

Philip D. Murphy
Governor

Sheila Y. Oliver
Lt. Governor



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NOTICE OF AVAILABILITY

In the Matter of a Report of the New Jersey Board of Public Utilities to the New Jersey Legislature pursuant to the Clean Energy Act of 2018 (L. 2018, c. 17)

In the Matter of a Solar Successor Incentive Program Pursuant to L. 2018, c. 17

Completion of a study on 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.

BPU Docket Number: QO20020184

VIA EMAIL ONLY - SenSweeney@njleg.org

The Honorable Stephen W. Sweeney
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The Honorable Phil Murphy
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Dear Governor Murphy, President Sweeney, Speaker Coughlin and Director O'Mara-Van Driesen:

As directed by the New Jersey Board of Public Utilities ("NJBP" or "Board") on January 7, 2021, Board Staff ("Staff") provides this Notice of Availability of the New Jersey Solar Transition Capstone Report ("Capstone Report") prepared by the Board's consultant pursuant to the Clean Energy Act, N.J.S.A. 48:3-87(d)(3). Below please find a summary of the report findings and next-step responses. A copy of the Capstone Report may be found on the Board's website in a public reports archive at: <https://www.nj.gov/bpu/newsroom/reports/>

PROCEDURAL BACKGROUND

- 1) Early in the Murphy Administration, the Governor and the Legislature recognized the need to address the relatively high cost of incentives driving solar market development in the State and responded with specific directives to the Board in the Clean Energy Act of 2018,

L. 2018, c.17 (“the Clean Energy Act” or “the Act”). One of these directives was the issuance of a study on 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. The Act requires the Board to:

...consult with public utilities, industry experts, regional grid operators, solar power providers and financiers, and other State agencies to determine whether the Board can modify the SREC program such that the program will:

- continually reduce, where feasible, the cost of achieving the solar energy goals set forth in this subsection;
- provide an orderly transition from the SREC program to a new or modified program;
- develop megawatt targets for grid connected and distribution systems, including residential and small commercial rooftop systems, community solar systems, and large scale behind the meter systems, as a share of the overall solar energy requirement, which targets the board may modify periodically based on the cost, feasibility, or social impacts of different types of projects;
- establish and update market-based maximum incentive payment caps periodically for each of the above categories of solar electric power generation facilities;
- encourage and facilitate market-based cost recovery through long-term contracts and energy market sales; and
- where cost recovery is needed for any portion of an efficient solar electric power generation facility when costs are not recoverable through wholesale market sales and direct payments from customers, utilize competitive processes such as competitive procurement and long-term contracts where possible to ensure such recovery, without exceeding the maximum incentive payment cap for that category of facility.

N.J.S.A. 48:3-87(d)(3).

- 2) With the assistance of The Cadmus Group, LLC, the Board’s consultant, Staff engaged stakeholders in a public proceeding consistent with the provisions of the Act, convening fourteen stakeholder meetings, issuing two surveys and several Staff Straw proposals, and conducting a series of focus groups to discuss and gather input on alternative solar incentive program design options, successor program goals and objectives, NJ Class I Renewable Portfolio Standard cost cap implications, data availability, representative project level financial model assumptions and inputs, representative project level financial needs, and preliminary results and findings.
- 3) Stakeholder meetings designed to understand consensus positions were held with topics discussed as follows:
 - January 18, 2019: Solar Transition Stakeholder kickoff meeting; SREC market evaluation and closure, transition issues, cost cap implementation, and potential successor program goals.

- February 22, 2019: Solar Transition stakeholder meeting; solar transition, timelines, and objectives.
 - May 15, 2019: First stakeholder meeting with the Board's consultant; objectives of the transition, incentive model options, and evaluation criteria.
 - June 14, 2019: Consultant-led discussion of alternative incentive models and analysis of Transition Incentive program and successor incentive program options.
 - July 31, 2019: Staff-led stakeholder meeting on the proposed method for calculating the attainment of the 5.1% Milestone.
 - August 28, 2019: Stakeholder forum on Staff's Straw Proposal for a Transition Incentive program; eligibility requirements and compliance alternatives.
 - September 4, 2019: Second stakeholder meeting on Staff's Straw Proposal for a Transition Incentive Program; eligibility requirements and compliance alternatives.
 - September 6, 2019: Technical session with the Consultant and stakeholders on modeling, assumptions, and sensitivities in refining a Transition Incentive Program recommendation.
 - October 11, 2019: Stakeholder meeting to discuss the revised Staff Straw Proposal and the Consultant's revised modeling calculations.
 - December 17, 2019: Consultant-led discussion of Successor Program objectives and potential design options.
 - January 15, 2020: Staff-led stakeholder meeting on the definition of the Clean Energy Act's statutory cost caps.
 - March 3, 2020: Staff-led discussion on Successor Program design options.
- 4) On August 11, 2020, Staff released the draft Capstone Report produced by Cadmus documenting its findings from the stakeholder discussions, focus groups, data collection, cost cap analysis, and modeling of representative project level and aggregate market financial requirements. Stakeholders were requested to provide comment on the draft Capstone Report by September 8, 2020 and invited to two virtual meetings to ask questions of the consultants and learn about the data and modeling underlying the recommendations:
- August 17, 2020: Consultant-led Stakeholder workshop on the System Advisor Model employed to model project-level finance to produce indicative incentive levels for representative project types.
 - August 20, 2020: Staff-facilitated webinar with the Consultant describing and taking stakeholder comment on the draft Capstone Report.
- 5) On January 7, 2020, the Board authorized the release of the final Capstone Report through a Secretary's Letter.

REPORT FINDINGS AND RECOMMENDATIONS

- 1) An early consensus recommendation among stakeholders was the need for an incentive program that could serve as a bridge between closure of the SREC market to new projects and the availability of a new successor incentive program. The stakeholder process described above, up to and including the meeting in September 2019, resulted in the Transition Incentive Program approved by Board Order on December 6, 2019. To implement the Transition Incentive Program, the Board proposed and adopted new rules at N.J.A.C. 14:8-10 and amended its existing rules at N.J.A.C. 14:8-2.2, 2.3., 2.4, 2.8, 2.9 and 2.11, effective October 5, 2020. The Transition Incentive Program offers fixed incentives that are differentiated by market segment to provide incentive amounts that are scaled to the gap between the expected revenues and costs exhibited by representative projects within the market segment. The Transition Incentive program, which opened on May 1, 2020, is anticipated to remain open to new projects until a successor incentive program is available.

- 2) The key finding from the consultant in the Capstone Report is the recommendation that the Board “deploy a mix of competitive solicitations, particularly for the largest solar projects, and use administratively set incentives for smaller-scale projects.” (p. 2) This approach enables market price discovery while also establishing minimum incentive levels.
- 3) Cadmus also recommended that administratively set incentives should provide an “always-on” fixed incentive program similar to the Transition Incentive Program. Such an incentive program should employ “a transparent process with (i) robust cost and technical assumptions that reflect timely data and stakeholder experience and expectations, and (ii) modeling that is flexible enough to incorporate various types of solar projects and that has been vetted by the market.” (p. 2)
- 4) The initial administratively determined incentives made available should be evaluated relative to those in the Transition Incentive to avoid market disruption in the transition to the Successor Program.
- 5) The consultant recommends that the Board “perform a technical and market potential study to assess the total feasible capacity for solar in the State of New Jersey based on physical, technical, and market assessments” (p. 2) and “maintain program flexibility with regularly planned re-evaluations, revisions, and changes on a fixed timetable, while providing the industry with enough line-of-sight to enable long-term investment in New Jersey’s solar market.” (p. 2)

NEXT STEPS

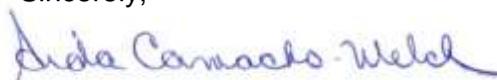
- 1) Please note that this letter and the Capstone Report will be posted to the webpage devoted to this proceeding, which also includes other relevant materials such as stakeholder responses to Staff’s request for comments, at:

<https://njcleanenergy.com/renewable-energy/program-updates-and-background-information/solar-proceedings>

- 2) The Board has directed Staff to initiate further stakeholder proceedings to receive comments and recommendations from interested parties on the proposed methods to develop and implement the Successor Program, building upon the conclusions and recommendations in the Capstone Report.

Should you have any questions on the Board’s findings, recommendations, and the Capstone Report, please do not hesitate to contact Board Staff member Kelly Mooij at kelly.mooij@bpu.nj.gov or (609) 900-5615.

Sincerely,



Aida Camacho-Welch
Secretary to the Board

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