New Jersey Talking Points for Hearing, December 9th

Thank you for the opportunity to offer testimony on energy storage at the Assembly Telecommunications & Utilities Committee today. These comments are made on behalf of the American Clean Power Association and the Mid-Atlantic Renewable Energy Association (MAREC Action), one of ACP's regional partners whose geographic footprint includes the State of New Jersey.

Both ACP and MAREC members are eager to build and deploy energy storage projects that will contribute to the reliability and efficiency of New Jersey's electricity supply. Our members have different business models and deploy projects that vary in duration – ranging from short term (less than 10 hours) to long duration (greater than 10 hours). All these types of storage systems provide benefits to the grid.

Today, my remarks focus on the critical role of energy storage in ensuring resource adequacy and the value of utilizing long-term contracting mechanisms to drive investment in energy storage and support project development.

<u>Demand Growth</u>

- PJM shows the increasing pace of demand growth and fossil fuel retirements all of which result in energy supply shortfall
- New Jersey's presentation on their forthcoming updated Energy Master Plan recently addressed the implication of connecting new large data center loads and its impact on energy demand
- PJM is attempting to address these challenges through their Rapid Resource Initiative – which aims to speed up new sources of firm capacity, like storage, through the queue.

<u>New Jersey's Energy Storage Opportunity</u>

- If New Jersey sees building firm capacity as a priority, it has a tremendous opportunity for energy storage.
- There is roughly 3,700 MW of energy storage projects in New Jersey's PJM queue, more than enough to meet the states 2,000 MW by 2030 goal.

- Energy storage has been successful in other markets across the United States, but it is new in PJM and New Jersey.
- Large fluctuations in capacity market prices and the combination of inflation and high interest rates make it difficult and expensive for any grid-scale resource to secure financing. And supply chain issues for components (such as transformers) are taking projects longer to get built.
- To get these projects deployed, it is important that New Jersey provide incentives to support large-scale investments. What incentives should be used?

Why Long-Term Contracts?

- Contracted capacity is the best way to ensure those projects come online, as validated by PJM's Rapid Resource Initiative proposal—which weighs Power Purchase Agreements (a form of contracted capacity) as a metric for in-service date viability.
- Long-term contracted revenues are critical for cost-effective financing of projects. A long-term fixed-price contract between energy storage device owners and the state-chosen entity for 15-20 years has been a proven and tested contract type across technologies and markets such as New York, Arizona, and California.
- New Jersey could consider fully or partially contracted revenues. Full revenue requirement-style contracts ensure the most efficient and the lowest cost of financing because of guaranteed revenue streams. Partially contracted revenues shift more risk onto developers, which could make it less likely for the state to meet firm capacity needs.

ACP and MAREC Action stand ready to assist the State of New Jersey to deploy energy storage technologies for the benefit of New Jersey ratepayers.