



Chris Christie
Governor

Kim Guadagno
Lt. Governor

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

Kristi Izzo
Secretary to the Board
(609) 292-1599

NOTICE OF AVAILABILITY

Report of the New Jersey Board of Public Utilities to the New Jersey Legislature pursuant to the Solar Act of 2012 (L.2012, c. 24)

Findings and Recommendations from the Proceeding to Investigate Approaches to Mitigate Solar Market Development Volatility

VIA EMAIL ONLY - SenSweeney@njleg.org

The Honorable Stephen W. Sweeney
Senate President
935 Kings Highway, Suite 400
West Deptford, NJ 08086

VIA EMAIL ONLY - AsmPrieto@njleg.org

The Honorable Vincent Prieto
Assembly Speaker
1 Harmon Plaza, Suite 205
Secaucus, NJ 07094

VIA EMAIL ONLY - LoMara@njleg.org

Lori O'Mara-Van Driesen
Public Information Officer
Office of Legislative Services
Room B50, State House Annex
Post Box 068
Trenton, NJ 08625-0068

Dear President Sweeney, Speaker Prieto and Director O'Mara-Van Driesen:

As directed by the Board of Public Utilities on July 23, 2014, Board Staff provides this Notice of Availability of the Board's report, findings and recommendations from the public stakeholder proceeding conducted pursuant to the Solar Act's Subsection d (3) (b) (the Act), codified at N.J.S.A. 48:3-87 d(3)(b). A copy of the report and literature review, along with this letter detailing the Board's findings and recommendations, may be found on the Board's website in a public reports archive at: <http://nj.gov/bpu/pdf/announcements/2014/solar-market-volatility.pdf>

FINDINGS

- 1) Early in the Christie Administration, the Governor and the Board recognized the need to address volatility in the solar market, and responded with specific policy recommendations in the Energy Master Plan, issued in December 2011. Many of these recommendations were encompassed in the bi-partisan effort which resulted in the Solar Act of 2012, L. 2012, c. 24 (the "Act").

- 2) Staff engaged stakeholders in a public proceeding consistent with the provisions of the Act including requests for input on the definition of “solar development volatility” and approaches to its mitigation before contracting for a detailed analysis of the public record and approaches taken nationally and internationally.
- 3) Public stakeholders provided significant input to the public proceeding lead by Staff, but could not arrive at a consensus definition of the term “solar market development volatility.”
- 4) The Board engaged Rutgers’ Center for Energy, Economic & Environmental Policy (CEEEP) to produce a literature review and report based on the statutory requirements and record of the public proceeding.
- 5) The CEEEP report defined solar market development volatility as “significant and rapid changes in market capacity additions over time in both aggregate capacity and within sectors.” The report found that the market had experienced volatility, especially prior to enactment of the Act. The volatility was in response to changes in federal incentives, substantial declines in solar module costs and SREC price fluctuations (most prior to the Act), with the grid supply market segment showing the most volatility.
- 6) The CEEEP report recognizes that “the New Jersey solar market has a number of key features that will likely mitigate future market development volatility” (pp. 3, 30, 66). Some of these features were enacted as part of the “Solar Act ” including: future limits on large grid-supply solar projects that have the potential to rapidly alter market supply and demand dynamics; extension of the SREC “shelf life” also known as “bankability” or “vintage” from three to five years, and the reduction of the solar alternative compliance payment (SACP) level. The report also recognizes that Staff lead improvements to the transparency of solar market data, and the Board-approved SREC-based Finance Programs administered by the Electric Distribution Companies (EDCs), provide protection against solar market development volatility.
- 7) The CEEEP report provides an in-depth review of the evolution of the New Jersey solar market including the dynamics underlying passage of the Solar Act, and identifies solar market development volatility drivers and possible mitigating factors. The report also reviews policy options derived from stakeholder comments, the CEEEP literature review and the authors’ experience in other states.
- 8) The four policy options reviewed in the report include the following: 1. No Substantive Policy Changes; 2. Implementation of Complementary Initiatives; 3. Supply-Responsive Demand Formula with an SREC Price Floor; and 4. A Capped-Quantity Incentive.
- 9) The policy options described each have costs and benefits which must be weighed based on their impacts on multiple stakeholders including ratepayers, existing system owners, the solar industry, and the EDCs.

RECOMMENDATIONS

- 1) After review of the CEEEP report and the results of the stakeholder proceeding, the Board directed Staff to continue to:

- i. monitor solar market development activity and associated metrics including but not limited to capacity installation rates, SREC registration activity, EDC finance program participation, and SREC prices; and
 - ii. work with stakeholders to identify gaps in New Jersey solar market data availability and improve data transparency to benefit market participants, decision makers and stakeholders.
- 2) Should “significant solar development volatility” extend for three consecutive quarters, with significant volatility defined as 40% or more change in quarter over quarter market capacity additions, the Board recommends the following action:
- i. Evaluating whether the quarterly changes in the market reflect typical market cycles and/or normal variations not requiring regulatory intervention;
 - ii. Engaging stakeholders in developing appropriate responses such as limiting EDC sales of SRECs to recover costs for their EDC owned solar investments, exercising the Board’s statutory authority to authorize retail electricity suppliers and providers to cease offering net metering for large solar electric generation facilities since the aggregate net metered capacity has exceeded 2.5% of statewide peak electricity demand, or consider other approaches to mitigating solar development volatility, and
 - iii. Considering possible means of further restricting eligibility to participate in the SREC market of projects which present potential and significant SREC market impacts.

Please note that this letter and the aforementioned report will also be posted to the webpage devoted to this proceeding which also includes other relevant materials such as stakeholder responses to Staff’s request for comments at:

<http://www.njcleanenergy.com/renewable-energy/program-updates/solar-act/solar-development-volatility-proceedings>

Should you have any questions on the Board’s findings, recommendations, and the CEEEP report, please do not hesitate to contact Board Staff member Scott Hunter at b.hunter@bpu.state.nj.us or (609) 292-1956.

Sincerely,



Kristi Izzo
Secretary to the Board

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Scott Hunter, Office of Clean Energy