

Proposed Changes to CORE, REIP, and the ESFI

During the May 10, 2011 Renewable Energy Committee meeting, there was a public discussion regarding proposed changes to the EDC Solar Financing Incentive (ESFI) and to the CORE and REIP project extension policy.

The Board approved Compliance Filing dated 12/2/2010 defines the eligibility criteria and the commitment period for participation in the EDC Solar Financing Incentive.

The key objectives of the ESFI were to motivate the installer community to understand the EDC SREC-based Finance program (the program), to sell potential customers on the availability of the program and to facilitate the transition away from rebates for residential and small non-residential solar projects. Based upon the robust participation in the program's Solicitation Round 6 and the fact that over 1,100 residential projects have participated in the SREC Registration Program (SRP) without the benefit of a rebate, the OCE has concluded that the need for incentives to participate in the program has dissipated and hence the eligibility requirements for ESFI should be modified.

The proposed change to the Eligibility Period that was discussed at the meeting is noted below:

- A. Current language: An incentive of \$.50/Watt will be available to all eligible SRP projects that are awarded a Board approved SREC Purchase and Sale Agreement with their EDC resulting from their participation in an EDC SREC solicitation bid occurring between 1/1/2011 and 12/31/2011.
- B. Proposed revision: An incentive of \$0.50/Watt will be available to all eligible SRP projects that execute a Board-approved SREC Purchase and Sale Agreement with their EDC resulting from their participation in an EDC SREC solicitation occurring between January 1, 2011 and the June 2011 solicitation that is currently due June 10, 2011.

In addition to the proposed change to the ESFI noted above, the OCE is proposing a modification to the Board's extension policy for CORE and REIP solar projects. The CORE program was closed to new applicants in 2008 and the REIP program was closed to new solar rebate applications after the 2010 Funding Cycle 3 was fully subscribed. In 2010, the Market Manager was authorized to grant 1st extensions for projects less than or equal to 10.0 kW and second extensions for public projects greater than 10.0 kW if certain conditions are met. Previously, the Market Manager could only grant 1st extensions for projects greater than 10 kW. Additional extensions require the applicant to petition the Board for a waiver or exception to the Board-approved extension policy.

Current economic conditions for solar projects are such that many new projects from all market segments have been financed and constructed without a rebate. Staff believes that the current state of the SREC market in which current SREC prices result in reasonable paybacks to projects without a rebate, results in a windfall for projects that received rebate approvals based on economic conditions and installation costs that existed several years ago when SREC prices were lower. In addition, there are other factors affecting project installations that have improved during the past two years such as the abundant supply of equipment, lower installed cost, and many more active installers to choose from.

Therefore, Staff is proposing modifications to the current extension policy for all solar projects. The extension policy change will apply to a project based upon how many extensions the project

has been granted as of the effective date of the Board Order approving the proposed changes described below.

1. Projects that have NOT received an extension may be eligible for only one extension and must provide documentation to demonstrate the following items:
 - a. Engineering and design work has been completed.
 - b. Construction permits have been approved by the authority having jurisdiction (where applicable).
 - c. Project materials including the panels, inverters and mounting system are on site.

Projects that meet all 1st extension requirements will be granted one extension from the original project expiration date as determined by the total system size of the project. Projects less than or equal to 10.0 kW will be eligible for a 4 month extension while projects greater than 10.0 kW will be eligible for a 6 month extension. If the project is not completed within this 1st extension period, NO additional extensions will be granted.

2. Public projects with a system size greater than 10.0 kW that have already received one extension may be eligible for only one additional extension and must provide documentation to demonstrate the following items:
 - a. Engineering and design work has been completed.
 - b. Construction permits have been approved by the authority having jurisdiction (where applicable).
 - c. Project materials including the panels, inverters and mounting system are on site.
 - d. The system must be substantially installed and awaiting final interconnection approval or in the startup and testing phase.

Public projects that meet all 2nd extension requirements will be granted a final extension for a period of 6 months from the current project expiration date. If the project is not completed within this 2nd extension period, NO additional extensions will be granted. Private sector projects and public projects less than 10.0 kW are not eligible for a 2nd extension through the Market Manager.

Market Manager Extension Review Process

The Market Manager will consider extension requests in the two cases described above only if significant progress has been made toward completion of the project, and where the delay was unavoidable and unforeseeable at the time of the rebate application. Approval of any extension will depend on the totality of circumstances related to reasonable progress toward each of the items listed above and the reason why the delay was unavoidable and unforeseeable as demonstrated through documentation provided with the extension request. Progressive documentation of project issues to the Market Manager as they occur throughout the project will significantly improve the case for a project extension.

Projects that have been denied a rebate extension will be eligible to transfer their project to the SREC Registration Program in order to be eligible to generate NJ SRECs.

Staff is also proposing that the standard for receipt of an exception to the extension policy from the Board be revised. Specifically, Staff proposes that the Board put the industry on notice that extension requests beyond those that can be granted by the Market Manager shall not be viewed

favorably by the Board unless a project can demonstrate that the project materials have been delivered to the project site prior to the project expiration date, as extended by the Market Manager. In addition, the extenuating circumstances warranting consideration of the additional extension must be thoroughly documented as part of the extension request.