Comments of Syntropic Capital Partners, LLC

Re: In the Matter of Establishing New Jersey's Virtual Power Plant Program BPU Docket No. QO26030099 — Comments on the Virtual Power Plant Straw Proposal

Submitted to: Sherri L. Lewis, Secretary of the Board
New Jersey Board of Public Utilities

Date: August 17, 2026

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I. Introduction and Summary of Recommendations

Syntropic Capital Partners submits recommendations described below, all of which are intended to help (1) ensure broad, equitable adoption of the Governor's Virtual Power Plant Program ("VPP") and (2) avoid enabling a regressive wealth transfer from the poor and middle class segments of society to the wealthy. We believe that these recommendations, which are mostly clarifications of policy and regulatory language, would allow private capital to reach households that the current framework risks leaving behind, in support of both goals.

Syntropic Capital Partners is a start-up environmental and energy infrastructure finance firm. We seek to design finance structures that drive private capital into rehabilitation and creation of sustainable environmental infrastructure. We are not an equipment manufacturer, an installer, or a DER aggregator, and we do not seek to become any of these.

We reviewed RFI comment letters submitted by various entities and individuals, and we see that record reflects broad agreement that upfront capital is the binding constraint for low to moderate income ("LMI") households' participation in the VPP.[1] What we did not see in the RFI record were regulatory clarifications that would specifically encourage private capital

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[1] The New Jersey Environmental Justice Alliance correctly identified three primary barriers facing low-income households: lack of upfront capital, complex paperwork, and "a lack of financing options." NJEJA recommended fee waivers, multilingual portals, and workforce development, but none of these encourages supply of capital to consumers in New Jersey. Vote Solar stated that "the most significant barriers to [behind the meter] energy storage is lack of upfront capital," and recommended that the Board "prioritize supporting assets that are paid for through private capital investments, thus limiting possible cost burdens to ratepayers." Clean Energy Group recommended "up-front customer incentives to help defray initial capital costs, coupled with performance payments," as well as "a strong equity component including low- or no-cost financing," and specifically identified "participation of lending institutions such as a green bank, and/or developer/aggregators who offer leasing and financing."

participation to address this critical gap. That is the gap our comments are directed toward addressing.

Additional details follow below, but, in sum, we propose that the final rule include provisions to:

1. Include strong consumer protections from predatory financing.
2. Increase capacity and ensure equity by specifically permitting third party financing to address the gap between upfront incentives and the full cost of participation in the VPP.
3. Authorize on-bill repayment for loans to cover the cost of equipment needed to participate in the VPP.
4. Clarify that a customer's separate financing agreement with a third party lender is not “aggregator compensation.”
5. Clarify that an entity that finances equipment, but does not hold customer enrollment or dispatch resources, is not a “DER Aggregator.”

II. Recommendations

A. Consumer Protection

The Board should include strong consumer protections from predatory financing. Financing offered to households with limited access to credit is exactly the setting in which abusive terms have appeared in other markets, including residential solar. Such risks may, however, be mitigated by reasonable consumer protection measures. Well designed and well regulated credit programs are critical to help incentivize the broadest possible implementation of the VPP and we ask the Board to clearly regulate VPP credit programs to ensure consumers are sufficiently protected. Any third-party financing offered in connection with VPP participation should be required to:

1. Be documented in a separate agreement, executed independently of the aggregator enrollment agreement;
2. Disclose in plain language the amount financed, the interest rate, the term, the total repayment obligation, and what happens if the customer moves or exits the program;
3. Be structured so that the household's total monthly cost of electricity does not increase as a result of participation in the VPP; and
4. Be subject to Board oversight and complaint resolution, consistent with the aggregator Code of Conduct contemplated in Section 6.3 of the Board’s VPP Straw Proposal.

A financing framework without these protections should not be authorized. A framework with these protections will help reach and protect households that would otherwise be left out and unable to reap the benefits of the VPP, including backup power and credits for power supply to the grid during peak usage.

B. Private Financing Increases Program Capacity and Ensures Equity

In order to encourage the broadest participation, the Board should specifically authorize third parties to provide financing to VPP participants and should design a clear process for those parties to participate in the program. We recognize that the central question before the Board is not whether distributed storage is desirable, but how the VPP will help to secure the grid while bringing the greatest savings to Ratepayers. While incentives to individuals who participate in the program will help encourage participation in the program, they will not cover the full upfront costs that an individual program participant must bear. That means, of course, that only households who possess resources necessary to close the gap between incentives and the cost to complete necessary upgrades and to purchase hardware and installation can afford to participate.[2] Participating households will capture the benefit of having home backup power and will receive remuneration for providing energy to the grid during peak consumption periods, because they were able to pay the upfront costs. Structuring a VPP without an opportunity to finance the cost of participation narrows distribution of VPP hardware and limits or eliminates participation by LMI households and LMI neighborhoods. Non-participants, of course, will not receive the benefits described above, resulting in a regressive transfer of wealth from poorer, non-participating residents to wealthy VPP participants.[3]

This bears directly on the cost-effectiveness test Staff has selected. The Straw Proposal identifies the Ratepayer Impact Measure as the primary standard.[4] A program with incentives funded by all Ratepayers, but accessible only to households able to advance several thousand dollars performs poorly against that standard: it collects broadly from Ratepayers and delivers narrowly to those who can afford to become program participants. Reasonable and well-structured financing is the mechanism by which the Board will broaden delivery without broadening collection, helping to ensure that the program reaches more people and that capacity will be implemented where it is most needed.

Vote Solar's RFI comments identified the transmission-constrained PSEG-North Locational Deliverability Area as "a compelling use case for meaningful market innovation and

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2 We believe that upfront incentives must advance to participating households a significant percentage, at least 70%, in order to create a viable program that includes opportunities for consumer finance.

3 We see that the Division of Rate Counsel in its May 20, 2026 Comment Letter, stated that it "supports performance-based compensation over upfront payments." Focusing on performance-based incentives will narrow distribution of VPP hardware, shrinking the potential reach of the power resources, and will limit the ability of lower income households to participate in the program, effectively creating the regressive program described above. We believe that not only should upfront incentives be available, but that the Board should create structures like regulated financing incentives to ensure that the broadest possible segment of New Jersey residents be able to participate in the VPP.

4 See Straw Proposal at p. 37.

expansion to serve LMI households in high-density areas." We agree, and add a financing-specific observation: this area combines high energy burden, low DER penetration, dense older housing, and the highest locational value for enrolled capacity. It is simultaneously where participation is hardest to achieve because of up-front costs and where enrolled megawatts are worth the most. Focusing implementation on such areas will allow for more individual participants and therefore more capacity in the system over time. That is exactly why the Board should design a well-regulated financing solution to build the VPP, to ensure that the Board and the VPP meets the Governor's equity goals while achieving the broadest implementation and highest benefit to Ratepayers.

C. Accounting for Full Cost of Implementation

1. Service upgrade costs are large, and the Straw Proposal does not account for them

To build a VPP, the Board will encourage residents to install a residential battery system. Such a system includes equipment, plus installation, plus, in many older homes, the electrical work required to connect it safely to New Jersey's grid. SPAN's comment letter explained that traditional service upgrades cost between $5,000 and $30,000.[5] Even at the low end of the range, that is a cost large enough to determine whether a household participates at all, which is counter to the Board's stated equity objectives.[6]

To think further about the structural mechanism, assume an incentive set at 70% of equipment-and-installation cost, with equipment cost of $14,000, illustrated below:

	Newer home, no electrical work	**Older home, some service upgrade required**
Equipment + installation	$14,000	$14,000
Electrical service upgrade	$0	$7,000
Total cost to the household	**$14,000**	**$21,000**

[5] In addition to adding a potential service-upgrade line to the incentive, SPAN's comments also identify a materially cheaper path: UL-3141-listed Power Control Systems that may allow a household to add load without a service upgrade, following PG&E's PanelBoost program as a model. We believe that the Board should adopt a technology neutral and open standards policy, provided they achieve the same performance. Defining eligibility by performance rather than device type prevents vendor lock-in and preserves competitive pressure on equipment cost, which directly benefits affordability and performance of the VPP itself.

[6] Before final incentive levels are set, Staff should obtain a sample of actual electrical assessments in overburdened-community census tracts to ensure that the program will reach the broadest possible base of participants. We are concerned that the program design currently rests on cost assumptions that have not been tested against the housing stock the Board should be trying to reach.

	Newer home, no electrical work	**Older home, some service upgrade required**
Incentive (70% of equipment cost)	$9,800	$9,800
Remaining out-of-pocket cost	**$4,200**	**$11,200**
Incentive as % of *actual total cost*	70%	47%

Even at the low end of the SPAN reported range for systems upgrades, the out-of-pocket cost in the older home is more than two and a half times larger. At the upper end of SPAN's range, the gap is large enough that no realistic financing structure would close it.

To narrow this gap, we therefore recommend the Board clarify language in the Straw Proposal to clearly define the incentive base to include the cost of making a home capable of safely hosting the storage system, satisfied either by a traditional service upgrade or by a code-compliant Power Control System, or equivalent, plus cost of power storage equipment. This is consistent with the technology-neutrality principle in Sections 2.2 and 3.6 of the Straw Proposal, avoids the Board picking a technology, and, because the PCS pathway is generally cheaper, likely reduces total program cost relative to a service-upgrade-only approach, while also increasing availability of the program to LMI households and communities.

D. Authorize on-bill repayment for storage loans

The Board should permit repayment of upfront financing to be repaid via Ratepayer's utility bills. New Jersey utilities currently administer on-bill repayment for energy efficiency financing. The billing infrastructure exists and customers are familiar with it, yet it is not currently authorized for VPP storage. We recommend the Board extend it, and we believe this is a very high-leverage change that comes with very low cost, with no additional Ratepayer funding needed and no new administrative cost.

Authorizing on-bill repayment is a benefit that flows to the household. A loan repaid through a utility bill experiences materially lower default rates than an unsecured consumer loan collected separately. Lower expected losses likely produce a lower interest rate. A lower interest rate produces a lower monthly payment. The same state incentive dollar therefore reaches households that would not otherwise qualify for credit, which is precisely the population the Board has identified as underserved.

E. Clarify the treatment of customer financing under the pass-through rule

We support the proposed 70% minimum pass-through of pay-for-performance payments. It is sound consumer protection. However, we ask Staff to clarify that a separate, voluntary, fully disclosed financing agreement between a customer and a lender is not a reduction in the aggregator's pass-through. The pass-through rule properly governs the aggregator-customer relationship. It should not be read to prevent a customer from voluntarily directing a portion of payments they have already received toward repaying the loan that bought their equipment.

Without this clarification, the repayment source is legally uncertain and lenders will be less likely to extend credit. With it, the pass-through protection remains fully intact: the customer receives their 70%, and decides what to do with it, of course subject to the disclosure requirements.

F. Clarify that capital providers are not DER Aggregators

Section 3.7(b) defines the “aggregator” as the Board-licensed entity holding customer enrollment and, where applicable, the PJM participation agreement. We ask Staff to state affirmatively that an entity that finances equipment but does not hold enrollment, does not dispatch resources, and does not register with PJM is not a DER Aggregator requiring licensure.

This is a request for a boundary, not for lighter treatment. The obligations in Section 6.3: performance assurance, an 80% sustained response requirement, and concentration limits are correctly designed for entities that control dispatch. They are not calibrated for entities that provide capital, and applying them to lenders would substantially impair the financing market before it forms. We recommend creating a clear line.

III. Elements of the Straw Proposal We Support

We note several aspects of the Straw Proposal that we agree will contribute to the breadth, depth and equity of the VPP implementation. We agree with the Board that the VPP should include:

1. The seven-year minimum enrollment period tied to hardware incentives (Section 3.3(a)). This provides revenue durability, reduces early-attrition risk, and makes the underlying revenue stream more creditworthy.
2. A three-pathway compensation structure (Section 3.3). This appropriately separates enrollment, availability, and delivered performance. Distinguishing these streams makes it easier to identify which cash flows are reliable enough to support financing.[7]

[7] On the related question of double compensation raised in Section 4.2 and elsewhere in the Straw Proposal, we note Vote Solar's distinction between upfront incentives, which are not prone to double compensation, and ongoing performance incentives, where the “same service at the same time” concern properly applies. We recommend the Board adopt that distinction. An upfront capital contribution and a

3. Performance-based compensation and verified measurement. We support the Board's insistence that performance-based compensation follow verified, delivered performance rather than modeled or nameplate capability. We agree that financing structures should be underwritten against verified megawatt-hours actually dispatched, confirmed by meter data and dispatch records rather than against estimated savings or modelling.
4. Treating equity as a measurable outcome (Section 6.5). We encourage the Board to establish an explicit, reported metric for LMI community enrollment, so equitable access can be evaluated against evidence rather than intent.

IV. Conclusion

The Straw Proposal builds a thorough framework for enrolling, dispatching, verifying, and compensating distributed energy resources. With our comments, we seek to help address the financing gap that multiple parties identified in the RFI record. Together, our recommendations would allow and encourage private capital to bridge the gap between home upgrades and equipment purchase, and the arrival of full program performance revenue. Bridging that gap will equitably extend the reach of the incentive dollars the Board has already committed.

We appreciate Staff's work on this proceeding and welcome the opportunity to provide further analysis should it assist the Board.

Respectfully submitted,

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Syntropic Capital Partners requests to be added to the service list for Docket No. QO26030099.

performance payment for delivered dispatch compensate different things, and treating them identically for anti-double-counting purposes would foreclose the combined structure that makes LMI participation financeable.