



*New Jersey Solar Market Transition
Suggested Key Terms Supplementing the Staff Straw Proposal
SEIA and NJSEC Alternative 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.

Our colleagues from New Jersey Resources, KDC Solar, NextEra Energy Resources, and Advanced Solar Products have offered comments under separate cover that advance proposals with which we are in general agreement. However, for the transition, we see two core principles that are of equal importance: 1) for larger projects with longer development cycles (12 to 24 months), certainty around the minimum SREC value is critical particularly for those projects in later stages of development; and 2) for smaller projects (under 25kW) with shorter periods (3 to 4 months) from sales to PTO, continued access to the incentive program is of paramount importance. With this in mind, we would like to offer some additional details in support of an alternative proposal highlighted in red below for your further consideration:

- 1) Grandfather projects with existing 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 may 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 transition program. The Board could then close the current legacy program at any future time to those receiving notice and commence the reduced cost program at that time as long as the SRP approved capacity in excess of the 5.1% statutory closure mandate be credited against the subsequent transition program RPS target.*

Chapter 17 Laws of 2018

"No later than 180 days after the date of enactment of P.L. 2018, c.17 (C.48:3-87.8 et al.), the board shall adopt rules and regulations to close the 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 (C.48:3-87.8 et al.). 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."

Should the Board based upon continuing legal guidance by the Attorney General's office determine that the statutory definition of "attainment" requires the current application process to remain open until 5.1% is recognized through the continuing issuance of PTO's, it is our opinion that this definition will align with our recommendation subject to a simple additional requirement that: "the SRP approved capacity in excess of the 5.1% statutory closure mandate be credited against the subsequent transition program RPS target."

To be clear, this would:

1. Result in a continuation of the current program at 1.0 SREC value until the 5.1% PTO attainment was achieved and calculated by whatever means the Board determined appropriate.
 2. Provide firm guidance to all projects receiving an SRP (*the SREC Transition Notice Date*) with a disclosure notice that their SRP approval may result in their eligibility to receive a fractional SREC equivalent to 0.8 of an SREC (equivalent to 1 SREC = 1.2 MWh).
 3. Require that the Board also provide within the SREC Transition Notice that the transition RPS will be adjusted appropriately when the program is closed to new applications in order to meet the statutory mandate: "*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.*"
- The BPU needs to provide guidance to the solar community of the potential scope of the reduction in the incentive. This must be offered at the same time as the SREC Transition Notice 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 0.8.)

- Notices should also be sent to all project owners that obtained SRP approvals before the SREC Transition Notice Date confirming the project’s status as a Grandfathered project.
- Both grandfathered and new projects, encompassing distinct RPS goals defined in the legacy and transition 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 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 transition 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.
- *As the result of lessons learned from other states, it is also deemed necessary to provide a “residential set aside” within the 450 MW project cap in order to provide an opportunity for business continuity. Other states adopting similar market transition programs found that large commercial projects quickly consumed a disproportionate share of the transition project cap crowding out the residential sector. **It is proposed, therefore, that the average residential annual build rate of 175 MW be set aside as a minimum capacity within the 450 MW program cap to preserve employment levels in this market segment. In other words, if non-residential systems reserved 275MW of the transition program before the program close, then no more non-residential projects would be allowed to reserve capacity under the 450MW program cap.***
 - 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. $[450 \text{ MW} * 1200 \text{ MWh/MW} * .8 \text{ SREC}] / 73,667,000 \text{ MWh} = 0.58\%$).
 - The transition RPS schedule would sunset the program to 0% after all projects have exhausted 10 years of SREC eligibility.
 - In the transition 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.
 - NJCEP will track progress towards the legacy program and transition program RPS requirements and advise the Board accordingly.

We would welcome the opportunity to discuss this alternative proposal, along with those presented by our colleagues. Clearly, both proposals are directionally aligned and depend largely upon the final determination of the statutory definition of “attainment.”

The residential market “carve out” is of great concern to those engaged in that market segment which employs the largest share of statewide solar employees. There is ample evidence from the Massachusetts experience in making the transition from SREC I to SREC II [and from SREC II to the SMART program](#) to support this provision.

We also appreciate staff’s continuing availability in light of competing demands and look forward to expeditiously resolving these issues.

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