



Philip D. Murphy
Governor

Sheila Y. Oliver
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/

Joseph L. Fiordaliso
President

Mary-Anna Holden
Commissioner

Dianne Solomon
Commissioner

Upendra Chivukula
Commissioner

Bob Gordon
Commissioner

NOTICE¹

**Docket Nos. QO19010068 and QO20020184 – In the Matter of a Solar
Successor Incentive Program Pursuant to P.L. 2018, C.17**

Solar Successor Program Stakeholder Meeting 1

Pursuant to the “Open Public Meetings Act”, N.J.S.A. 10:4-6 et seq., Staff of the New Jersey Board of Public Utilities (“NJBPU”) invites all interested parties and members of the public to participate in a stakeholder meeting to discuss the design of the Solar Successor Program, pursuant to P.L. 2018, c.17 of the Clean Energy Act (“Clean Energy Act”).

Background

The Clean Energy Act requires NJBPU to complete a study that evaluates how to replace or modify the SREC program to encourage the continued efficient and orderly development of solar renewable energy generating resources throughout the State. The Clean Energy Act also requires the closure of the SREC market upon the State’s attainment of 5.1% of kilowatt-hours sold from solar electric generation facilities. In implementation of the Clean Energy Act, NJBPU has engaged a consultant and is conducting a Solar Transition process. This process includes measures to close the current SREC program (“Legacy SREC Program”), the design of a solar Transition Incentive program, and the development of a successor solar incentive mechanism (the “Successor Program”). Rules closing the SREC program were published in the New Jersey Register on February 3, 2020; the Board established the Transition Incentive program in an Order dated December 6, 2019. Further information regarding the Solar Transition process is available on the Clean Energy Program website: <https://njcleanenergy.com/renewable-energy/program-updates-and-background-information/solar-proceedings>.

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This is the second stakeholder held specifically on the Solar Successor Program, following Stakeholder Workshop 3 led by Cadmus Group LLC, the Solar Transition Consultant, on December 17, 2019. In addition to this Solar Successor Program Stakeholder Meeting 1 (“Stakeholder Meeting”), Staff plans to convene further opportunities for stakeholder input on the Solar Successor Program over the coming months.

This Stakeholder Meeting will build upon comments and input received throughout the Solar Transition process, including those received at the Solar Successor Program Stakeholder Workshop 3, as well as comments received throughout the development of the Transition Incentive program and the closure of the SREC program.

Meeting Details

Date: Tuesday, March 3, 2020

Location: Mercer County Community College
1200 Old Trenton Rd, West Windsor, NJ
The Conference Center

Time: 10:00 a.m. – 2:00 p.m.

This meeting will be in-person only. Stakeholders wishing to attend are asked to register no later than 12 p.m. on Monday, March 2, 2020, via an email to solar.transitions@bpu.nj.gov.

Written comments in response to the questions contained in this Notice are also encouraged and must be submitted to solar.transitions@bpu.nj.gov **no later than 5:00 p.m. on Friday, March 20, 2020**, with the subject line “Successor Program March 20 Comments”.

Responses to the Cadmus modeling assumptions survey are due no later than 5:00 p.m. on **Friday, March 13, 2020**. The survey is available at the following link: <https://www.surveymonkey.com/r/H79ST8K>.

This Stakeholder Meeting will focus on various elements of the design of the Successor Program. The Stakeholder Meeting will therefore be organized thematically, based on the categories of questions identified further in this Notice. The anticipated schedule will be as follows, subject to change:

Approximate Time	Topic
10:00 a.m. - 10:30 a.m.	Introduction by BPU Staff
10:30 a.m. - 11:30 a.m.	Topic 1: Successor Program Incentive Design
11:30 a.m. - 12:30 p.m.	Topic 2: MW Targets / Program Capacity
12:30 p.m. - 1:00 p.m.	Lunch Break
12:30 p.m. - 1:15 p.m.	Topic 3: Grid Supply Solar
1:15 p.m. - 2:00 p.m.	Topic 4: Solar Siting

Solar Successor Program

Stakeholder Request for Comments

In responding to the questions identified below, stakeholders should bear in mind the provisions of the Clean Energy Act of 2018. Among other things, the Clean Energy Act requires that the Board:

- 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.

Stakeholders should also consider in their responses the goals set forth in the 2019 Energy Master Plan, available at the following link: www.nj.gov/emp.

Topic 1: Successor Program Incentive Design

A) Cadmus Modeling Assumptions

In order to inform the modeling currently underway, Cadmus is seeking stakeholder inputs on several modeling assumptions. The survey is available at the following link: <https://www.surveymonkey.com/r/H79ST8K>.

B) Incentive Type / Incentive Delivery Mechanism

At the December 17, 2019 Stakeholder Workshop, Cadmus sought stakeholder feedback on a variety of “policy pathway design choices.” These design choices included the incentive type, the payment structure, the price setting mechanism, the price adjusting mechanism, and the compensation structure.

From the stakeholder feedback received on December 17, 2019, Cadmus has focused their analysis on three general incentive program types:

i) **Tariff-Based Incentive:** eligible projects would receive a total compensation based on the MWh produced, in which the incentive would fill the gap between other value streams and the total compensation.

ii) **Market-Based RECs:** eligible projects would create RECs, the value of which would be determined via competitive supply and demand, similar to the Legacy SREC program.

iii) **Performance-Based Incentive:** eligible projects would receive a fixed incentive value based on the MWh produced, with the value of the incentive set to reflect specific environmental attributes.

Questions:

1. Please describe the advantages and disadvantages of the three incentive program types identified above.
2. How would you expect the incentive value (and the cost to ratepayers) to change based on the incentive program type?
3. Should the Board establish a differentiated incentive (i.e. different incentives for different project types), as was done for the Transition Incentive program? If yes, what should these different project types be?
4. How should the Board set the value of the incentive: via administrative modeling, a competitive solicitation, or an on-going market? What are the advantages and disadvantages of these three mechanisms?
5. How should the Board establish and periodically revise the maximum incentive payment caps described in the Clean Energy Act?
6. What is the preferred incentive qualification life (10 vs. 15 years) based on typical project financing?
7. The Clean Energy Act requires that the Board “encourage and facilitate market-based cost recovery through long-term contracts and energy market sales.” Please provide your assessment of various market-based cost recovery mechanisms, and their applicability to each of the three incentive program types developed by Cadmus.

Topic 2: MW targets / Program Capacity

As stated above, the Clean Energy Act of 2018 requires, including other things, that the Board:

- 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

Questions:

8. What MW target project categories should be established?
9. How should the Board set the capacity for each MW target, in compliance with the incentive cap and cost cap requirements? Please consider: 1) how the Board should set the overall capacity to be made available on an annual basis for the Solar Successor Program; and 2) the relative breakdown of the total annual capacity between MW target project categories.

For reference, the breakdown of installed capacity by solar installation type as of January 2020 is as follows:

Residential	30%
Non-Residential < = 100 kW	4%
Non-Residential > 100 to < 1000 kW	24%
Non-Residential > = 1000 kW	21%
Grid Supply	21%

Source: <https://www.njcleanenergy.com/renewable-energy/project-activity-reports/project-activity-reports>

10. Should the historical breakdown of actual MW installations serve as the basis for future targets?
11. How should the Board administer these MW targets? Should projects be allowed to participate on a first-come, first-served basis?
12. What measure should the Board implement to prevent “queue sitting”? Please include in your response a discussion of a) maturity requirements, b) filing fees, and c) alternative suggestions.
13. Should excess annual capacity be reallocated if not used (e.g. if a project drops out of the pipeline)?
14. Should projects located in municipal utilities that do not pay into the RPS be eligible to receive Successor Program incentives?
15. How can the State most efficiently progress towards the goals set in the Energy Master Plan, while balancing ratepayer costs for solar development in- and out-of-state?

Topic 3: Grid Supply Solar

In the Legacy SREC program, grid supply project could be eligible for SRECs if they met the requirements defined at N.J.A.C. 14:8-2.4. These projects are known as subsection (t) and subsection (r) projects.

Questions:

16. Should the Board maintain the current subsection (t) and subsection (r) processes for determining incentive eligibility for grid supply projects?
 - If yes, what conditions should be maintained?
 - If no, how should the Board treat grid supply projects?

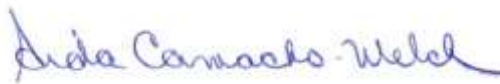
17. Should the Board set a dedicated incentive value for grid supply projects? If yes, how can the Board best determine the appropriate incentive value (i.e. incentive gap modeling vs. bid process)?
18. Should the Board establish a maximum system size to be eligible for a Successor Incentive? If not, how should economies of scale and the lower incentive gap be accounted for solar electric generation facilities over 20 MW?
19. What is the best means to motivate investment in rooftop grid supply solar facilities where insufficient electricity loads preclude net metering and the wholesale value of electricity generated increases the incentive gap relative to rooftop net metered projects?

Topic 4: Solar Siting

The 2019 Energy Master Plan states that, “in order to enhance smart siting of solar, the state should better define areas that are considered marginalized, such that they have constrained economic or social value.” This includes a commitment that “NJDEP and NJBPU will coordinate land use policy for solar siting with the New Jersey Department of Agriculture to identify sites that could be used to expand New Jersey’s commitment to renewable energy while still protecting the state’s farmland and open spaces.” (EMP Goal 2.1.8)

Questions:

20. How should the Successor Program incentive structure be designed to address the state policy preference for solar located on rooftops, landfills and brownfields versus open space and farmland?
21. What land use restrictions and limitations should apply to the Successor program incentive to reflect the siting of solar projects in New Jersey? Please include a specific discussion of solar on farmland and open space, consistent with all applicable New Jersey statutes and regulations.
22. Aside from the various types of net metered projects and grandfathering a defined set of projects on farmland, the Solar Act of 2012 limited eligibility for SRECs to solar electric generation facilities which demonstrated no adverse impact on open space or those located on properly closed sanitary landfills and brownfields as defined in the Spill Compensation and Control Act. Should the criteria for Successor Program incentives retain these limitations as contained in the statute or be refined to broaden eligibility beyond the footprint of a landfill cap or limits of the brownfield site?



Aida Camacho-Welch
Secretary of the Board

Dated: February 28, 2020