BEFORE THE NEW JERSEY BOARD OF PUBLIC UTILITIES

In the Matter of the Petition of Atlantic City Electric Company for Approval of Its Program to Develop a Battery Energy Storage System, to Authorize a Related Cost Recovery Mechanism and other Related Approvals	)	**Docket No. EO26070402**

ANSWER OF THE INDEPENDENT MARKET MONITOR FOR PJM

Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor ("Market Monitor") for PJM Interconnection, L.L.C. ("PJM") submits this answer in support of the Motion to Dismiss filed October 16, 2026 ("Motion"), in this proceeding by the Division of Rate Counsel ("Rate Counsel"). Rate Counsel seeks dismissal of a petition filed July 23, 2026, by Atlantic City Electric Company ("ACE") ("Petition") seeking Board approval to recover the costs, through regulated rates, of a proposed investment in a battery energy storage system rated at 500 MW.

Rate Counsel supports its Motion with four arguments: (i) the statute relied on by Petitioners limits investments to categories that do not include battery storage;[1] (ii) rate base investment in supply is contrary to the 1999 Electric Discount and Energy Competition Act;[2] (iii) the Board lacks authority to grant the petition and (iv) granting the Petition would harm regulation through competition in New Jersey.

The Market Monitor agrees with all of Rate Counsel's arguments, but here addresses the harmful impact on competition in the wholesale PJM power market and therefore on New Jersey customers who benefit from that competition.

Regulation through competition benefits customers by assigning investment risk to competitive suppliers and away from customers. The Petition would force customers to

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1 *See* N.J.S.A. 48:3-98.1 permits only investment in: (1) energy efficiency and conservation programs, (2) Class I renewable energy resources, or (3) Class I renewable energy programs.

2 *See* N.J.S.A. 48:3-50(a)(2), (b)(2)-(3).

guarantee the return of investment in a 500 MW storage facility, improperly transferring risks from suppliers to customers. In addition, the proposal undermines the efficient assignment of risk. Suppliers are best positioned to manage risks based on their access to information and their incentives, while customers are poorly positioned. Granting the Petition would introduce inefficiencies into the market and harm competition.

Granting the Petition would be unfair to competitors and discourages competitive investment. The proposed battery system would be subsidized by New Jersey customers and would displace market resources built by private companies and their investors. The 500 MW battery storage system receives a guaranteed 9.6 percent return on equity funded through mandatory customer surcharges. Rate Counsel reasonably concludes (at 24): "This disparity in risk will give ACE an overwhelming competitive advantage." Rate Counsel states further (*id.*): "It is unclear why any private developer would invest in storage in New Jersey when they must compete against a rate-regulated utility that faces no market risk, earns a guaranteed return, and also controls the developer's interconnection."

Batteries are rapidly increasing their role in PJM markets. At present, there are 55,603.3 MW of batteries in the queue to become competitive market resources.[3] Granting the Petition would undermine the commercial viability of some or all of these potential competitive entrants and send a negative signal to investors in battery resources in New Jersey and in PJM more broadly. Exelon's proposal is inconsistent with the competitive PJM market design and is likely to increase costs to New Jersey customers when compared to a competitive market solution.

The Market Monitor has longstanding concerns that utilities will seek to add new rate base supply and specifically new rate base supply in the form of batteries. Batteries are a market resource. Output from batteries necessarily competes with and offsets supply from other sources. Batteries subsidized by ratepayers will displace market resources and will shift risk to customers from investors.

In its latest quarterly state of the market for PJM, the Market Monitor stated:

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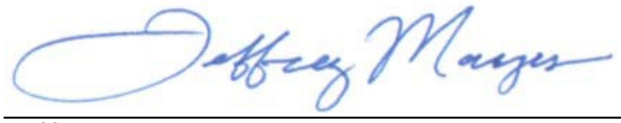
[3] Monitoring Analytics, LLC. 2*026 Quarterly State of the Market Report for PJM: January through September*, Section 12: Generation and Transmission Planning, Table 12-97

> It would be antithetical to competition to permit transmission owners to own black start units under the backstop rules, to own batteries (storage as a transmission asset) or to permit transmission owners to build new generation, all under the antiquated cost of service regulation rules that were displaced by more efficient competitive markets. Such an approach would undermine competitive markets and require market projects built with investors' capital at risk to compete with subsidized resources. Nonetheless, PJM supports the ownership of black start units by transmission owners under the backstop rules and PJM supports storage as a transmission asset.[4]

New Jersey should continue to implement rules that promote competition and protect customers from risk. Granting the Petition would undermine longstanding state policy promoting competition and would improperly shift risk to customers.

WHEREFORE, the Market Monitor respectfully requests that the Board grant Rate Counsel's motion and dismiss the petition.

Respectfully submitted,



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Dated: October 29, 2026

[4] Monitoring Analytics, LLC, *2026 Quarterly State of the Market Report for PJM: January through June* (August 10, 2026) at 832.

CERTIFICATE OF SERVICE

I hereby state that I have this day served the foregoing document by electronic copy to this service list for Docket No. EO26070402 appended hereto.

Dated at Eagleville, Pennsylvania,
this 29th day of October, 2026.

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IN THE MATTER OF THE PETITION OF ATLANTIC CITY ELECTRIC COMPANY FOR APPROVAL OF ITS PROGRAM TO DEVELOP A BATTERY ENERGY STORAGE SYSTEM, TO AUTHORIZE A RELATED COST RECOVERY MECHANISM, AND OTHER RELATED APPROVALS

DOCKET NO. EO26070402

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