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NOTICE¹

New Jersey Solar Transition **Staff Straw Proposal (“Straw Proposal”)**

The Staff of the New Jersey Board of Public Utilities (“BPU”) invites all interested parties and members of the public to participate in the continued public stakeholder process to fully inform the design of the New Jersey solar transition required by P.L. 2018, c.17 (the “Clean Energy Act”). This process will include the comments and input received previously, and will build upon the experience of the State and of other jurisdictions. Likewise, this approach is intended to be completed by the statutory deadline, and to provide stakeholders the certainty necessary for continued success for the solar industry.

On May 23, 2018, Governor Phil Murphy signed the Clean Energy Act, which directs the BPU to:

adopt rules and regulations to close the [Solar Renewable Energy Certificate] SREC program to new applications upon the attainment of 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider from solar electric power generators connected to the distribution system. The board shall continue to consider any application filed before the date of enactment of P.L.2018, c.17. The board shall provide for an orderly and transparent mechanism that will result in the closing of the existing SREC program on a date certain but no later than June 1, 2021.

Additionally, the Clean Energy Act directs the Board of Public Utilities to:

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complete a study that evaluates how to modify or replace the SREC program to encourage the continued efficient and orderly development of solar renewable energy generating sources throughout the State.

Furthermore, the Clean Energy Act mandates that:

the board shall ensure that the cost to customers of the Class I renewable energy requirement imposed pursuant to this subsection shall not exceed nine percent of the total paid for electricity by all customers in the State for energy year 2019, energy year 2020, and energy year 2021, respectively, and shall not exceed seven percent of the total paid for electricity by all customers in the State in any energy year thereafter. In calculating the cost to customers of the Class I renewable energy requirement imposed pursuant to this subsection, the board shall not include the costs of the offshore wind energy certificate program established pursuant to paragraph (4) of this subsection. The board shall take any steps necessary to prevent the exceedance of the cap on the cost to customers including, but not limited to, adjusting the Class I renewable energy requirement.

SREC Transition Principles

Staff will be guided by the following “SREC Transition Principles”:

1. Provide maximum benefit to ratepayers at the lowest cost;
2. Support the continued growth of the solar industry;
3. Ensure that prior investments retain value;
4. Meet the Governor’s commitment of 50% Class I Renewable Energy Certificates (“RECs”) by 2030 and 100% clean energy by 2050;
5. Provide insight and information to stakeholders through a transparent process for developing the Solar Transition and Successor Program;
6. Comply fully with the statute, including the implications of the cost cap; and
7. Provide disclosure and notification to developers that certain projects may not be guaranteed participation in the current SREC program, and continue updates on market conditions via the New Jersey Clean Energy Program (“NJCEP”) SREC Registration Program (“SRP”) Solar Activity Reports.

Program Assumptions and Overview

The Clean Energy Act defines the transition point as “the attainment of 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider from solar electric power generators connected to the distribution system.” For purposes of this proposal, “attainment” means that 5.1% of the actual kilowatt-hours sold in the state are being generated by solar electric power generators. This will result in the following categorization of SRECs:

- Legacy SRECs: SRECs created by projects that filed an SRP Registration and entered into operation prior to the attainment of the 5.1% transition point.
- Pipeline SRECs: SRECs created by projects that filed an SRP Registration but which have not entered into commercial operation prior to the attainment of the 5.1% transition point.
- Successor SRECs: SRECs created by projects that filed an SRP Registration (or replacement mechanism) after the attainment of the 5.1% transition point.
 - The SREC Successor Program is the program for the allocation and valuation of Successor SRECs. The current SREC program is designated as “current SREC program”.

In this proposal, SREC Transition (or Solar Transition) is defined as those steps necessary for the definition of the 5.1% transition point; the treatment of Legacy SRECs; the treatment of Pipeline SRECs; and the treatment of Successor SRECs.

Stakeholder Process

Working within these principles and assumptions, Board Staff wishes to bring together all interested stakeholders, beginning in January, for a full discussion of the benefits and liabilities of the different approaches to developing and implementing a SREC Transition in compliance with statutory requirements.

Staff would like to set forth the following proposed schedule for the process of developing the SREC Transition process:

Dec 2018:	Staff releases Solar Transition Straw Proposal
Jan – Feb 2019:	Stakeholder meetings on the Straw Proposal
April – July 2019:	Working groups & workshops conducted on specific elements of the Transition
Aug – Sept 2019:	Rule proposal presented to Board
Sept – Nov 2019:	Public comment period on rule proposal
Dec 2019:	Amendments to rule proposal
Jan – Feb 2020:	Public comment period on rule proposal
March 2020:	Rule adopted by Board

The first Solar Transition Stakeholder Meeting will be held:

- Date:** Friday, January 18, 2019
Location: Rutgers University College Avenue Student Center
 126 College Ave, New Brunswick, NJ 08901
 Multipurpose Room, 2nd Floor.
Time: 10 a.m.

Stakeholders wishing to speak are asked to register in advance to solar.transitions@bpu.nj.gov no later than 5:00 p.m. on Wednesday, January 16, 2019. Stakeholders wishing to speak without prior registration will be allowed to sign up to do so upon arrival to the Stakeholder Meeting, and will be called to speak following the preregistered speakers.

Additional stakeholder meetings will be announced subsequently.

Written comments are also encouraged and must be submitted to Aida Camacho-Welch, Secretary, New Jersey Board of Public Utilities, Post Office Box 350, Trenton, New Jersey,

08625. Written comments may also be submitted electronically to solar.transitions@bpu.nj.gov in PDF or Microsoft Word format. All comments must be received on or before 5:00 p.m. on Friday, February 22, 2019. Please note that these comments may be considered “public documents” for purposes of the State’s Open Public Records Act. Stakeholders may identify information that they wish to keep confidential by submitting them in accordance with the confidentiality procedures set forth in N.J.A.C. 14:1-12.3.

Request for Comments

In light of the statutory directives and the SREC Transition Principles, Staff invites stakeholders to submit comments on the SREC Transition and SREC Successor Program. Additionally, Staff seeks detailed comments on the following issues and questions.

Board Staff strongly requests that stakeholders submit quantitative information to support any assertions pertaining to numerical aspects of the SREC Transition and the SREC Successor Program. Stakeholders are therefore highly encouraged to include, as part of any comments, any calculations, graphs, and tables that are relevant and illustrative to the content of the comments. The calculations, graphs or tables must include an attachment which clearly explains all assumptions used and a copy of any data employed (in a Microsoft Excel file or other easily shared data tool). Stakeholders may identify information that they wish to keep confidential by submitting them in accordance with the confidentiality procedures set forth in N.J.A.C. 14:1-12.3.

In addition to the below question, Staff also wishes to set forth the following proposal for discussion and consideration:

- Defining attainment as being met when 5.1% of the actual kilowatt-hours sold in the state come from solar electric power generators.
- Recognizing that, based on the definitions proposed above, Pipeline SRECs are those projects that have filed an SRP Registration but have not entered into commercial operation prior to the attainment of the 5.1% trigger. Recognizing that those Pipeline SRECs will not be used for satisfaction of the RPS of the Legacy SRECs, in order to ensure that the current market does not become over-supplied.
- Developing a process whereby the Pipeline SRECs are eligible for either a transitional program or able to roll into the SREC Successor Program, as developed. As part of the design process, the Board would consider how to ensure that Pipeline SRECs are considered and provided value (including whether to develop a separate program for Pipeline SRECs, or roll those Pipeline SRECs into the SREC Successor Program, as developed).
- Over an 18-month period, closely monitor the price cap to ensure that it is not exceeded, with the recognition that the Board could exercise its authority to reduce the Class I RECs in the event of the cap being exceeded.

With that in mind, Staff presents the following questions for consideration and discussion:

- 1) In your direct experience, how has the current SREC program functioned over the past 5 years?
- 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).
- 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.
- 4) How should Legacy SRECs be valued? Should these Legacy SRECs be valued under the SREC Successor Program or valued separately?
- 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?
- 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?
- 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?
- 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?
- 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?
- 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?

- 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?
- 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)?
- 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.



Aida Camacho-Welch
Board Secretary

Dated: December 26, 2018