NJSEC Testimony Market Closure Board Staff Straw
January 18, 2019

The New Jersey Solar Energy Coalition appreciates the opportunity to offer our comments this morning on this important step in the process of moving forward to meet the requirements of the new statute toward Governor Murphy's vision for New Jersey's clean energy future.

The New Jersey Solar Energy Coalition is composed of members representing all market segments of the solar industry including Community Solar projects and includes firms working in new Jersey based locally and nationally. We closely follow the Board's work and spend many hours discussing the impacts of these policies across all of the markets in New Jersey.

We are pleased that the Board staff has advanced a number of guiding SREC transition principles in their straw proposal that seek to provide fair and open treatment to all stakeholders. We are very encouraged by these guiding principles and hope that we can work with you in developing the details of the market closure and ensuing transition program held to these standards.

We are also particularly pleased to see that the principle of "ensuring that prior investments retain value" will finally lay to rest current investor concerns that their good faith legacy investments could be subsumed to finance the future of New Jersey's solar program, as some have suggested.

New Jersey is now embarking on offshore wind and a number of other renewable technology initiatives that will require significant resources of private capital. The stated principles go a long way to restoring investor confidence and the promise of continuing the significant private investment needed to support New Jersey’s energy future.

We were also pleased to see that the Board just yesterday approved a stakeholder process to finally resolve the subsection (r.) market that has been suspended for the past 16 months. As you know and will hear more about today from our members only four projects remain in the active PJM queue. They have each continued to invest in good faith and follow all of the requirements set forth by the Board during this protracted suspension.

Your principles set the stage to finally advance these projects which in fairness is the right thing to do. We welcome the opportunity to participate in this stakeholder process and hope that these matters can be concluded expeditiously.

At this point, however, we would like to make some important business continuity observations and ask that you consider moving quickly to address a few open issues that if left unresolved will result in business continuity consequences that will be dysfunctional to our common goals.

First, by whatever method of calculation that you choose, the solar projects currently operating in New Jersey taken together with those projects already receiving an SRP approval are at the statutory limit of 5.1% of retail sales. While there can be honest disagreements on the detail of the metrics no one is coming up with estimates that are outside of 50 MWs either way at this time.

In observance of fairness as articulated in the principles we think that projects receiving an SRP up to a date certain (and soon) should be “grandfathered” into the current program. After all, these projects have all produced evidence to the Board of executed contracts, in some cases the result of winning public bids. Leaving them essentially stranded with continuing uncertainty as to which program they are qualified to enter along with the level of incentive that would be available to them is clearly not your intention. Many of these projects are now in the midst of construction, and failing to resolve this issue quickly would be nothing short of an invitation to litigation.

No one wants that and we will be making a simple recommendation to easily avoid these concerns entirely.

Secondly, an open application process within the transition program needs to offer some detail relating to the level of incentives that will be available to applicants. Clearly, no project can turn to the debt and equity markets without some clear expectations as to which program (legacy or transition) that they will be applying and the level of financial assistance that may be reasonably expected from the program over the life of the project.

In the absence of clear direction in these areas, project financing will come to a grinding halt across all market segments.

There is simply no way that New Jersey's Solar program can continue to function in the financial markets under the protracted schedule presented in the straw with this continuing level of financial uncertainty.

This is not like past problems of SREC market volatility and financial distress. This is about absence of information absolutely required to obtain financing and attract investors.

While this problem is an absolute show stopper, but we think that there is a fairly simple fix.

The next SRP approved by the Board for any application should simply include a disclaimer that would say simply:

"This project has been approved, however, until the final calculations have been completed by the Board in accordance with statutory requirement that the current program has achieved the market closure trigger of 5.1% of retail sales, this project may become enrolled in the transition program. For the purposes of obtaining project financing, your project should be based upon an SREC value equal to 80% of the value of an SREC at the prevailing market value or will require the generation of 1.2 MWhrs of solar production from your facility to obtain the full prevailing market value of 1 SREC."

This simple disclosure statement, therefore, communicates to all applying projects that they are warned that they should pencil their respective projects at a reduced rate and financially plan on being offered the transition program. Should circumstances exist that permit their entry into the closing program before the cutoff date is established by the Board, there is no resultant harm to the project's financing.

The 80% SREC value would result in forward SREC pricing at approximately $175/MWhr as we have posited on a number of occasions in prior testimony as a workable transition incentive level for all market segments.

Taken together with the recent five-year reduction in eligibility, the program cost reduction would reflect program ratepayer savings of more than 50% from what it was just a few months ago.

In addition to the "disclaimer," the Board would then only need to set a new transition RPS suitable to create the demand necessary to absorb the build out expected until the successor program is ready in June of 2020. We would also urge the Board to consider closing out the transition program at that time by adjusting the target RPS to close the transition program in balance in order to fairly ensure that these transition investments also retain value.

Our recommendation is consistent with what you will and have heard from others here today, it avoids the administrative nightmare of setting up a new SREC II program, reduces the anticipated volatility of a small independently traded program, and it can be implemented immediately.

Once resolved, we can all move on to the important work of developing the successor program and work through all of the issues that will require far more exhaustive debate and consideration.

NJSEC will respond to the questions that have been provided in the coming weeks prior to the filing deadline for written comments.

Please be assured that we will be happy to work with Board staff in resolving this immediate concern, but that until this critical transition issue is resolved, there is little to be gained from discussing successor program issues.

I’d be happy to respond to any questions that you may have.