

New Jersey Board of Public Utilities Launches Much Anticipated Garden State Energy Storage Program

Client Alert

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What You Need to Know

- The New Jersey BPU has issued an Order launching a comprehensive energy storage incentive framework, the Garden State Energy Storage Program, or GSESP, which marks a significant milestone in New Jersey's commitment to clean energy and energy storage.
- The issuance of the Board's Order and the associated rulemaking is the by-product of a multi-year stakeholder and rule proposal process intended to satisfy the mandates of the New Jersey Clean Energy Act of 2018.
- The GSESP is structured into distinct phases, each designed to address different aspects of energy storage. The program's first phase seeks transmission scale projects and has a pre-qualification application filing deadline of **July 23, 2025**, and a deadline for final bid submissions of **August 20, 2025**.

By: [Barbara J. Koonz](#) and [Kenneth J. Sheehan](#)

On June 18, 2025, the New Jersey Board of Public Utilities (Board) issued its decision and **Order** launching the first phase of a comprehensive energy storage incentive framework, designated as the Garden State Energy Storage Program (GSESP), and previously referred to as the New Jersey Storage Incentive Program (NJ SIP).

The GSESP marks a significant milestone in New Jersey's commitment to clean energy and energy storage. The Board is implementing the GSESP pursuant to the Board Order and a rulemaking proceeding initiated by the Board through the publication of proposed rules in the New Jersey Register. Despite not having completed the

rulemaking process, the Board has approved Phase I of the GSESP pursuant to the Board Order. It is not uncommon for the Board to implement a program such as this prior to the finalization of related rulemaking.

The issuance of the Board Order and the associated rulemaking is the by-product of a multi-year stakeholder and rule proposal process intended to satisfy the mandates of the **New Jersey Clean Energy Act of 2018** (CEA), requiring the installation of 600 megawatts (MW) of energy storage by 2021 and 2,000 MW of energy storage by 2030. While the State has long since failed to achieve the 2021 goal, with only **497 MW installed** as of September of 2022, the 2030 goal is the foundation and predicate of the Board's actions.

The GSESP will be available to stand-alone energy storage projects and solar-plus-storage projects that are not otherwise qualified for storage incentives under the Board's Successor Solar Incentive (SuSI) Program. The BPU anticipates that the GSESP will play a key role in facilitating the State's transition to clean energy and reducing the "electric capacity supply crunch that is driving dramatic rate increases for New Jersey consumers." (Board Order, at p. 1.) The GSESP will be funded by existing Clean Energy Program budgets and Regional Greenhouse Gas Initiative revenues. The Board's analysis of the anticipated program costs indicates that capacity cost savings from the first phase of projects will likely exceed the cost of incentives, thereby providing greater ratepayer relief than direct ratepayer refunds.

GSESP Goals

The goals of the GSESP include:

- Attainment of at least 2,000 MW of energy storage by 2030;
- Promotion of the investment of low-cost private capital into New Jersey energy storage projects; decrease of greenhouse gas emissions;
- Deployment of energy storage systems interconnected to the New Jersey grid;
- Support for overburdened communities with energy resilience, environmental improvement, and economic benefits derived from energy storage;
- Development of storage deployment that accelerates the transition to clean energy; and
- Reduction of overall electricity costs for ratepayers.

GSESP Phases

The GSESP is structured into distinct phases, each designed to address different aspects of energy storage. Phase 1 consists of "Transmission Fixed Incentives" awarded to transmission-scale energy storage systems pursuant to a competitive solicitation process. In short, Phase 1 is applicable to grid supply energy storage systems interconnected to the front of the meter.

Phase 2, which will launch in 2026, will provide "Distributed Fixed Incentives and Distributed Performance Incentives" for eligible distributed energy storage systems. Thus, Phase 2 will be applicable to distributed energy storage systems interconnected behind a retail meter. On an annual basis the Board will establish the size of Phase 2 fixed incentives and the amount of project capacity to be awarded. The Board plans to issue an Order in 2026 establishing the actual incentive amounts and elaborating further on the Phase 2 requirements.

Phase 3 of the GSESP is intended to provide a "Transmission Performance" incentive. The Board deferred action on Phase 3 and will determine whether to develop and implement Phase 3 in a future Board Order.

Phase 1 Process

For Phase 1, a competitive solicitation process will determine the projects that are accepted as well as the size of the incentives awarded to each project. The fixed incentive will be paid over a fifteen (15) year eligibility period. Under Phase 1, the Board intends to initiate multiple solicitations that will result in the eventual award of at least 1,000 MW of transmission-scale energy storage. The first competitive solicitation process will aim to award between 350 and 750 MW by October 31, 2025 to allow and ensure for winning energy storage to have the opportunity to participate in the Base Residual Auction expected to be run by **PJM Interconnection LLC** (PJM) in May of 2026.

In order to be eligible for incentives, projects must, among other things, be prepared to interconnect with PJM and have a planned Commercial Operation Date (COD) within 30 months after the competitive solicitation period closes. A project is considered operational "when it is fully constructed and interconnected with the PJM managed transmission grid, including any necessary network upgrades." (Board Order, at p. 17.)

The Board specifically rejected stakeholder proposals that distributed storage incentives be included in Phase 1 of the GSESP. In response to stakeholder assertions that there would not be enough storage projects should Phase 1 exclude distributed storage projects, the Board noted that "during the final stages of the GSESP's development, a significant amount of New Jersey transmission-scale storage capacity was able to secure interconnection approval from PJM. As such, there are now hundreds of MWs of 'shovel-ready' transmission-scale energy storage capacity that can be built provided the necessary investment signals are sent." (Board Order, at p. 11.)

Pre-Qualification Process

As part of the initial Phase 1 Board Order, the Board established a "pre-qualification" process to occur before the submission of "final bids." The pre-qualification process permits project developers to submit documentation addressing compliance with project maturity requirements and other aspects of a proposed project. The pre-qualification window for Phase 1 Tranche 1 commences on June 25, 2025, and will remain open for pre-qualification until July 23, 2025, and then until the final bid submission due date of August 20, 2025. Upon receipt of a timely pre-qualification submission, the Board Staff will review the submission and advise the applicant of any deficiencies so that the applicant can modify its filing before the final bid submission date.

In order to ensure a timely review by the Board Staff it is necessary that pre-qualification requests be submitted no later than July 23, 2025. (Board Order, at p. 19.) While bidders during Phase 1 Tranche 1 may submit to the Board new bids and pre-qualification information until the final deadline, the Board concluded that "only bidders who submit prequalification information by July 23, 2025, will be guaranteed a review for deficiencies and the opportunity to correct the deficiencies before the 'final bid' deadline. After the final bid deadline, no changes to bids or prequalification information will be accepted." (Board Order, at p. 17.)

The Board emphasized that a project's PJM queue position is an important benchmark in the pre-qualification process and that "[w]hile not a perfect indicator, a more advanced PJM queue position increases the likelihood of

success, assuming all other factors remain equal." (Board Order, at p. 18.) This flows directly from the ongoing delays inherent in the PJM interconnection queue, as the Board has identified on a number of occasions. In addition to a strong queue position, "additional pre-qualification criteria includes having a fully executed interconnection agreement, completing at least Phase I of the PJM process or an equivalent study, or providing documentation demonstrating access to capacity interconnection rights (CIRs) of a deactivating generation facility." (Board Order, at p. 19.) Applicants will also be required to provide documentation proving site control, required permits, financial capability, compliance with safety standards, and eligibility for revenues through electricity markets. Further, project applicants should address whether those projects involve brownfield development or will provide community benefits, including those impacting overburdened communities.

In order to satisfy the pre-qualification requirements for Phase 1 Tranche 1, an applicant must provide documentation showing that its project meets the following requirements:

- The project is a planned resource or part of a planned resource that will interconnect to the PJM transmission network and be located within a transmission zone in New Jersey, or be an addition to an existing resource that is interconnected to the PJM transmission network and located within a transmission zone in New Jersey;
- The project has a planned COD no later than 30 months after the solicitation's application period closes and a guaranteed COD no later than 150 calendar days after the planned COD; and
- At the time of application, Staff recommends that projects have a fully executed Generation Interconnection Agreement, fully executed Interconnection Service Agreement, a completed Surplus Interconnection Study, or provide the Board with documentation demonstrating that the proposed project will be able to use the CIRs (capacity interconnection rights) of a deactivating generation facility.

(Board Order, at pp. 20-21.)

The full information and documentation that must be provided in the final application is set forth in detail in the Board Order, at pages 20-21.

In addition to satisfying the eligibility criteria discussed in the Board Order, project applicants must submit a non-refundable fee of \$200 per MW. Eligible projects will also be required to be operational at least 90% of the time to receive full benefits. Further, projects cannot participate in both the GSESP and the Competitive Solar Incentive (CSI) Program, except for CSI-approved solar projects.

Project Selection

The Board will award incentives based upon its evaluation of each bid price submission as well as other factors, including community benefits, brownfield redevelopment and/or demonstrated advantages to overburdened communities. The Board will rank the submissions based upon bid price and the other considerations discussed in the Board Order. (Board Order, at p. 22.) The Board reserves the right to issue an award to a non-lowest per unit bid if the price does not exceed 10% of the lowest rejected bid and if the Board determines that the award is in the public interest based upon community benefits. The Board also retains the authority to reject the award of bid submissions if it determines that the award of fixed incentives would be too expensive in relation to the benefit achieved.

Conclusion

The GSESP is likely to play a critical role in the continued transformation of New Jersey's energy landscape. By incentivizing energy storage, the State is attempting to meet legislative mandates while paving the way for a cleaner, more resilient energy future. As the program unfolds, including the eventual rollout of Phase 2, and possibly Phase 3, it will be important for stakeholders to stay informed regarding the program's requirements and opportunities.

If you have any questions regarding the GSESP program, please contact the authors of this Alert.

Related Attorneys



Barbara J. Koonz

Partner
973.577.1894
Email



Kenneth J. Sheehan

Partner
732.476.2678
Email