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November 17, 2017

By Hand Delivery and Electronic Mail

Honorable Irene Kim Asbury, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: I/M/O the Board's Establishing a Generic Proceeding to Review the State of the Solar Market and I/M/O the Implementation of L. 2012, c. 24, the Solar Act of 2012, BPU Docket No. QX17090949

I/M/O I/M/O the Implementation of L. 2012, c. 24, the Solar Act of 2012, N.J.S.A. 48:3-87(q) (r) and (s) – Proceedings to Establish the Processes for Designating Certain Grid-Supply Projects as Connected to the Distribution System, BPU Docket No. EO12090832V

I/M/O the Implementation of N.J.S.A. 48:3-87(r), Designating Grid-Supply Projects and Connected to the Distribution System – Order Implementing Certain Provisions of N.J.A.C. 14:8-2.4(g) for Energy Year 2018, BPU Docket No. QO16020130

Dear Secretary Asbury:

Please accept this original and ten copies of Comments submitted on behalf of the New Jersey Division of Rate Counsel (“Rate Counsel”) in connection with the above-captioned matter. We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope.

Honorable Irene Kim Asbury, Secretary

November 17, 2017

Page 2

Thank you for your consideration and assistance.

Respectfully submitted,

STEFANIE A. BRAND

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STATE OF NEW JERSEY

BEFORE THE BOARD OF PUBLIC UTILITIES

In the Matter of the Board's Establishing a Generic Proceeding to Review the State of the Solar Market))))	
In the Matter of the Implementation of <u>L.</u> 2012, <u>C. 24</u> , The Solar Act of 2012))))	BPU Docket No. QX17090949
In the Matter of the Implementation of <u>L.</u> 2012, <u>C. 24</u> , the Solar Act of 2012, <u>N.J.S.A.</u> 48:3-87(Q)(R) and (S) – Proceedings to Establish the Processes for Designating Certain Grid-Supply Projects as Connected to the Distribution System; and))))))))	BPU Docket Number EO12090832V
In the Matter of the Implementation of <u>N.J.S.A.</u> 48:3-87(R), Designating Grid-Supply Projects as Connected to the Distribution System – Order Implementing Certain Provisions of N.J.A.C. 14:8-2.4(G) For Energy Year 2018))))))))	BPU Docket Number QO16020130

COMMENTS OF THE
NEW JERSEY DIVISION OF RATE COUNSEL
ON STAFF'S DRAFT QUESTIONS FOR GENERIC SOLAR PROCEEDING

November 17, 2017

Introduction

On September 22, 2017 the Board of Public Utilities (“BPU” or “Board”) issued an order directing BPU Staff (“Staff”) to convene a generic proceeding (the “Solar Generic Proceeding”) to review the state of the solar market. The Board also directed Staff to develop a list of topic areas and questions upon which stakeholders are to provide oral and written comments. A webinar was held on October 27, 2017 to explain the context of the Solar Generic Proceeding and provide a review of the current state of the New Jersey solar market. Prior to the webinar, October 25, 2017 Staff circulated a draft of the questions to be to be considered in in the Generic Solar Proceeding. Staff has requested stakeholders to provide input on the draft questions with the purpose of developing and refining a set of final question. Staff will release the final questions in advance of the first Generic Proceeding hearing date of December 4, 2017.

Rate Counsel appreciates the opportunity to provide input into this process. Rate Counsel reviewed Staff’s draft questions and has prepared a revised set of questions. This revised set of questions follows the general format and content of Staff’s draft questions. However, Rate Counsel felt that some questions needed further explanation for clarity or to provide background information that might not be apparent to stakeholders who are less familiar with the background and history of the State’s solar market and policies. In addition, Rate Counsel believes it is important to specifically request comment on how current market conditions should affect the State’s solar energy policies, and on the proper role of solar energy in achieving the State’s overall Clean Energy goals. Also, Rate Counsel reorganized the questions in the “Solar Economics and Incentives” section and moved those questions to other relevant sections.

**Rate Counsel Suggested Revision of Staff Proposed Questions for
Consideration in 2017 Solar Generic Proceeding**

I. Policy Goals and Objectives

i. In the 2006-07 “Solar Transition” Proceeding the Board found the following criteria appropriate for evaluating and assessing various market models:

- Sustained Orderly Market Development
- Minimize Ratepayer Impact
- Minimize Transaction Costs
- Support other policy goals including environmental and public health, equity to all ratepayer classes, job growth, improved reliability and security.

Are these goals still relevant? Please explain why or why not.

ii. The Board Order establishing this proceeding describes a thriving solar market in New Jersey that far exceeds what any market participants had ever predicted. Now that a robust and diverse solar market has been established, what should be the focus of the State’s solar policy?

iii. N.J.S.A. 48:3-87(l) (1) states that the Board should implement its responsibilities to “place a greater reliance on competitive markets, with the explicit goal of encouraging and ensuring the emergence of new entrants that can foster innovations and price competition.” How important is compliance with this legislative intent to move toward a competitive market? How might this be achieved?

iv. What is the role of solar energy in meeting the State’s overall Clean Energy objectives? How important is achieving the percentage requirement set-aside for Solar Renewable Energy Certificates (“SRECs”) in New Jersey’s Renewable Portfolio Standards (“RPS”) to achieving the State’s overall goals?

v. What is the role of storage in achieving the State’s Clean Energy goals? Are any changes needed to encourage the integration of solar energy with storage?

vi. What is the impact on the distribution grid of additional installations of distributed solar facilities? If upgrades are needed, who should pay for them?

vii. How important are safeguards for solar consumers? What types of safeguards should be considered?

- viii. How important are safeguards for third-party owned solar projects or project investors? What types of safeguards should be considered?
- ix. How important are safeguards for ratepayers? What types of safeguards should be considered?

II. RPS Design and Eligibility

- i. Should the RPS be phased out?
- ii. Should the RPS be restructured to set goals specific to market segments (i.e., residential and small commercial; large commercial and industrial; and grid supply)?
- iii. The utility-scale, grid supply segment of the solar market typically has lower installation costs, greater economy of scale and thus lower-priced SREC requirements. Should this segment continue to receive SRECs?
- iv. Should changes be made to the current solar RPS design concepts, specifically:
 - a. 15-year qualification life;
 - b. 15-year Solar Alternative Compliance Payment (“SACP”);
 - c. Five-year SREC vintage/bankability?
- v. What financial targets should be used to inform policy choices (i.e., internal rate of return, payback period)? How should financial targets differ between market segments (i.e., residential and small commercial; large commercial and industrial; and grid supply)?
- vi. Are the current EDC SREC-based financing programs still necessary (i.e., PSE&G’s Solar Loan III, PSE&G’s Solar 4 All, SREC-II Based Financing)?

III. Net Metering and Interconnection

- i. Are the Board’s current net metering and interconnection rules consistent with the State’s Clean Energy policy goals and objectives? If not what changes should be considered?
- ii. Currently, net metered installations in New Jersey are restricted in size based on historic electricity consumption. Should there be an overall capacity cap on net metered projects? How would this be structured?

- iii. Larger commercial and industrial projects have a competitive advantage in the SREC market and could potentially crowd out smaller projects from interconnecting on constrained distribution circuits. Should net metered larger commercial and industrial solar projects be treated differently from residential and smaller commercial projects?
- iv. Currently, net metered installations in New Jersey are compensated with credits at the full retail value of electricity, including generation, delivery, and surcharges, for the production over and above what is used on-site. Do these credits need to continue at this value?

IV. Land Use Implications

- i. How can the State minimize impact of solar development on open space, wooded, and farmlands?
- ii. In an effort to minimize the impact of solar development on open space, where and how should the State encourage solar development?
- iii. What changes to its policies, if any, should the Board consider related to its goal of protecting open space?" Can tools like the NJDEP Solar Siting Analysis be used to inform incentive approval decisions?