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Via Hand-Delivery and Electronic Mail

Honorable Kristi Izzo
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Re: **Net Metering and Interconnection Rules Comments**
BPU Docket No.: EX08070548

INTRODUCTION

Please accept for filing an original and ten (10) copies of the New Jersey Department of the Public Advocate, Division of the Rate Counsel's ("Rate Counsel") comments regarding the above referenced matter.

The New Jersey Board of Public Utilities ("Board") is proposing some modifications to its rules regarding Net Metering and Interconnection, as addressed in *N.J.A.C. 14:8-4 et seq.* Rate Counsel offers the following comments, which will address two specific areas of these rules:

- (1) The proposed changes regarding the annualized period to be used in the determination of the annual true-up for customer-generators whose renewable energy exceeds their own electricity usage; and
- (2) The current 2 MW cap on the capacity of each renewable generating unit.

ANNUALIZED PERIOD

The amendments proposed herein are intended to correct a problem raised by Michelle V. Sullivan in a July 29, 2008 Petition involving the Board's implementation of the net metering program. The program requires electric distribution companies ("EDC"s), electric power

suppliers, and/or BGS providers to give customer-generators (who generate renewable energy on their own sites) monthly credits for generation that exceeds that customer-generator's monthly electricity use. Then, at the end of an annualized period, the EDC, or supplier/provider, is required to make a payment that is intended to pay the customer-generator for the excess generation over that annualized period at wholesale rates.

The current method for determining the annualized period has reportedly been a problem for some customer-generators. Currently, the annualized period starts with the first full billing period after the customer-generator has connected its generating capacity to the EDC's distribution system. Problems arise, in part, because the monthly credits are calculated based on retail rates, while the true-up at the end of the annualized period is based on typically lower wholesale rates. Since there are typically significant differences in the amount of energy generated by renewable resource generators from one season to the next, a customer-generator that interconnects at the wrong time of year can lose value for excess energy.

The Board has proposed allowing each customer-generator to choose its annualized period once during the life of the customer-generator's generating facility, with the intent of encouraging net metering without placing a significant burden on EDCs.

Rate Counsel supports encouraging net metering and increasing the amount of energy generated by renewable resource generation. Rate Counsel agrees that these amendments will provide increased flexibility for customer-generators and will not impose significant burdens on EDCs and supplier/providers.

The 2 MW Cap

The second area of Rate Counsel's comments pertains to the 2 MW cap, in *N.J.A.C. 14:8-4.3(a)*, on the size of net metering installations. The current 2 MW cap on the capacity of each net metering installation does not address today's needs for renewable resource generation, and does not provide any real protection for the distribution system that is not already provided for in other sections of the regulations.

The current 2 MW cap on net metering acts as a limitation on the financial attractiveness of such installations which runs counter to the State's desire to increase generation from renewable resources. This limitation also runs counter to the State's long range energy strategy, as stated on Page 12 of the State's current Energy Master Plan (EMP):

GOAL 3: Strive to exceed the current RPS and meet 30% of the State's electricity needs from renewable sources by 2020.

Renewable energy provides the State with an opportunity to produce electricity that does not contribute to greenhouse gas emissions, and relies on renewable and most of the time free fuel sources such as wind and solar. Since most renewable generation is currently more expensive to build than conventional generation, some financial help is needed to get renewable generation built.

The State's Renewable Portfolio Standard (RPS) provides some help by increasing the monetary value of renewable power. Under regulations already in place, the RPS requires that renewable energy sources generate 22.5% of the State's electricity consumption by 2020.

Net metering can assist the State reach the goals stated in the EMP, since an owner-generator can realize increased revenues from an investment in renewable generation, and thereby encourage such installations.

In addition, the current 2 MW cap on the capacity of each net metering installation does not provide any real protection for the distribution system that is not already provided for in other sections of the regulations.

There is no provision in the 2 MW capacity cap language to address the number of net metering installations that may be connected to each distribution circuit. Obviously, there's a big difference between the operating concerns for a distribution circuit with one 2 MW net metering installation attached, and the operating concerns for a similar circuit with four such installations requesting interconnection.

In addition, there is also no provision in the 2 MW cap to address different distribution circuit operating voltage levels.¹ Both of these factors are relevant to determining whether a particular distribution circuit can accommodate a particular amount of generating capacity. In its current form, the 2 MW cap has little technical value and should be eliminated.

The 2 MW cap does not act to protect the reliability and/or operability of the distribution circuits to which net metering installations are connected. This issue is addressed by *N.J.A.C. 14:8-4.7, 14:8-4.8, and 14:8-4.9*, which address the requirements for Level 1, Level 2, and Level 3 interconnections. These sections address technical characteristics such as the generator's contribution to the circuit's maximum fault current and annual peak load, and take into account the distribution circuit's capacity and the total generating capacity of all generators connected to the circuit.

For example, part (c) of *N.J.A.C. 14:8-4.7* Level 1 Interconnection Review, provides that:

- (c) The aggregate generation capacity on the distribution circuit to which the customer-generator facility will interconnect, including the capacity of the customer-generator facility, shall not contribute more than 10 percent to the distribution circuit's maximum fault current at the point on the high voltage (primary) level that is nearest the proposed point of common coupling.

¹ Distribution circuits operating at 4 kV or so typically have much less capacity to deliver power and much less ability to accommodate distributed generation than do distribution circuits operating at higher voltages, such as in the 12-13 kV range.

This provision, and others similar to it in *N.J.A.C. 14:8-4.7*, provide protection for the existing distribution circuit, regardless of the size and/or number of net metering installations proposed for that circuit. *N.J.A.C. 14:8-4.8* Level 2 Interconnection Review contains similar provisions that provide protection for the existing distribution circuit based on the effects of the proposed net metering installations on the existing circuit, and not simply on an arbitrary size limitation for a single such installation, such as the current 2 MW cap. (Any proposed interconnection that does not qualify for Level 1 or Level 2 Interconnection status can apply for Level 3 status, which provides for detailed impact studies of system impacts and mitigation of those impacts as needed for reliable operation).

Rate Counsel, therefore, takes the position that the current 2 MW cap on the capacity of each net metering installation does not address today's needs for renewable resource generation, and does not provide any real protection for the distribution system that is not already provided for in other sections of the regulations. Therefore, it is Rate Counsel's position that the 2 MW cap should be deleted.

Respectfully submitted,

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