determine the details of how they will be recovered in base rate cases. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

206. COMMENT: The commenter argues that EDCs should be allowed full cost recovery for all investments and expenses related to the development and operation of the GSESP, consistent with established cost recovery methods for similar incentive programs. In particular, the commenter notes that EDCs should be incentivized to successfully

implement their GSESP responsibilities. The commenter notes that this could be accomplished through allowing the EDCs to treat incentive payments as investments that amortized and recovered over time, as is done in EDC energy efficiency programs. The commenter emphasizes that providing a timely cost recovery mechanism will enable EDCs to avoid potential financial barriers that could delay deployment and lead to inefficiencies, unnecessarily extended project timelines, and a reduction of capacity to meet State goals. (PSE&G)

RESPONSE: The Board appreciates this commenter's input regarding the importance of timely cost recovery for investments and expenses related to the development and operation of the distributed segment of the GSESP. The Board agrees that minimizing financial barriers is essential to efficient program deployment and achieving state energy goals. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

207. COMMENT: The commenter asserts that if EDCs are responsible for the success of the GSESP (including recruitment, enrollment, event management, analysis, results, and reporting), they should be given an incentive. This incentive could be structured similarly to the incentive structure for EDCs' energy efficiency programs, where the incentive is treated as an investment for the utility and amortized over time. (PSE&G)

RESPONSE: The Board appreciates this comment regarding including an incentive mechanism to reward EDCs for overall distributed storage program success. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

208. COMMENT: The commenter expresses concerns with the rulemaking's mandate that each EDC "establish a dispatch mechanism, develop and then implement a distributed energy resource system" and states that each EDC should have discretion in determining if a DERMS system is needed. The commenter argues that mandating the development and implementation of a DERMS has the potential to increase costs significantly and delay the distributed market performance incentives. Further, depending on the number of DERs through an EDC's control, the EDC may develop alternative processes or use a third-party aggregation system until such time that a greater number of DER assets are installed and DERMS implementation becomes prudent. The commenter states that if there are a limited number of assets that would be called by a DERMS, the implementation and related costs would not be prudent until a greater number of DER assets are installed. The commenter advocates for the creation of a working group between Board Staff and the EDCs to discuss the requirement for and timing of a DERMS, especially in the context of broader grid modernization efforts under consideration at FERC and PJM. The commenter seeks full recovery of all costs (through a rider mechanism) associated with the development, implementation, and maintenance of a potential DERMS system. (PSE&G)

RESPONSE: The Board appreciates the commenter's concerns regarding the proposed requirement for each EDC to establish a dispatch mechanism and implement a DERMS. The Board recognizes that DERMS implementation may involve significant costs and that the scale of DERs through an EDC's control could influence the timing and value of such investments, and that it may be prudent to rely on an alternative to DERMS during the initial phase of program implementation. Regardless, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

209. COMMENT: The commenter requests clarification on how the GSESP will effectively coexist and harmonize with Federal Energy Regulatory Commission and PJM Interconnection LLC rules. They state that the proposed rules place the responsibility on EDCs to ensure that no double counting occurs, and that it is an open issue as to how they would implement this responsibility (for example, whether asking the system owner to disclose participation is sufficient versus requiring additional conversations with PJM). (PSE&G)

RESPONSE: The Board appreciates the commenter's request for clarification on how the GSESP will harmonize with FERC and PJM rules, particularly regarding the prevention of double compensation. The Board agrees that clear guidance on participation channels and compensation restrictions is essential to ensure regulatory compliance and avoid overlapping payments for the same service. The Board also recognizes the importance of aligning dispatch signals to reflect both distribution-level and bulk system value. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

210. COMMENT: The commenter recommends that the Board convene workshops to discuss avoiding potential project delays, conflicts during implementation, and confusion. (PSE&G)

RESPONSE: The Board appreciates the comment and will take this recommendation into consideration for future procurement rounds to avoid confusion and delays. The Board intends to incorporate stakeholder workshops at various points in program implementation to refine program details.

211. COMMENT: The commenter notes concern with respect to how the GSESP will work with the current net metering program, specifying that it is unclear whether a net metering customer can add an energy storage system and be eligible for both net metering and the GSESP. They seek confirmation that any customer combining energy storage participating in GSESP programs with existing BTM generation will no longer be eligible for NEM, if previously approved for NEM. This confirmation is requested because there are instances where GSESP participation may necessitate grid-sourced power and may need to be coincident with PV Solar operation, which appears not to be compatible with NEM rules. (PSE&G)

RESPONSE: The Board appreciates the comment regarding the interaction between the distributed storage segment GSESP and the existing NEM program. The Board recognizes that questions around eligibility for customers combining energy storage with behind-the-meter generation are important, particularly where GSESP participation may involve grid-sourced power that could affect NEM compliance. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

212. COMMENT: The commenter requests clarity from the Board regarding the intention of the EDC-administered program and seeks a clearer definition of the EDCs' role. (NJUA).

RESPONSE: The Board appreciates the commenter's request for greater clarity regarding the intention of the EDC-administered program and the role of the EDCs. Pursuant the previously proposed rule, EDCs would have been responsible for administering the distributed performance incentive component of the GSESP. This includes offering incentives to customers who successfully reduce on-site load and/or inject power into the distribution system during designated performance hours, as determined by each EDC. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

213. COMMENT: The commenter strongly encourages the BPU to consider EDC ownership of and investment in energy storage. The commenter states that EDC ownership may maximize grid and customer benefits because EDCs possess the experience and expertise to deploy, maintain, and operate large-scale storage solutions equipped with command-and-control technology. (NJUA)

RESPONSE: The Board appreciates the comment and believes EDC ownership of energy storage may be appropriate in certain scenarios. However, the focus of the GSESP is fostering energy storage deployment by non-utility actors through closing revenue gaps of entities that cannot seek near-guaranteed rate recovery of their capital expenditures. As EDCs can recover all prudent capital expenditures from their customers, the Board does not see a reason why EDCs should need GSESP incentives and therefore declines to extend incentive eligibility to EDCs. The Board reiterates that the ownership eligibility restrictions in the GSESP only limit eligibility for GSESP incentives, and do not prohibit EDCs from pursuing prudent investments in energy storage projects that serve distribution system functions. The Board may provide further guidance regarding potential EDC ownership of storage in a future Board Order.

214. COMMENT: The commenter requests that the BPU share any information they may have on how they expect to realize savings, such as through the gap analysis cost study mentioned in the proposed rules. (NJUA)

RESPONSE: The Board appreciates the commenter's interest in understanding how anticipated savings through the GSESP may be realized. As an initial matter, the referenced "gap analysis" was developed using confidential data and therefore cannot be released publicly. However, Board staff, in collaboration with their consultant, intends to conduct an updated gap analysis. As to the question of savings from the distributed segment of the program, the Board expects these to come from various forms of avoided distributed, transmission, and wholesale (especially capacity) costs. The Board is currently working with its consultant to develop methodologies for measuring or at least estimating such savings for the purposes of calibrating performance incentives. As part of this process, the Board may reach out to EDCs for data and their input on these methodologies. The Board also anticipates publicly releasing at least a summary of the data and analysis supporting its estimates of distributed storage value.

215. COMMENT: The commenter recommends establishing a timeline for the EDCs to implement DERMS and using a simple call interim approach until DERMS is live. The commenter explains that FOM distributed storage enables near-term virtual power plant/non-wires alternative services once DERMS is operational. The commenter asks the Board to work to accelerate DERMS rollout by the EDCs and to direct EDCs to implement a simple-call framework immediately until DERMS is live. The commenter states the interim simple-call framework should apply fixed point of interconnection (POI) export limits and IEEE 1547/UL 1741 SB functions (Volt/VAR, Volt/Watt, ramp limits). The framework should publish charge/discharge windows (for example, charge 11:00–15:00; discharge 17:00–21:00), provide day-ahead and hour-ahead notices, cap events at four hours, make participation voluntary, and settle from interval data using response-kW. The commenter recommends that on communications loss, the framework should default to export-cap-plus-schedule. (Solar Landscape)

RESPONSE: The Board appreciates the commenter's feedback regarding the implementation of DERMS. The Board also appreciates the commenter's suggestions for a "simple call" system to be used as an interim dispatch methodology until EDCs can fully implement DERMS. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

216. COMMENT: The commenter requests that the Board consider requiring utilities to file a Value Stack tariff similar to the Value of Distributed Energy Resources (VDER) in New York State. This type of tariff would compensate energy storage systems for the value provided. Alternatively, the commenter asks if a Non-Wires Solution contract could be offered by the utilities in conjunction with this program to help developers close the revenue gap. (Qcells)

RESPONSE: The Board appreciates the commenter's suggestion regarding the potential for a Value Stack tariff or Non-Wires Solution contracts to support energy storage deployment. The Board notes that the previously proposed distributed performance incentive component of the GSESP was intended to serve a similar function to New York's VDER structure, albeit limited to only distributed storage. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

217. COMMENT: The commenter states the Board should establish a framework for data sharing agreements (DSAs) between EDCs and developers of front-of-the-meter storage projects. DSAs would serve as standardized agreements that define telemetry, dispatch protocols, and DERMS integration requirements to leverage storage systems for grid support and clarify roles and responsibilities for performance, communications, and operational coordination. Additionally, DSAs would seek to establish dispute resolution and accountability mechanisms to prevent system operators from being exposed to undue risks and create transparency and predictability for developers while protecting system reliability and customer interests. (ACE)

RESPONSE: The Board appreciates the commenter's input regarding the need for a framework for DSAs between EDCs and developers of front-of-the-meter storage projects. The Board recognizes that effective data sharing can support project development and grid integration. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

218. COMMENT: The commenter urges the Board to immediately call for EDCs to allow interconnection applications for energy storage systems. The commenter notes that some EDCs have refused to study energy storage projects, citing the pending status of the GSESP, which could dramatically impact the Phase 2 rollout. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comment and notes that it intends to require EDCs to timely process interconnection applications of distributed energy storage and other distributed energy storage resources pursuant to the procedures described at N.J.A.C. 14:8-5.

219. COMMENT: The commenters recommend that the performance incentive be designed in the form of a tariff rather than an "Energy Storage Filing." The commenters assert that a tariff provides necessary specificity regarding incentive levels, the division of compensation, and terms and conditions, offering customers certainty and clear procedural avenues for stakeholder feedback. The commenters suggest the Board direct EDCs to file these tariffs by a specific date. The commenters recommend that the Board direct EDCs to include the following in their tariffs: (1) require EDCs to operate on a set performance incentive timeline (suggesting five years, with optional extension per project); (2) make enrollment available on a first-come, first-served basis to any interconnecting customer meeting maturity requirements; and (3) include specific proposals detailing the level of up-front incentive, and the specific calculations and amounts for performance payments on a "per call" basis. (United, CCSA, NJSEC, and SEIA)

RESPONSE: The Board appreciates the comments regarding the structure and implementation of the performance incentive. The Board recognizes the value of tariff-based approaches in providing specificity, transparency, and procedural clarity for stakeholders. However, the Board is proposing, through this notice, to not adopt the proposed rules for the Phase 2 distributed storage segment at this time due to intervening legislative action, stakeholder feedback, and the need to ensure alignment with the VPP Program directed by Executive Order 2, all of which may require significant changes to the Phase 2 design. The Board will consider the commenter's feedback during future program and rule development.

N.J.A.C. 14:8-14.10 Program Reporting

220. COMMENT: The commenter requests additional clarity on which elements of the GSESP, the EDCs are responsible for reporting on. The commenter states that EDCs should only be required to provide electronic reporting for the distribution performance incentive program, for which they are responsible for calculating and disbursing incentives, and not for the entire program. (NJUA)

RESPONSE: The Board appreciates the commenter's request for clarification on the scope of EDC reporting responsibilities pursuant to the GSESP. The Board does not intend for EDCs to report on program elements outside their administrative responsibilities and will provide further guidance as implementation progresses and future Board Orders are issued.

221. COMMENT: The commenter supports mapping of metrics to each goal for both transmission and distribution projects. (DRC)

RESPONSE: The Board appreciates the commenter's support for mapping metrics to each goal for both transmission and distribution projects. The Board agrees that aligning reporting requirements with program goals is essential for transparency, accountability, and effective evaluation. As noted in the proposed rule, the reporting framework is already structured to reflect this alignment, consistent with recommendations provided by this commenter in their comments on the November 2024 Straw Proposal. The Board remains committed to ensuring that performance metrics continue to support clear and measurable progress toward program objectives.

Summary of Agency-Initiated Changes:

1. The Board is proposing to strike all language related to the distributed segment from the proposed rules. This includes the definitions that exclusively pertain to distributed storage originally proposed at N.J.A.C. 14:8-14.2, proposed N.J.A.C. 14:8-14.6 pertaining to the distributed segment fixed incentive, proposed N.J.A.C. 14:8-14.7 pertaining to the distributed segment performance incentive, and proposed N.J.A.C. 14:8-14.9 pertaining to EDC responsibilities related to the distributed segment. The Board is proposing to do so for several reasons. First, Governor Sherrill's directive in Executive Order 2 to develop a VPP Program will likely require significant changes to the design and scope of the distributed segment to ensure that both programs align and do not create any double compensation problems. Second, the Board believes stakeholder comments have revealed the need for several substantial changes to the distributed segment design. Third, pending bill A1072 would also set statutory requirements for the distributed segment that would likewise require significant changes to the proposed rules. At the same time, the APA requires the Board to act on a rulemaking proposal within one year or allow the rulemaking to expire, while the APA rulemaking review process requires the Board to complete a full draft of any rulemaking document months in advance of the Board formally approving. For these reasons, the Board determined it could not gather and incorporate sufficient stakeholder feedback to formulate a revised proposal for the distributed segment that could be issued prior to the expiration of the current notice of proposal, especially as its expiration date was only four months after the date of A6155's introduction. The Board has, therefore, chosen to narrow the scope of the existing rulemaking to just the transmission-scale segment, and to continue working on distributed segment development through separate proceedings.

2. The Board is proposing to tie annual incentive payments to battery cell degradation in addition to the existing tie to annual dispatch availability, pursuant to a methodology that will be specified in the Board Order opening the relevant solicitation, at new N.J.A.C. 14:8-14.3(h). This change is intended to accurately reflect the reduced value of a project that has lost part of its energy storage capability and to provide an incentive for project owners and operators to take steps to mitigate degradation.

3. The Board is proposing to amend the language at N.J.A.C. 14:8-14.3(j) to allow for application deposit refunds in the case that an application becomes disqualified for reasons beyond the applicant's control. The Board is further proposing to amend the language at N.J.A.C. 14:8-14.3(j) to waive the bid fee for applicants who did not receive an award in a solicitation and who submit a substantially similar project to a subsequent solicitation. A project would be considered substantially similar if its geographic footprint overlaps with the footprint of the first project. Applicants proposing an increase in installed capacity in the subsequent solicitation must pay a non-refundable fee on the incremental capacity. For example, an applicant proposing a project with installed capacity of 110 MW that is substantially similar to a 100 MW project bid into, but not awarded in, the initial solicitation should submit an application fee of $2,000 ($200/MW multiplied by the 10 MW increase in nameplate capacity).

4. The Board is proposing to amend the language at N.J.A.C. 14:8-14.3(k) to add a bid validity period of nine months from the final submission deadline. The Board will specify that bids will be considered valid during this period. This change is intended to avoid any uncertainty about when the Board or applicants should consider bids to be stale.

5. At proposed N.J.A.C. 14:8-14.3(v), the Board is proposing to require reporting of annual and cumulative project cost and revenue components as actual dollar amounts rather than as percentages of the installed cost. This change will provide clearer and more comparable financial information, thereby enhancing the Board's ability to verify project costs, assess revenue streams, evaluate financial risk, compare projects, support budget planning, and ensure responsible use of public funds. The Board now believes that percentage-based reporting alone does not provide enough information to adequately serve these purposes. Cost components may include, but are not limited to, operating costs, installation costs, financing costs, and other components specified by Board Order or in the application instructions or reporting requirements for the solicitation. Revenue components may include incentives, energy arbitrage, ancillary services, and other components specified by Board Order or in the application instructions or reporting requirements for the solicitation.

6. The Board is proposing to remove the previously proposed requirement at N.J.A.C. 14:8-14.3(d)4 as, at the time of application, a project must have completed the PJM interconnection process up to, at a minimum, the completion of a Phase 1 System Impact Study, a Surplus Interconnection Study, or an equivalent study, or provide the Board with documentation demonstrating that it will be able to use the capacity interconnection rights of a deactivating generation facility. This change aligns the rules with changes made pursuant to P.L. 2026, c. 2, enacted on March 24, 2026, to the governing statute, which amended the qualification requirements for transmission-scale energy storage incentives. Instead, projects will be required to have entered the PJM interconnection process and, at a minimum, be in the process of undergoing a Phase 1 System Impact Study, or have completed a Surplus Interconnection Study or an equivalent study; or provide the Board with documentation demonstrating that they have notified PJM of their intent to transfer the existing capacity interconnection rights of a deactivating generation facility.

7. The Board is proposing to amend N.J.A.C. 14:8-14.3(o)1i to clarify that the methodology for determining the amount of pre-development security, if any is required, that will be returned upon completing a given milestone will be specified in the Board Order establishing each Tranche. The Board is proposing to amend N.J.A.C. 14:8-14.3(o)1i to clarify that, if a system owner fails to achieve a project milestone within 30 calendar days of its scheduled completion date, or another period established by Board Order, delay damages will accrue at the applicable rate beginning on the calendar day that is 30 calendar days after the applicable scheduled completion date and ending on the calendar day on which the project milestone is achieved. The Board is similarly proposing to amend N.J.A.C. 14:8-14.3(o)1ii to clarify that, if a system owner fails to achieve commercial operation by its planned COD, delay damages will accrue at the applicable rate beginning on the calendar day following planned COD and ending on the calendar day when the system owner achieves commercial operation. The Board is likewise proposing to include parallel clarifying language in newly proposed N.J.A.C. 14:8-14.3(o)2 for the same reasons.

8. The Board is proposing to add N.J.A.C. 14:814.3(o)2 to clarify that, if a project has not achieved commercial operation by its planned COD and no pre-development security is required for the solicitation, delay damages will be deducted from future incentive payments rather that from

the pre-development security. This amendment reflects the Board's proposal to establish $100,000 per MW as the maximum pre-development security that may be required, while allowing the Board to set the specific amount for each solicitation based on market conditions, prior solicitation experience, and project characteristics. Any applicable pre-development security requirement will be specified in the Board Order opening the solicitation. This amendment codifies the approach the Board adopted in its June 18, 2025, Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program*), which opened the Tranche 1 solicitation, and its March 4, 2026, Order (Docket No. QO22080540, *In the Matter of the Garden State Energy Storage Program ("GSESP") Pursuant to P.L. 2018, c.17*), which opened the Tranche 2 solicitation. In both solicitations, the Board required no pre-development security and instead provided that delay damages would be deducted from the first annual incentive payment.

9. The Board is proposing to amend N.J.A.C. 14:8-14.3(v)1 to remove the requirement to report details regarding the installed capacity toward the State's 2030 energy storage goal, including the total installed capacity, technology type, number of projects, and identification of applications that were awarded and not awarded. Instead, the projects will be required to report only the installed capacity. The Board is proposing to amend N.J.A.C. 14:8-14.3(v)7 to clarify that the reporting requirement regarding deployment that accelerates the clean energy transition applies only at the program level and does not apply to individual projects. The Board is proposing to amend N.J.A.C. 14:8-14.3(v)10 to clarify that the reporting requirement regarding reductions in electricity costs for ratepayers applies only at the program level and does not apply to individual projects.

10. The Board is proposing to amend N.J.A.C. 14:8-4.10(b)4 to correct a typographical error.

Effect of Proposed Changes on Impact Statements Included in Original Proposal

The changes in this notice are anticipated to impact the Social, Economic, Jobs, Agriculture Industry, and the Housing Affordability Impact Analyses, and the Regulatory Flexibility Statement, as published in the original notice of proposal. The changes modify various aspects of GSESP, including definitions, commercial operation deadline, maturity requirements, incentive-payment requirement, delay penalties, condition for fee refunds, condition for bid-fee waivers, bid-validity period, reporting requirements, and the removal of the distributed-segment incentive structures. However, the Board concludes that only the removal of the distributed segment from the present rulemaking will result in significant changes to the impact statements, which are discussed below. As such, the Board notes that the changes to the impact statements do not reflect changes to the overall impact of the GSESP, because the Board plans to proceed with a distributed storage program outside of this rulemaking. The changes to the impact statements merely reflect that those impacts will no longer result from this rulemaking.

Social Impact

The implementation of the proposed new rules and the GSESP are expected to deliver broad social benefits to New Jersey by improving electric energy resilience, air quality, electric bills, and energy usage; however, removing the distributed incentive program component will likely impact the anticipated outcomes attributable to this specific rulemaking. This rulemaking originally aimed to cover the entire scope of the GSESP and thus would have resulted between 1,500 and 1,800 MW of installed energy storage systems over five years to help meet the Clean Energy Act of 2018, N.J.S.A. 48:3-87.8. Removing the distributed segment means the impact of the current rulemaking will be limited to the impacts stemming from the development of roughly 1,000 MW of transmission-scale resources. This also means the current rulemaking will no longer facilitate localized backup power during and after extreme weather events for critical facilities such as hospitals, emergency response centers, and water treatment facilities, along with the associated community well-being and reduced socioeconomic disruption. The current rulemaking will no longer result in distributed storage that contributes to reducing peaker-unit operation, and its related benefits for air quality, climate resilience, and environmental justice in overburdened communities, as identified in the New Jersey Scientific Report on Climate Change, 1.0 New Jersey Department of Environmental Protection. 60, 69 (2020). The rulemaking will no longer provide additional localized benefits tied to distributed storage incentives in overburdened communities. The deletion of the distributed component also means this rulemaking will not expand customer-focused opportunities to use distributed storage for energy arbitrage, demand response, participation in virtual power plants, and wholesale market participation through FERC Order 2222. As such, it will not provide additional avenues for customers to manage energy usage, reduce costs, and receive compensation for grid services and control their energy bills. As a result, this change may reduce the rulemaking's contribution towards lowering the cost of achieving a fully reliable grid in the near term. Despite the removal of the distributed component in this rulemaking, it is still expected to have an overall positive social impact on New Jersey for the other reasons stated in the notice of proposal.

The Board stresses that the above changes are only changes in the social impacts that are attributable to this rulemaking action. In other words, they reflect a change in the scope of what the Board plans to accomplish in this specific rulemaking action, not a change in policy or what the Board intends to achieve through the GSESP as a whole. Indeed, the Board intends to proceed with a distributed storage program that will have substantially similar impacts to those identified in the notice of proposal's impact statements in the near future.

Economic Impact

It is anticipated that this rulemaking will lead to a net decrease in electricity costs for New Jersey ratepayers and net positive economic impacts. Though the Board believes this will remain true, removing the distributed segment will diminish several of the economic contributions the rulemaking was expected to deliver as several important economic benefits tied specifically to distributed storage would no longer occur. Specifically, the rulemaking will now cause fewer investments in new infrastructure and grid modernization, and, thus, will provide fewer environmental, public-health, and job creation benefits. It also means the rulemaking will do less to improve reliability and avoid the economic losses that accompany electrical service interruptions. Similarly, electricity costs may not decrease to the extent they would have if the distributed storage remained a part of the rulemaking, as it will no longer drive the deployment of distributed storage that could have avoided "poles and wires" upgrades and other operational savings that would have reduced system costs. Conversely, the elimination of the distributed storage also means the rulemaking will no longer result in ratepayers bearing the cost of any distributed performance incentives. In addition, by not accelerating distributed storage deployment, this rulemaking will no longer provide enhanced opportunities for end-use customers to generate bill savings or revenues through energy arbitrage, demand response, and participation in virtual power plants.

The Board stresses that the above changes are only changes in the economic impacts that are attributable to this rulemaking action. In other words, they reflect a change in the scope of what the Board plans to accomplish in this specific rulemaking action, not a change in policy or what the Board intends to achieve through the GSESP as a whole. Indeed, the Board intends to proceed with a distributed storage program that will have substantially similar impacts to those identified in the notice of proposal's impact statements in the near future.

Jobs Impact

Deleting the distributed storage segment from the subchapter will reduce the job-creation benefits of this rulemaking, especially since distributed systems tend to require more labor-intensive, site-specific work than large transmission-scale projects. Specifically, this change means the rulemaking will produce fewer new jobs in the fields that support the deployment and operation of customer-sited storage, including construction, installation, professional services, manufacturing, and maintenance jobs. Therefore, eliminating this segment would shrink the number of installation, engineering, permitting, and maintenance jobs that would otherwise be generated across homes, businesses, and communities. While the rulemaking is still projected to produce a net increase in the number of jobs in the New Jersey economy through transmission-scale deployment, the total number of new jobs will be lower than originally projected, and the distribution of those jobs will shift away from local, community-based employment toward larger, centralized projects.

The Board stresses that the above changes are only changes in the jobs impacts that are attributable to this rulemaking action. In other words, they reflect a change in the scope of what the Board plans to accomplish in this specific rulemaking action, not a change in policy or what the Board intends to achieve through the GSESP as a whole. Indeed, the Board intends to proceed with a distributed storage program that will have substantially similar impacts to those identified in the notice of proposal's impact statements in the near future.

Agricultural Industry Impact

Removing the distributed storage from the proposed rules will mean the rulemaking will produce fewer positive agricultural impacts. This change would still not be expected to cause material impacts to farmlands or harm the agriculture industry, because energy storage projects must continue to comply with all applicable State rules. However, the rulemaking would no longer create the same opportunities for dual-use renewable energy development in the agricultural sector, because the rulemaking will no longer provide additional economic opportunities for dual-use solar-plus-storage configurations. That, in turn, means the rulemaking would no longer provide opportunities for farm operations to reduce their costs and improve their electrical resilience. In summary, with the removal of the distributed storage, the current rulemaking is no longer expected to impact the agricultural industry apart from a general reduction in electricity costs and improved grid reliability from the deployment of transmission-scale energy storage systems.

The Board stresses that the above changes are only changes in the agricultural industry impacts that are attributable to this rulemaking action. In other words, they reflect a change in the scope of what the Board plans to accomplish in this specific rulemaking action, not a change in policy or what the Board intends to achieve through the GSESP as a whole. Indeed, the Board intends to proceed with a distributed storage program that will have substantially similar impacts to those identified in the notice of proposal's impact statements in the near future.

Regulatory Flexibility Analysis

The removal of the distributed storage reduces the overall impact on small businesses, as that segment represents the majority of small business participants and, therefore, the most compliance burden, as set forth in the comments and responses above.

The Board stresses that the above changes are only changes in the small-business impacts that are attributable to this rulemaking action. In other words, they reflect a change in the scope of what the Board plans to accomplish in this specific rulemaking action, not a change in policy or what the Board intends to achieve through the GSESP as a whole. Indeed, the Board intends to proceed with a distributed storage program that will have substantially similar impacts to those identified in the notice of proposal's impact statements in the near future.

Housing Affordability Impact Analysis

The removal of distributed storage does not alter the housing affordability impact analysis beyond a potential change in the size of the decrease in cost of residential electrical service the rulemaking is expected to produce. Specifically, electricity costs may not decrease to the extent they would have if the distributed storage remained a part of the rulemaking, as it will no longer drive the deployment of distributed storage that could have avoided "poles and wires" upgrades and other operational savings that would have reduced system costs. Conversely, the elimination of the distributed storage also means the rulemaking will no longer result in ratepayers bearing the cost of any distributed performance incentives, which will offset to this effect to some degree. As such, the rulemaking's overall effect on housing affordability would likely remain minor, but still slightly positive.

The Board stresses that the above changes are only changes in the housing affordability impacts that are attributable to this rulemaking action. In other words, they reflect a change in the scope of what the Board plans to accomplish in this specific rulemaking action, not a change in policy or what the Board intends to achieve through the GSESP as a whole. Indeed, the Board intends to proceed with a distributed storage program that will have substantially similar impacts to those identified in the notice of proposal's impact statements in the near future.

Full text of the proposed substantial changes to the proposed new rules follows (additions to proposal indicated in italicized boldface ***thus***; deletions from proposal indicated in italicized cursive brackets *{*thus*}*):

SUBCHAPTER 14. GARDEN STATE ENERGY STORAGE PROGRAM

14:8-14.1 Purpose and scope

This subchapter sets forth the rules for the Garden State Energy Storage Program. The program is *{*comprised of two segments: one for transmission-scale energy storage systems directly interconnected to the bulk transmission system and the other for distributed energy storage systems interconnected to electric distribution companies' distribution systems, either in front of or behind a retail meter. The two segments are*}* designed to provide incentives for eligible energy storage systems to achieve the State of New *{Jersey}* ***Jersey's energy storage*** target***s*** *{*of deploying 2,000 megawatts (MW) of energy storage by 2030*}*.

14:8-14.2 Definitions

For the purposes of this subchapter, the following words and terms shall have the following meanings, unless the context clearly indicates otherwise:

. . .

{"Block" means the target deployment level of a distributed energy storage system's installed capacity for a given fiscal year.

"Block incentives" means the fixed incentive levels for distributed energy storage systems the Board sets for a specific block in a particular fiscal year.

"Block priority date" means the date on which the program administrator receives a completed distributed segment application.*}*

. . .

{"Distributed energy resource" or "DER" means a category of devices and technologies that are integrated with the electricity system at the distribution level, either providing or consuming power.

"Distributed Energy Resource Aggregation" or "DER Aggregation" means the same as defined at N.J.A.C. 14:8-5.1.

"Distributed energy storage system" means an energy storage system that operates in parallel with an electric distribution system, is either connected on the customer side of the meter or directly interconnected to the distribution system in front of the meter, and is owned by the customer or another party that is not an EDC.

"Distributed segment" means the component of the GSESP designed to accelerate the deployment of distributed energy storage systems.

"Distribution system" means, with respect to an EDC, any property that is used for the distribution or delivery of electricity to the customers of the EDC including, but not limited to, the land, structures, meters, lines, switches, and all other appurtenances thereof and thereto, owned or controlled by the EDC within this State.*}*

. . .

"Energy storage" means 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 *{*using mechanical, chemical, or thermal processes,*}* 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.

. . .

{"Gap analysis" means an analysis that determines the difference between the average installed cost of an energy storage system, including all fixed and operating costs, and the projected revenue needed to fund debt and equity (costs).*}*

. . .

{"Large" when describing distributed energy storage systems, means possessing an installed capacity of greater than 500 kW. *}*

. . .

{"Medium" when describing distributed energy storage systems, means possessing an installed capacity of 100 to 500 kW.*}*

. . .

{"OBC adder" means an increase to the fixed incentive for distributed energy storage systems that benefit OBCs or OBC residents.*}*

. . .

{"Response kWs" means the power discharged from a distributed energy storage system during a dispatch call initiated by a New Jersey EDC.

"Small," when describing distributed energy storage systems, means (possessing) an installed capacity of less than 100 kW.*}*

. . .

"Transmission-scale energy storage system" means an energy storage system, with an installed capacity of at least five MW AC, that is interconnected with ***or plans to be interconnected with*** the PJM transmission network and situated inside a transmission zone in New Jersey*{,}* or is otherwise located in New Jersey*{,}* and qualified to provide energy, capacity, or ancillary services in the wholesale markets established by PJM.

. . .

"Transmission zone" means the jurisdictional territory of *{*an*}* ***a New Jersey*** EDC in PJM that owns and maintains transmission facilities within the territory.

. . .

14:8-14.3 Transmission segment fixed incentive structure

(a) (No change from proposal.)

(b) The size of the fixed incentive that a transmission-scale energy storage system may receive will be determined by a competitive solicitation process.

1.-2. (No change from proposal.)

3. The length of a solicitation's application period, as well as the target amount or range of energy storage installed capacity to be sought in each solicitation, shall be set by ***the*** Board *{*order*}* ***Order*** opening the relevant solicitation.

(c) The Board shall decline to award fixed incentives to a transmission-scale energy storage system if it determines that paying the requested incentive would be an unduly expensive means of advancing the State's energy storage goals. The Board shall determine whether a requested incentive is unduly expensive by considering:

1. Whether the requested incentive appears reasonable on the basis of confidential analyses of the amount of incentive funds a transmission-scale energy storage system likely needs to be financially viable, adjusted as necessary*{,}* for changes in market conditions, such as those caused by shifts in Federal tariff or tax policy; and

2. (No change from proposal.)

(d) To qualify for an incentive award pursuant to this section, a transmission-scale energy storage system shall:

1.-2. (No change from proposal.)

{3. Have an anticipated commercial operations date of no later than December 31, 2030, unless the Board permits an exception;}

*{*4.*}* ***3.*** Have a planned COD that is *{*no later than 30 months*}* ***within a specified period, as determined by Board Order,*** after the date the solicitation's application period closes, and a guaranteed COD that is no later than 150 calendar days after the planned COD;

*{*5.*}* ***4.*** At the time of application:

i. Have *{*completed*}* ***entered*** the PJM interconnection process *{*up to*}* ***and,*** at a minimum, *{*the completion of*}* ***be in the process of undergoing*** a Phase I system impact study, ***or have completed a*** surplus interconnection study*{,}* or ***an*** equivalent study;

ii. Provide the Board with documentation demonstrating that they ***have notified PJM of intent to transfer existing*** *{*will be able to use the*}* capacity interconnection rights of a deactivating generation facility; or

iii. (No change from proposal.)

*{*6.*}* ***5.*** (No change in text from proposal.)

(e)-(g) (No change from proposal.)

(h) The Board may adjust the size of the fixed incentive payment to an awarded transmission-scale energy storage system in a given year based on the system's up-time performance metrics or to account for a reduction in its ability to store energy due to battery cell degradation or similar processes. The Board Order that opened the solicitation in which the transmission-scale energy storage system was awarded shall specify the methodology by which any such adjustments shall be made.

{(h)*}* ***(i)*** Any application for an award of fixed incentives pursuant to this section shall include documentation or other evidence demonstrating the following, as well as any other information that the Board may require by Board *{*order*}* ***Order***:

1.-6. (No change from proposal.)

(j) An application package must be accompanied by {a non-refundable} ***an*** application deposit*{*. The amount of the deposit shall be*}* ***of*** $200.00 per MW of installed capacity or another amount set by Board *{*order.*}* ***Order, unless the application package is for a project that is substantially similar to a project that the applicant proposed in a prior solicitation but which the Board did not award. A project will be considered substantially similar if its geographic footprint overlaps with the geographic footprint of the first project. Applicants proposing a larger installed capacity in the subsequent solicitation must pay a non-refundable fee on the incremental increase in installed capacity. The application deposit is non-refundable unless, if, after final application submittal, the applicant's project becomes disqualified for reasons outside of the applicant's control. The Board reserves discretion to deem whether a disqualification is out of the applicant's control.***

(k) Only applications that are complete by the close of the application period will be considered for participation in the GSESP for that program year. At the Division Director's discretion, Board staff or the program administrator may instruct an applicant, in writing, on curing minor defects in an application. ***Bids shall remain valid for a period of nine months following the final submission deadline. Upon expiration of the nine-month bid-validity period, if the Board has not issued a decision on the solicitation, Board staff will offer bidders an opportunity to submit updated bid packages..***

(l)-(m) (No change from proposal.)

(o) For each GSESP solicitation order issued, the Board may require the system owner to provide pre-development security of up to $100,000 per MW of installed capacity. At each of the project milestones, the program administrator will evaluate progress, requiring documented achievement within 30 days of the project milestone date, unless the Board order opening the solicitation specifies another period of time.

1. Should the Board require pre-development security, then the following provisions shall apply:

*{*1.*}* ***i.*** If the system owner achieves a given project milestone, a portion of the pre-development security will be returned to the system owner, up to the full amount, for the timely completion of all project milestones. ***The exact portion of the pre-development security that will be returned upon completion of a given project milestone shall be set in the Board order opening the relevant solicitation.*** Should a system owner fail to achieve a project milestone within 30 calendar days of its scheduled completion date, or within another period of time established by Board *{*order*}* ***Order***, Board staff or the program administrator shall deduct part of the system owner's pre-development security. The amount of these deductions shall equal the planned installed capacity multiplied by the delay *{*deduction*}* ***damages*** rate for each day, starting with the calendar day that is 30 calendar days after the applicable scheduled completion date, unless the Board, by Board *{*order*}* ***Order***, designates another day from which to start calculating deductions***, and ending with the calendar day on which the system owner achieves the given project milestone***. Such delay *{*deductions*}* ***damages*** will not be deducted from the system owner's pre-development security if the delay was caused by an event of force majeure, in which case, the Division Director may extend the guaranteed COD and remaining project milestone completion dates up to a maximum period of time established in the Board *{*order*}* ***Order*** opening the relevant solicitation.

*{*2.*}* ***ii.*** If commercial operation has not occurred by the planned COD, Board staff or the program administrator shall deduct from the system owner's pre-development security an amount equal to the planned installed capacity multiplied by the delay *{*deduction*}* ***damages*** rate for each day, starting with the calendar day after the planned COD *{*until commercial operation*}*, unless the Division Director grants an extension of the planned COD deadline, ***and ending with the calendar day on which the system owner achieves commercial operation***. A system owner experiencing a delay of up to 180 days must submit evidence that the system owner sought to avoid said delays and advance the project in good faith to qualify for an extension of up to 180 calendar days. The Division

Director may only extend the COD deadline by more than 180 calendar days if the system owner submits evidence and demonstrates to the Division Director's satisfaction that the system owner experienced a force majeure event that the system owner took all possible steps to avoid. If the Division Director grants a planned COD deadline extension that the system owner still fails to achieve, Board staff or the program administrator shall deduct from the system owner's pre-development security an amount equal to the planned installed capacity multiplied by the delay {deduction} ***damages*** rate for each day, starting with the calendar day after the day to which the Division Director extended the planned COD deadline ***and ending with the calendar day on which the system owner achieves commercial operation***.

2. Should the Board not require pre-development security, then, if commercial operation has not occurred by the planned COD, Board staff or the Program Administrator shall deduct from one or more of the system owner's annual incentive payments, in the event the system owner later satisfies all conditions necessary to justify the system owner's receipt of annual incentive payments, an amount equal to the planned installed capacity multiplied by the delay damages rate for each day, starting with the calendar day after the planned COD, unless the Division Director grants an extension of the planned COD deadline, and ending with the calendar day on which the system owner achieves commercial operation. A system owner experiencing a delay of up to 180 days must submit evidence that the system owner sought to avoid said delays and advance the project in good faith to qualify for an extension of up to 180 calendar days. The Division Director may only extend the COD deadline by more than 180 calendar days if the system owner submits evidence and demonstrates to the Division Director's satisfaction that the system owner experienced a force majeure event that the system owner took all possible steps to avoid. If the Division Director grants a planned COD deadline extension that the system owner still fails to achieve, Board staff or the program administrator shall deduct from one or more of the system owner's annual incentive payment an amount equal to the planned installed capacity multiplied by the delay damages rate for each day, starting with the calendar day after the day to which the Division Director extended the planned COD deadline and ending with the calendar day on which the system owner achieves commercial operation. The Board may establish a maximum limit on the cumulative delay damages that will be deducted from a project's annual incentive payment(s) in the applicable GSESP solicitation order. If a project's cumulative delay damages calculated pursuant to this subparagraph would otherwise exceed this limit, the cumulative delay damages shall be reduced to an amount equal to this limit.

(p) (No change from proposal.)

(q) The system owner shall provide to the Board, or the program administrator, ***quarterly*** construction reports from the time construction commences on its energy storage system until the system achieves commercial operation, as specified {in} ***by Board Order or through*** the application approval letter, to enable the Board to assess progress toward the achievement of commercial operation.

(r)-(u) (No change.)

(v) The project-level reporting requirements will be set forth in the program application, and may include, but are not necessarily limited to, the following elements:

GSESP Goals: Transmission Projects	Metrics: Per year and cumulative to date
(1) Achieve the 2030 energy storage goal of 2,000 MW by 2030	Installed capacity {in total and by technology type, number of projects, and identification of applications awarded and not awarded}
(2) Promote deployment of low-cost private (non-utility and non-NJBPU) capital into New Jersey storage projects	1. Total Project Cost ($, $/kW, $/kWh) 2. Fixed, performance, and total incentives ($, $/kW, $/kWh) 3. Percent of total project cost funded by New Jersey ratepayers, private capital, and other Federal and State funding sources
(3) Decrease Greenhouse Gas (GHG) emissions by enabling higher levels of renewable resources to interconnect to the grid	GHG emissions related to peak, non-peak, and total MWh charged and discharged, as can be reasonably measured or estimated
(4) Support deployment of energy storage systems interconnected to the transmission or distribution system of a New Jersey EDC	1. Timeliness: Days from application to completion 2. Rates of participation in each PJM market available to storage (that is, energy, capacity, and ancillary services {markets}) 3. Generation Shifting: Peak, non-peak, and total MWh charged and discharged
(5) Grow a sustainable energy storage industry that gradually requires decreased incentives to deploy additional storage systems {resources} and ensure that the benefits of energy storage last well beyond the term of the GSESP	{Incentive levels as a percentage of installed cost over time} ***Annual and cumulative project cost and revenue elements as actual dollar amounts***
(6) Support overburdened communities with energy resilience, environmental improvement, and economic benefits derived from energy storage	Transmission-scale systems that asserted they will provide these community benefits should provide quantitative evidence that those benefits were realized to the extent feasible, using metrics tailored to the specific claimed benefits
(7) Encourage storage deployment that accelerates the clean energy transition, including facilitating deployment of renewable energy, electric vehicle, or other DERs and resiliency	N/A to individual {transmission-scale systems} ***projects; applicable to program-level reporting only***
(8) Establish a program administrator at the Board who would oversee the efficient implementation of GSESP	N/A for individual projects
(9) Reduce electricity costs for ratepayers	N/A for individual projects***; applicable to program-level reporting only***

14:8-14.6 {Distributed segment fixed incentive structure} ***(Reserved)***

{(a) For the distributed segment, the GSESP shall provide fixed incentives to planned, standalone distributed energy storage systems and planned distributed energy storage systems that will be paired with a generating resource that produces Class I renewable energy, subject to the conditions and limitations set forth in this section. Such energy storage systems must be physically interconnected with the distribution system of any of the four EDCs in New Jersey, either behind a retail meter or in a front-of-the-meter configuration, in accordance with N.J.A.C. 14:8-5. A distributed energy storage system's planned participation or non-participation in an aggregation in accordance with FERC Order No. 2222 shall not affect its eligibility for this fixed incentive.

(b) The Board shall set distributed segment block sizes and block incentives for every fiscal year by no later than August 1 of that same fiscal year until any and all statutory energy storage targets are achieved. The Board may, by Board order, establish individual incentive levels and target procurement levels for specific segments based on project size. The Division Director shall have the authority to deviate from target procurement levels and reallocate the available budget between size categories in response to the number of incentive applications for particular size categories, fundamental changes in technology costs, new sources of energy storage, Federal tax policy updates, emerging supply chain issues, or other reasons that show that the incentive amount associated with a given block will no longer suffice to meet program goals or will impose clearly excessive costs on the GSESP budget.

(c) Block incentives for a given fiscal year will be determined by the Board following a gap analysis to ensure that the incentive to the owner incorporates consideration of the difference between projected revenue, including any performance incentive offered, and the installed cost, as well as ongoing operations and maintenance costs of the energy storage system.

(d) A portion of the incentive budget, to be established by the Board, shall be reserved for distributed energy storage systems located in overburdened communities. The Board may establish OBC adders and adjust their level by order, provided that any decrease in OBC adders will not take effect until the start of the next block.

(e) No more distributed segment fixed incentives shall be awarded in a fiscal year once the level of distributed energy storage system capacity awarded fixed incentives in that fiscal year exceeds the target capacity of the corresponding block. Any fixed incentive applications submitted after that point shall be treated as an application for fixed incentives in the subsequent fiscal year's block.

(f) Any applicant seeking a GSESP distributed segment fixed incentive for an energy storage system shall submit a complete application package to the Board, or the program administrator, in accordance with this subchapter, Board orders, and the instructions posted on the Board's website.

(g) An application package must be accompanied by a non-refundable application deposit to be determined by the Board, in proportion to the installed capacity.

(h) Block allocations shall be established on a first-come, first-served basis, with the assignment of a block priority date based on the date stamp of when the program administrator receives a completed application.

(i) The program administrator shall determine whether applications are substantively complete or substantively incomplete in a timeframe to be established by Board order. The program administrator shall reject an application that is substantively incomplete and notify the applicant, in writing, of the specific deficiencies and that their application will not be processed until they submit a substantively complete version that addresses those deficiencies.

(j) A distributed energy storage system that is larger than the size remaining in any individual block will be carried over into the next block(s) and be offered a rate that blends the two (or more) blocks. Applicants will be offered the opportunity to decide whether to accept the blended offer, reduce their project size, or withdraw their application.

(k) As soon as practicable after an applicant for a large distributed energy storage system receives notice of an award, such applicant shall provide a report, to the Board, with the estimated dates for project milestones, as established by the program administrator.

(l) System owners of large distributed energy storage systems shall provide, to the Board, construction reports from the time construction commences on its energy storage system until the system achieves commercial operation, as specified in the application approval letter, to enable the Board to assess progress toward the achievement of commercial operation, communicating the content to be established by the program administrator.

(m) As soon as practicable after an applicant for a small or medium distributed energy storage system receives notice of a fixed incentive award, such applicant shall provide a report, to the Board, with the estimated dates for the following project milestones, as applicable:

1. Fully executed interconnection agreement;
2. Planned COD; and
3. Guaranteed COD.

(n) The planned COD for a distributed energy storage system must be no later than 18 months after the date the applicant submits their application.

(o) The guaranteed COD for a distributed energy storage system must be no more than 150 calendar days after the planned COD.

(p) A system owner will forfeit any fixed incentive award for a distributed energy storage system that fails to achieve commercial operation by the guaranteed COD or within any grace period the Board may establish by Board order. However, the Board, or the program administrator if the Board decides to delegate this authority, may allow a system owner that achieved commercial operation at a later time to retain a fixed incentive award if they show good cause for such relief.

(q) The fixed incentive shall be disbursed after a system owner's facility achieves commercial operation.

(r) Distributed segment eligibility shall be as follows:

1. The fixed incentive of the distributed segment of the GSESP shall be open to a distributed energy storage system that is either standalone or paired with a generation resource and meets all of the following criteria:

i. Its system owner submitted a level 1, 2, or 3 interconnection agreement application pursuant to N.J.A.C. 14:8-5 to the EDC and received notice that said application was complete;

ii. Any generation resource it is paired with produces Class I renewable energy;

iii. Its system owner has 100 percent site control, either through lease or ownership;

iv. Its system owner has obtained all permits or has an execution plan for all permits;

v. It has a guaranteed COD prior to December 31, 2030, and after the effective date of the GSESP; and

vi. It meets all other economic and non-economic criteria the Board may set by Board order.

2. A distributed energy storage system shall qualify for an OBC adder if it is:

i. Installed at a single-family or multi-family residence in an OBC; or

ii. Installed at and provides resiliency benefits to a Federal Emergency Management Agency (FEMA) Risk Category IV or Risk Category III critical public facility as described in the American Society of Civil Engineers (ASCE) Standard 7-16, Minimum Design Loads and Associated Criteria for Buildings and Other Structures.

(s) Distributed segment fixed incentive reporting shall be as follows:

1. The distributed segment fixed incentive reporting requirements will be set forth in the program application, and may include, but not be limited to, the following elements:

GSESP Goals: Distribution Projects	Metrics: Per year and cumulative to date
(1) Achieve the 2030 energy storage goal of 2,000 MW by 2030	Installed capacity, MW, MWh, use case(s), and technology type
(2) Promote deployment of low-cost private (non-utility and non-NJBPU) capital into New Jersey storage projects	1. Total project cost ($, $/kW, $/kWh) 2. Total Incentives ($, $/kW, $/kWh) 3. Percent of total project cost funded by New Jersey ratepayers, private capital and other Federal and State funding sources
(3) Decrease Greenhouse Gas (GHG) emissions by enabling higher levels of renewable resources to interconnect to the grid	GHG emissions related to peak, non-peak, and total MWh charged and discharged, as applicable
(4) Support deployment of energy storage systems interconnected to the transmission or distribution system of a New Jersey EDC	N/A for individual projects
(5) Grow a sustainable energy storage industry that gradually requires decreased incentives to deploy additional storage systems resources and ensure that the benefits of energy storage last well beyond the term of the GSESP	N/A for individual projects

(6) Support overburdened communities with energy resilience, environmental improvement, and economic benefits derived from energy storage	Discuss if applicable
(7) Encourage storage deployment that accelerates the clean energy transition, including facilitating deployment of renewable energy, electric vehicle, or other DERs and resiliency	Discuss, as applicable
(8) Establish a program administrator at the NJBPU who would oversee the efficient implementation of GSESP	N/A for individual projects
(9) Reduce electricity costs for ratepayers.	Report on electricity prices

2. The program application may set different reporting requirements for distributed energy storage systems based on their size, whether they are front-of-the-meter or behind-the-meter energy storage systems, whether the system owner is a residential, commercial, or industrial customer, and whether the system owner is the same person or entity as the owner or occupant of the premises at which the distributed energy storage system is installed.*}*

14:8-14.7 *{*Distributed segment performance incentive structure*}* ***(Reserved)***

{(a) Distributed segment performance incentive programs will be established by each of the EDCs pursuant to a common program framework, set forth in minimum filing requirements (MFRs) that the Board shall establish by order, consistent with the provisions of this section.

(b) The performance incentive shall be designed to incentivize participants to dispatch their energy storage systems when called upon by the EDC.

(c) A distributed energy storage system owner's performance incentive shall be paid annually and equal their average response kWs for the applicable year multiplied by a per kW performance incentive rate.

(d) An EDC's call duration shall not exceed four hours.

(e) The EDC shall require that the response kWs be provided for the entire duration of a call.

(f) An EDC shall measure response kWs based on the total amount of power discharged by a distributed energy storage system, regardless of whether the power is consumed behind the retail meter, is injected into the distribution system, or is split between serving load behind the retail meter and power injections into the distribution system.

(g) An EDC may establish geographically variable performance incentive rates.

(h) The EDCs may not penalize distributed energy storage systems that fail to respond or opt out of a call, apart from withholding the performance incentive payments the distributed energy storage systems could have earned had they responded. The EDC shall register a missed call as zero kW.

(i) The EDC's call protocol shall address avoiding dispatching distributed energy storage systems less than 48 hours ahead of anticipated extreme weather or likelihood of grid outages.

(j) The performance incentive of the distributed segment of the GSESP shall be open to a distributed energy storage system that is either standalone or paired with a generating resource that produces Class I renewable energy and meets all of the following criteria:

1. Its system owner has 100 percent site control, either through lease or ownership;

2. Its system owner has obtained all permits or has an execution plan for all permits;

3. It has a guaranteed COD prior to December 31, 2030, and after the effective date of the GSESP;

4. It is owned, leased, or operated by a residential or non-residential customer of an EDC;

5. If it is participating in a distributed energy resource aggregation that is bid into PJM's wholesale electricity markets, it will not receive compensation for the same service through both wholesale electricity markets and the distributed performance incentive segment of the GSESP;

6. It meets all other economic and non-economic criteria the Board may set by Board order; and

7. It meets all criteria set by the EDC establishing the performance incentive program, provided any EDC-developed criteria that creates additional requirements beyond those set forth in this subchapter or Board order has first been approved by the Board, or the program administrator, if the Board decides to delegate this authority.

(k) The EDCs shall develop the application process, application requirements, and eligibility criteria for the performance incentives by building upon the common program framework established by Board order and then submit them to the Board for approval.

(l) The EDCs shall develop the performance incentive program call hours, $/kW per year performance incentive rates, and payment disbursement procedures. The EDCs shall submit the program call hours, $/kW per year performance incentive rates, and payment disbursement procedures to the Board for approval.

(m) The EDCs are required to submit reports to the Board, or the program administrator, as will be prescribed by order, providing the following data on distributed energy storage systems receiving performance incentives:

1. Number of distributed energy storage systems participating in an EDC performance incentive program and whether those systems are also participating in an aggregation pursuant to FERC Order No. 2222;

2. The cumulative amount, by hour, of energy delivered to, and energy discharged from, participating distributed energy storage systems;

3. The hourly average and hourly peak amount of power delivered to, and discharged from, participating distributed energy storage systems;

4. The total funds disbursed to make performance incentive payments and administer the calculation and payment of distributed performance incentives; and

5. The EDCs shall submit monthly electronic reports to the Board, or the program administrator, on distributed energy storage system interconnections, energy discharge, and finances, within 30 days of the end of the applicable calendar month. The content of the reports shall include, but not be limited to:

i. A list of distributed segment projects that submitted an interconnection application, including name, location, and planned installed capacity;

ii. A list of distributed energy storage systems interconnected over the previous month, including name, location, and installed capacity;

iii. The estimated kilowatt-hours supplied to the distribution system by distributed energy storage systems over the previous month, and a description of the estimation methodology used;

iv. The measured average and peak amount of response kWs discharged by energy storage systems interconnected to the EDC's distribution systems during each call period over the previous month;

v. Cumulative data on the total number of interconnection applications received, total number of distributed energy storage systems interconnected, total installed capacity of distributed energy storage systems interconnected, and estimated total kilowatt-hours supplied to the distribution system by distributed energy storage systems since the beginning of the distributed segment of the GSESP; and

vi. The total funds disbursed to make performance incentive payments and administer the performance incentive program.*}*

14:8-14.8 Technical requirements

(a)-(f) (No change from proposal.)

(g) Inverters used in energy storage systems*{,}* receiving incentives shall be certified to UL 1741 SB and IEEE 1547.

(h) (No change from proposal.)

14:8-14.9 *{*EDC responsibilities and cost recovery*}* ***(Reserved)***

{(a) The role of the EDCs in the GSESP shall be to facilitate the interconnection of energy storage systems into the distribution grid, ensuring compliance with regulatory and technical requirements, and calling for services from these energy storage systems while providing and administering distributed performance financial incentives for their

response. EDC key responsibilities, subject to NJBPU oversight, include, but are not necessarily limited to:

1. Operational oversight and performance monitoring—the EDCs shall establish a dispatch mechanism, develop and then implement a distributed energy resource management system, ensure energy storage systems respond effectively to grid needs, and oversee data reporting as a means to track, measure, and monitor energy storage performance for the GSESP.

2. Financial and cost recovery mechanisms—the EDCs shall fund the distributed performance energy storage incentive programs through ratepayer tariffs through their base rate cases. The Board shall approve full and timely cost recovery at the approved weighted-average cost of capital for capital improvements, such as distributed energy resource management systems and information technology system upgrades, unless the Board finds the specific capital improvements were imprudent investments or the relevant EDC incurred imprudent costs in the course of making these capital improvements. Administrative expenses and incentive payments shall be a pass-through expense only.

3. The EDCs shall comply with any GSESP reporting requirements the Board may establish by Board order.*}*

14:8-14.10 Program reporting

(a) The program administrator will post and maintain an online dashboard tracking GSESP progress, award details**,** incentive usage and availability, OBC benefits, and performance metrics.

(b) The GSESP reporting elements may include, but are not limited to, the following elements:

GSESP Goals: Transmission Projects	Metrics: Per year and cumulative to date
(1) Achieve the 2030 energy storage goal of 2,000 MW by 2030	Installed capacity in total and by technology type, number of projects and identification of applications awarded and not awarded
(2) Promote deployment of low-cost private (non-utility and non-NJBPU) capital into New Jersey storage projects	1. Total project cost ($, $/kW, $/kWh) 2. Fixed, performance, and total *{*Incentives*}* ***incentives*** ($, $/kW, $/kWh) 3. Percent of total project cost funded by New Jersey ratepayers, private capital, and other Federal and State funding sources
(3) Decrease Greenhouse Gas (GHG) emissions by enabling higher levels of renewable resources to interconnect to the grid	GHG emissions related to peak, non-peak, and total MWh charged and discharged
(4) Support deployment of energy storage systems interconnected to the transmission or distribution system of a New Jersey EDC	1. Timeliness: Days from application to completion 2. *{*Capacity:*}* Rates of participation in each PJM market available to storage (that is, energy, capacity, ancillary services) 3. Generation Shifting: Peak, non-peak, and total MWh charged and discharged
(5) Grow a sustainable energy storage industry that gradually requires decreased incentives to deploy additional storage systems and ensure that the benefits of energy storage last well beyond the term of the GSESP	Incentive levels as a percentage of installed cost over time
(6) Support overburdened communities with energy resilience, environmental improvement, and economic benefits derived from energy storage	Metrics provided by project-level reporting
(7) Encourage storage deployment that accelerates the clean energy transition, including facilitating deployment of renewable energy, electric vehicle, or other DERs, and resiliency	Renewable energy: number and percent of projects paired with solar, electric vehicles, other DERs, and resiliency:
(8) Establish a program administrator at the NJBPU who would oversee the efficient implementation of GSESP	N/A (already accomplished by Board action)
(9) Reduce electricity costs for ratepayers.	Report on electricity prices

TRANSPORTATION

(a)

MOTOR VEHICLE COMMISSION

Zone of Rate Freedom

Proposed Amendment: N.J.A.C. 16:53D-1.1

Authorized By: Motor Vehicle Commission, Rosalie Johnson, Acting Chair and Chief Administrator.

Authority: N.J.S.A. 39:2-3, 39:2A-21, 39:2A-28, 48:4-2.21, and 48:4-2.25.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2026-045.

Submit written comments by November 7, 2026, to:

JoAnne Sutkin, APO
Attn: Legal Affairs
Motor Vehicle Commission
225 East State Street
PO Box 162
Trenton, NJ 08666-0162
or by email to: MVC.rulecomments@mvc.nj.gov

The agency proposal follows:

Summary

The Motor Vehicle Commission (Commission) proposes to amend the provisions at N.J.A.C. 16:53D, Zone of Rate Freedom, to fulfill its statutory responsibility to establish an annual Zone of Rate Freedom (ZORF) for regular route private autobus carriers providing service within