

New Jersey Solar Market Transition
Suggested Key Terms Supplementing the Staff Straw Proposal
January 31, 2019

At the January 18 stakeholder meeting, stakeholders from the solar industry expressed similar views that current levels of industry supply will require some near-term actions which supplement the staff straw proposal in order to ensure a stable, orderly transition of the solar market. The undersigned wish to build upon comments presented at that meeting through the presentation of the following recommendations. We are aware that some colleagues in the industry will be recommending some variations to this proposal. We welcome the opportunity to discuss these and believe that the industry position will quickly align upon further policy guidance by agency staff. Our suggestions are:

General recommendations presented on January 18 included:

- 1) Grandfather projects with existing SREC Registration Program (SRP) approvals under terms and conditions consistent with the current (“legacy”) SREC program. This approach is fair, minimizes disruption to contractual obligations within the industry supply chain, and reduces regulatory risk which undermines long-term cost reduction goals.
- 2) Provide notice through an immediate announcement that new project approvals will likely be subject to lower incentives than are available in the current legacy SREC program and specify what the new incentives and solar installation goals will be for new approvals going forward (“pipeline program”). Prompt notice will serve to reduce the eligible pool for grandfathering consideration, while providing market continuity at reduced cost to ratepayers. To build on these general recommendations, the straw proposal supplement below is offered by the identified companies and organizations representing a cross section of the solar industry. This supplement provides for additional linkages between the legacy and pipeline programs as the bridge to the long-term successor program. Our recommendations include:
 - In order to expedite ratepayer savings, as soon as possible, all new projects will receive a “fractional SREC” equivalent to 0.8 of an SREC (equivalent to 1 SREC = 1.2 MWh).
 - As soon as possible, presumably on or before the next scheduled meeting of the BPU on February 27, 2019, SRP approval letters should be modified to indicate that, given market supply conditions, SREC registrants should expect to receive a lower incentive than is currently available in the legacy SREC program. The date that the revised letter is first issued is defined as the “SREC Transition Date”.
 - All projects with an existing SRP approval before the Transition Date will be grandfathered at 1.0 SREC factor (1 SREC = 1 MWh).

- In addition to notification of lower incentives, SRP approval letters to new projects issued on or after the SREC Transition Date should also note that these projects will not be eligible for grandfathering.
- The BPU should provide guidance to the solar community of the potential scope of the reduction in the incentive. Ideally this should be offered at the same time as the SREC Transition Date. The risks that uncertainty poses to market continuity, jobs, investment, and to achieving long-term clean energy goals were expressed as major industry concerns at the stakeholder meeting.
- This would be accomplished by the BPU issuing a proposal for stakeholder comment that proposes an incentive value during the transition. (As noted above, we recommend the 0.8 fractional SREC.)
 - Coincident with the issuance of the proposal to reduce the incentive during the transition, the revised SRP approval letter should contain an explicit statement to the effect that all new projects going forward will, consistent with the provisions of a proposal by the Board issued for stakeholder comment, receive a fractional SREC. If the fractional level cannot be specified on the SREC Transition Date, upon the Board issuing an Order officially approving the fractional SREC, the SRP approval letters should be further revised for approved projects after the Transition date and for all new projects to expressly state that the project will receive the new fractional SREC value.
- Notices should be sent to all project owners that obtained SRP approvals before the SREC Transition Date confirming the project's status as a Grandfathered project.
- Grandfathered projects receiving a PTO before the 5.1% is reached will be assigned to the legacy program, while Grandfathered projects receiving PTO after the 5.1% is reached will be assigned to the pipeline program. Grandfathered projects will receive a 1.0 SREC regardless of what program they are credited to. Projects receiving SRP approval on or after the SREC Transition Date will be assigned to the pipeline program and will receive the to-be-determined fractional SREC, proposed here at 0.8.
- Both grandfathered and new projects, encompassing separate and distinct RPS goals defined in the legacy and pipeline programs, will operate as a single SREC compliance market. The SACP schedule approved in the Clean Energy Act will remain, with LSEs required to meet the aggregate RPS requirement defined by both the legacy and pipeline program RPS schedules. This will enable market operations to continue as-is for LSEs and SREC owners, without adding administrative burdens associated with operating two distinct markets.

- **The 5.1% threshold for the legacy program will not be increased.** The legacy program will continue to remain open until the point when 5.1% of retail sales can be achieved.
 - If 5.1% is not reached at the time that there are no remaining grandfathered projects, the BPU can either a) close the program at less than 5.1% with corresponding adjustments to the RPS or b) allocate the remaining program capacity to projects that meet program and policy criteria established by the BPU.
- The pipeline program will provide an RPS compliance home for the SRECs generated from new projects or grandfathered projects which were not included in the legacy program.
- The pipeline RPS should be designed to accommodate up to 450 MW of annual project cap commensurate with historical run rates and new projects provided for in the Clean Energy Act including community solar, Section R grid, and remote net metered projects.
 - The 450 MW target can be extended or shortened as necessary by the BPU depending on the timing of the launch of the successor program. The MW target would be translated to annual RPS goal reflecting the 0.8 fractional SREC (i.e. $[450 \text{ MW} * 1200 \text{ MWh/MW} * .8 \text{ SREC}] / 73,667,000 \text{ MWh} = 0.58\%$).
 - As the RPS requirement for grandfathered projects cannot be estimated until after the legacy program is closed, the BPU should increase the 0.58% RPS, at a factor of 1 MWh per SREC, after the legacy program is closed, and it is known if the grandfathered projects will either install or cancel.
 - The pipeline RPS schedule would sunset the program to 0% after all projects have exhausted 10 years of SREC eligibility.
- In the pipeline program, the BPU may include special SREC factors or multipliers for projects representing special policy priorities, such as landfills and brownfields or parking canopies, that may need more than 0.8 of a SREC to be economically viable. Additionally, the BPU may want to consider dedicating specific portions of the pipeline capacity for certain market segments, such as residential.
- NJCEP will track progress towards the legacy program and pipeline program RPS requirements and take required actions to close these programs when a sufficient level

of capacity necessary to achieve RPS goals has been installed, and in coordination with the rollout of the successor program.

We look forward to having the opportunity to discuss this proposal, along with other approaches that will be submitted by our colleagues in the solar industry. We believe that continued active engagement between the industry and the BPU staff will promptly result in an alignment of the industry with the BPU policy priorities. We appreciate the staff's ongoing availability, especially in recognition of all the competing demands for the staff's time.

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