

Via Electronic Filing

Ms. Aida Camacho-Welch
Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
CN 350
Trenton, New Jersey 08625

Re: New Jersey Solar Transition Staff Straw Proposal

Dear Ms. Camacho-Welch,

On January 18th, 2019, the New Jersey Board of Public Utilities (BPU) held a Solar Transition Stakeholder Meeting on the NJ Solar Transition Staff Straw Proposal. The enclosed comments are submitted on behalf of Vote Solar, Solar United Neighbors of New Jersey, Environment New Jersey, and Earthjustice. They supplement the verbal testimony Vote Solar offered at the Stakeholder Meeting on January 18th. We appreciate the opportunity to weigh in on this important conversation and hope you will consider our recommendations below in response to the questions posed by BPU in the Straw Proposal.

Sincerely,

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New Jersey Solar Transition Straw Proposal

Comments of:

Vote Solar
Solar United Neighbors of New Jersey (SUN NJ)
Environment New Jersey
Earthjustice

I. Introduction

Vote Solar, SUN NJ, Environment New Jersey, and Earthjustice appreciate the Board of Public Utilities (BPU) providing us with this opportunity to submit comments on the New Jersey Solar Transition Staff Straw Proposal.

II. Discussion Questions

In this section, we will provide our perspectives on the issues and questions posed by BPU for the Stakeholder Meeting.

Defining attainment as being met when 5.1% of the actual kilowatt-hours sold in the state come from solar electric power generators and Successor Program

We support the Board's definition of "attainment" as being met when 5.1% of the actual kilowatt-hours solar in the state come from solar electric power generators.

However, as noted by our solar industry colleagues, BPU must provide clarity around the transition from the "Legacy SRECs" to "Pipeline SRECs" before launching a new successor program. Projects in the pipeline with SRP approvals have planned to receive the SREC revenues from the Legacy program and new projects with quick turn-around such as residential solar projects are likely to enter the pipeline before a successor program becomes available. Due to this, New Jersey is likely to face a situation where projects with approved SRPs and those likely to enter the pipeline will exceed the 5.1% cap. In order to ensure equal treatment of all projects, projects that are in the pipeline or soon to enter the pipeline need to have clarity on the levels of benefits they are likely to receive.

In order to remedy this situation, we recommend that BPU create an interim program for projects that are in the pipeline. As recommended by the solar industry, the interim program could begin in June 2019 and run through June 2020 before a successor program is launched right after.

1) In your direct experience, how has the current SREC program functioned over the past 5 years?

The current SREC program has played a critical role in the growth of the New Jersey's solar economy. Because of the current SREC market, the state has seen billions of dollars in

investments and the creation of over 7,000 high paying jobs.¹ Without a similar program going forward, the market and job growth enjoyed by the solar sector in New Jersey is likely to suffer.

BPU should do everything in its capacity to provide clear market signals on the new incentive program. As we have seen in the past, without clearly defined pathways on the SREC program, investment in the state is likely to stall. As we saw in 2012, oversupply in the solar market resulted in the market crash with thousands of solar jobs lost.

We also want to underscore the need to incent projects that address multiple public policy goals such as rooftop and community solar projects serving low-income customers or projects located in EJ communities, brownfields, and landfills. The current SREC program treats all projects the same and we strongly believe that it's a missed opportunity to meet many public policy goals. With well-crafted incentive program as detailed below, New Jersey can not only advance the clean energy economy but do it in a way that brings all New Jerseyans into the clean energy fold.

2) How should any proposed SREC Successor Program be organized in conformance with the Clean Energy Act and Staff's SREC Transition Principles? Please provide detailed quantitative and qualitative responses as to the perceived pros and cons of each of the following options: a. a fixed price SREC; b. a market-determined SREC; and c. any other option(s).

While we have not undertaken an analysis on what model will work best, in theory, BPU's goal should be to minimize market uncertainty and limit variability in prices. Historically, we have seen that an SREC market, without any control measures, can result in volatile prices which can severely disrupt the outlook for the solar market. Therefore, we propose either a fixed price SREC model or a model that has a price floor and a price ceiling. Both of these approaches will minimize market fluctuations, provide greater certainty, and help control program costs. Furthermore, an SREC program should include factors for different project types to help achieve public policy goals such as projects serving predominantly low-income customers, projects sited on landfills or brownfields, solar canopy systems, or community solar projects predominantly serving small subscribers. Our position is further detailed in our answer to Question #8.

3) Based on your response to question 2 above, provide precise quantitative and qualitative recommendations as to how your preferred SREC Successor Program model would be implemented, keeping in mind the necessity of satisfying the "SREC Transition Principles" set forth above.

We have not undertaken an analysis to answer this question adequately.

4) How should Legacy SRECs be valued? Should these Legacy SRECs be valued under the SREC Successor Program or valued separately?

¹ Solar Energy Industries Association

Legacy SRECs should be valued at the same level as those under the current SREC program. They should not be valued under the SREC Successor Program or valued separately. Because these projects were planned with certain incentives in mind, it is crucial to ensure that these projects are valued at that level. Any changes in values will adversely impact existing projects.

5) How should Pipeline SRECs be valued? Should these Pipeline SRECs be valued under the SREC Successor Program or valued separately? a. Should the Board continue the current SREC program as a separate program? If so, how? b. Should the Board include the current SREC program within the SREC Successor Program? If so, how?

We are in agreement with the solar industry that the pipeline SRECs should be valued and offered at a factor lower than the legacy SREC projects. In order to do so, BPU should establish an interim successor program. It is crucial that BPU signal to the solar stakeholders early on this lower value to give investors time to adjust as needed.

This approach will give flexibility to solar developers to plan accordingly and to BPU to thoughtfully establish the successor program with the goal of controlling the future program costs.

6) For any solar transition, should the Board set a megawatt (“MW”) target for annual new solar construction? If so, should those targets be defined as percentage of retail sales or a set MW cap? Under what circumstances and/or assumptions is this target achievable?

We agree with the Solar Energy Industries Association (SEIA) that for the solar transition, the Board should set a MW target for annual solar construction. Setting a MW cap provides more certainty to the solar industry. Since retail sales continue to shift, % of retail sale will always be a moving target providing greater uncertainty and adding unnecessary complexity.

Our analysis lines up with SEIA that to reach the 50% by 2030 RPS goal, New Jersey should deploy 10 GW of total solar by 2030 from 2.7 GW in 2018. Of this, 2.3 GW should be from community solar by 2030. This will average a build rate of approximately 800 MW per year.

Furthermore, our analysis supports that 10 GW by 2030 will result in over 750,000 customers directly powered by solar by 2030. Of this, we would like to see behind-the-meter solar serve at least 70,000 low-income customers by 2030 and community solar to serve at least 92,000 low-income customers by 2030.

7) In any SREC Successor Program, should the Board seek to set annual MW capacity caps for new solar construction or percentages of retail sales? Why or why not? If yes, what should be the value through 2030 and why? If yes, should the Board seek to set differentiated capacity caps under the solar RPS based on project type?

Yes, as noted above, The Board should set an annual MW capacity cap of 10 GW by 2030. This will represent approximately 20% of New Jersey's electricity consumption and double solar growth rate which is necessary to meet the goals of the RPS.

8) In the SREC Successor Program, should the Board provide differentiated SREC or solar value incentives to different types of projects? Should such differentiated SREC compensation be created through SREC multipliers, through an add-on valuation, or through some other method? Based on what factor(s) should any SREC compensation be differentiated?

Yes. For both the interim and the successor program, the Board should provide differentiated SREC values based on type of projects. We highly encourage BPU to assign factors that provide higher incentives for certain types of projects. In particular, we would like to see higher incentives for rooftop and community solar projects serving low-income residential customers, low-income service organizations, or affordable housing facilities projects sited in environmental justice communities², brownfields, parking lots, and landfills, and community solar projects with a large number of small subscribers (e.g. over 51% residential and small commercial). Moreover, incentive structure should differentiate between low-income residential, low-income service organizations, and low-income affordable housing facilities where higher incentives are allocated to low-income residential sector.

MA and IL both provide great models on how these incentives could be structured. For example, under MA's SREC II program, the state developed "factors" for SRECs generated by different market subsectors such as low-income and affordable housing.³ Similarly, the IL Power Agency set REC prices at a premium for low-income community solar projects vs. non LI projects, in some cases exceeding 30%.⁴

The goal of the new SREC program should not only be to support the solar market but also spread the benefits of clean energy to all customers, regardless of income and location. With that in mind, we also support a higher set of incentives for projects that combine solar plus storage and especially solar plus storage for low-income projects.

Incentivizing projects that help meet policy objectives of serving clean energy to low-income customers is a win for all. If New Jersey is committed to transitioning all New Jersey residents to the clean energy future - which is necessary to get to 100% clean energy by 2050 - significant funding and support will need to be deployed. The SREC successor program should drive access, ownership, and job opportunities for these communities.

² As long as the environmental justice concerns are addressed and the communities are meaningfully involved in the decision-making process

³ <https://www.mass.gov/files/documents/2016/08/tq/guideline-regarding-definition-of-low-or-moderate-income-housing.pdf>

⁴ <https://www2.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/ComplianceFilingMemorandum.pdf>

The successor program can go a step further and provide added incentives for projects that include a component of job training targeted at underserved populations such as people of color, veterans, women, and low-income residents of EJ communities.

9) How should the cost cap be measured? Should any “head space” under the cost cap in the first years be “banked”? Why or why not?

As noted by SEIA, setting a cost cap will be complicated using a forecast method or historical data. To get as close to the “total paid for electricity consumption by all customers” as noted in the Clean Energy Act, we agree with SEIA that using a three-year historical rolling average makes most sense.

We also recommend that any “head space” under the cost cap in the first years be banked. This will provide the Board flexibility in meeting the RPS goals while giving regards to the cost cap provisions of the Clean Energy Act.

10) Can and should the cost cap be determined based on net costs that include some type of valuation of associated benefits? If so, what should those qualitative and quantitative benefits be and how should they be assigned a value? If the Board can and should consider a net benefits test, should other cost impacts be included? Which ones? Why? If other cost impacts should not be included, why not?

Yes, the cost caps should be based on net costs that values the societal and environmental benefits of solar. These should include, but not limited to, improved reliability, reduced costs related to transmission operations and maintenance, deferred transmission investments, reduced emissions, as well as public health benefits.

11) What steps should the Board take to implement the cost cap? In particular, please discuss the pros and cons of decreasing the Class I REC Renewable Portfolio Standards. Should any measures implemented differentiate among the different type of Class I renewable energy technologies? Should these measures differentiate among the different market sectors (e.g. utility-scale grid supply versus small residential systems)? Should these measures be technology neutral? Why or why not?

We do not believe that the adjustments to Class I REC Renewable Portfolio Standards is needed based on the recommendations provided here.

12) Should the solar industry transition into a true, incentive-free market as the costs of solar begin to approach “grid parity be a goal, or even a consideration, of the SREC Successor Program? If so, how can a SREC Successor Program assist that transition? Should a transition also encompass changes to the net metering program (cf. ongoing FERC/PJM review of DER aggregation)?

Yes, when the cost of solar begins to approach “grid parity” when compared to other energy sources, transitioning the solar market to a true, incentive-free market should be the goal of the SREC Successor Program. However, this should be done by providing ample notice and creating a multi-year declining incentive schedule to ensure that the solar industry can plan accordingly

and that project costs have declined to a point where an incentive-free market is viable. The federal incentive tax credit (ITC) provides a good example on how to gradually decline incentives.

We do not think changes to net-metering program should be made. Net-metering adequately compensates homeowners for the electricity they produce and the benefits these distributed solar systems provide to the grid. The concept of DER aggregation for the wholesale market is still very nascent and this market needs to reach maturity before any behind-the-meter incentives are phased out.

13) Please provide comments on any significant issues not specifically addressed in the questions above, making specific reference to their applicability in the New Jersey context. Please do not reiterate previously made comments.

As BPU considers a factor-based successor program, transparency and stakeholder participation is a must. We encourage BPU to hold multiple public information sessions to disseminate information on the rules of the new successor program.

We appreciate the opportunity to comment on this critical topic. We hope that the BPU will quickly move to create an interim solar incentive program, with added incentives for rooftop and community solar projects serving low-income customers, or EJ communities, projects sited in brownfields, landfills, and parking lots, and community solar projects serving a majority of small subscribers and we look forward to participating in a robust stakeholder discussion around the design and implementation of such a program.

About us:

Vote Solar is a national, non-profit, non-partisan grassroots organization with a mission to make solar a mainstream energy source. We aim to foster economic opportunity and support a cleaner, healthier environment by bringing solar energy into the mainstream. Vote Solar is not a trade group and does not have corporate members. Since 2002, Vote Solar has worked in states all across the country to remove market barriers and implement key policies needed to bring solar to scale.

Solar United Neighbors of New Jersey (SUN NJ) envisions a clean, equitable energy system that directs control and benefits back to local communities, with solar on every roof and money in every pocket. SUN NJ is a community of people building a new energy system. They help people go solar, join together, and fight for their energy rights. Partner organizations range from nonprofits to municipal governments, universities to community organizations, and individual “super volunteers” to houses of worship.

Environment New Jersey is a citizen-based environmental advocacy project of the non-profit Environment America. Environment New Jersey researches the challenges confronting our environment and educate the public about what’s at stake. Through research reports, news conferences, interviews with reporters, op-ed pieces, letters to the editor and more, Environment New Jersey raises awareness of environmental issues and promote sensible solutions.

Earthjustice is the nation's original and largest nonprofit environmental law organization that leverages its expertise and commitment to fight for justice and advance the promise of a healthy world for all.