

# Competitive Solar Incentive (CSI) Program Stakeholder Meeting #4



**June 6, 2022**



# Welcome

This is the fourth public stakeholder meeting for the design of the CSI Program under

[Docket # QO21101186](#)

Competitive Solar Incentive (“CSI”) Program  
pursuant to P.L. 2021, C.169

In addition, two stakeholder meetings were held on the [Solar Siting Straw Proposal](#)  
under the same docket

# Covered in this meeting

This meeting will focus on the following part of the CSI Straw Proposal released on April 26, 2022:

- Section IV.D - Auction price result
- Section IV.E - SREC-II payment structure

# Webinar Instruction Page

- All attendees will be automatically muted
- Questions? Please use the “Q &A” function in Zoom
- We will address clarifying questions at the end of each section
- Please note that the “Chat” function in Zoom is not available for this meeting
- This meeting is being recorded. A copy of the recording and slides will be made available on the BPU website:

<https://www.nj.gov/bpu/newsroom/public/>

# Disclaimer

This presentation is provided for informational purposes only and should not be taken to represent the views of the New Jersey Board of Public Utilities, its Commissioners, or the State of New Jersey. Please be aware that any information presented is subject to change if there are changes to New Jersey statutes, rules, or policies.

**All viewers are responsible for ensuring that they rely only on current legal authority regarding the matters covered in the presentation.**

# Written Stakeholder Comment Guidelines

- The deadline for comments on the CSI Straw is 5:00 p.m. ET on Monday, June 20, 2022.
- Please submit comments directly to Docket No. QO21101186, using the “Post Comments” button on the Board’s Public Document Search tool.
- Comments are considered “public documents” for purposes of the State’s Open Public Records Act and any confidential information should be submitted in accordance with the procedures set forth in N.J.A.C. 14:1-12.3.
- Written comments may also be submitted to:
  - Carmen D. Diaz
  - Acting Secretary of the Board
  - 44 South Clinton Avenue, 1st Floor
  - Post Office Box 350
  - Trenton, NJ 08625-0350
  - Phone: 609-292-1599
  - Email: [board.secretary@bpu.nj.gov](mailto:board.secretary@bpu.nj.gov)





# CSI STAKEHOLDER MEETING #4

June 6, 2022

# Today's Agenda

## Topic

## Importance

- Auction price result  Compare Pay-As-Bid vs Single Clearing Price as mechanism for determining SREC-II awards
- SREC-II payment structure  Compare indexed SREC-II and fixed SREC-II structures, Identify the risks and rewards of both approaches





# Auction Result

## Pay-As-Bid vs Single Clearing Price

# Pay-As-Bid vs Single Clearing Price

Based on

- Wide adoption in other state procurements,
- The avoidance of paying more than bids,
- The interaction with the tranche system, allowing for potentially more “preferred siting” projects to get awarded, and
- An acceptable administrative burden

the recommendation is to use the pay-as-bid approach in awarding SREC-IIs



# SREC-II Payment Structure Indexed vs Fixed

# Discussion: SREC-II Payment Structure

## Fixed vs Indexed SREC-IIs

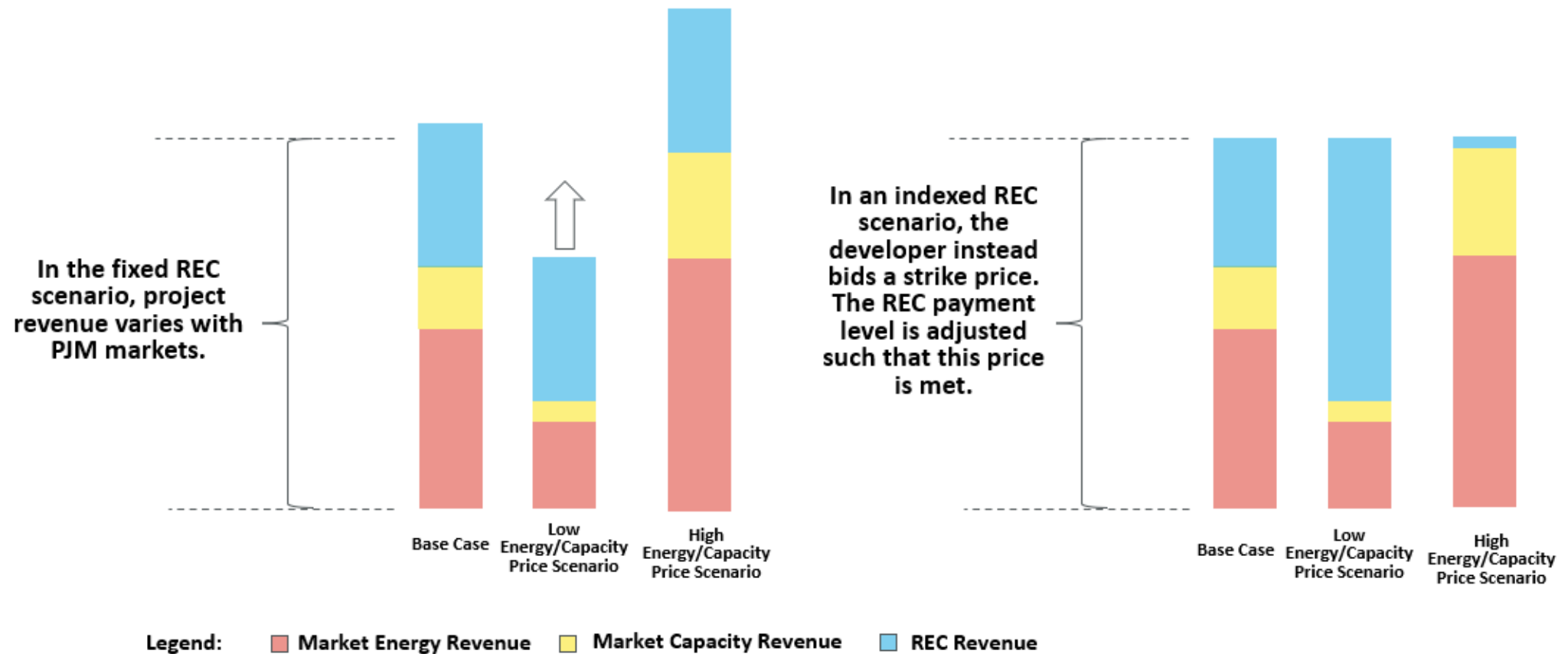
- Impacts on WACC for financing projects
- Risk / Benefit to New Jersey ratepayers

## Other

- Contract term length
- SREC-II payments approach – via administrative rules vs contracts

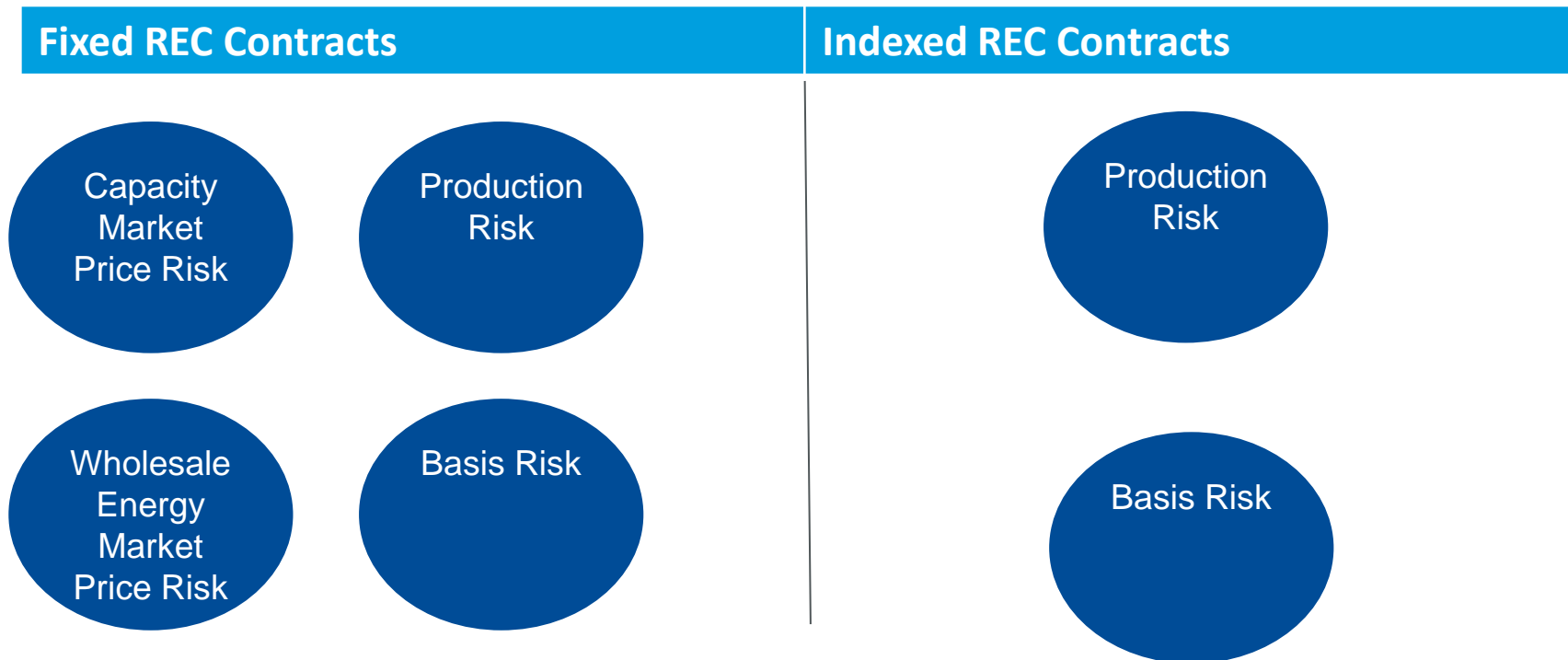
# Two Approaches: Fixed and Indexed RECs

Indexed REC structure provides steady revenue to developers, while the Fixed REC structure provides certainty around ratepayer costs of environmental attributes.



# Impact on Developer risk

**Indexed REC Structure reduces market risk for developers, but production and basis risk remain**



**Note: with Indexed RECs, any risk NOT borne by developers, is borne by ratepayers**

# Daymark Analysis on Fixed and Indexed SREC-IIs

Daymark conducted analysis to understand two things:

- Impact on SREC-II cost due to developers' revenue uncertainty risk
- Impact on ratepayer cost due to risks associated with variable REC payment structure

Indexed SREC-II structure used in analysis:

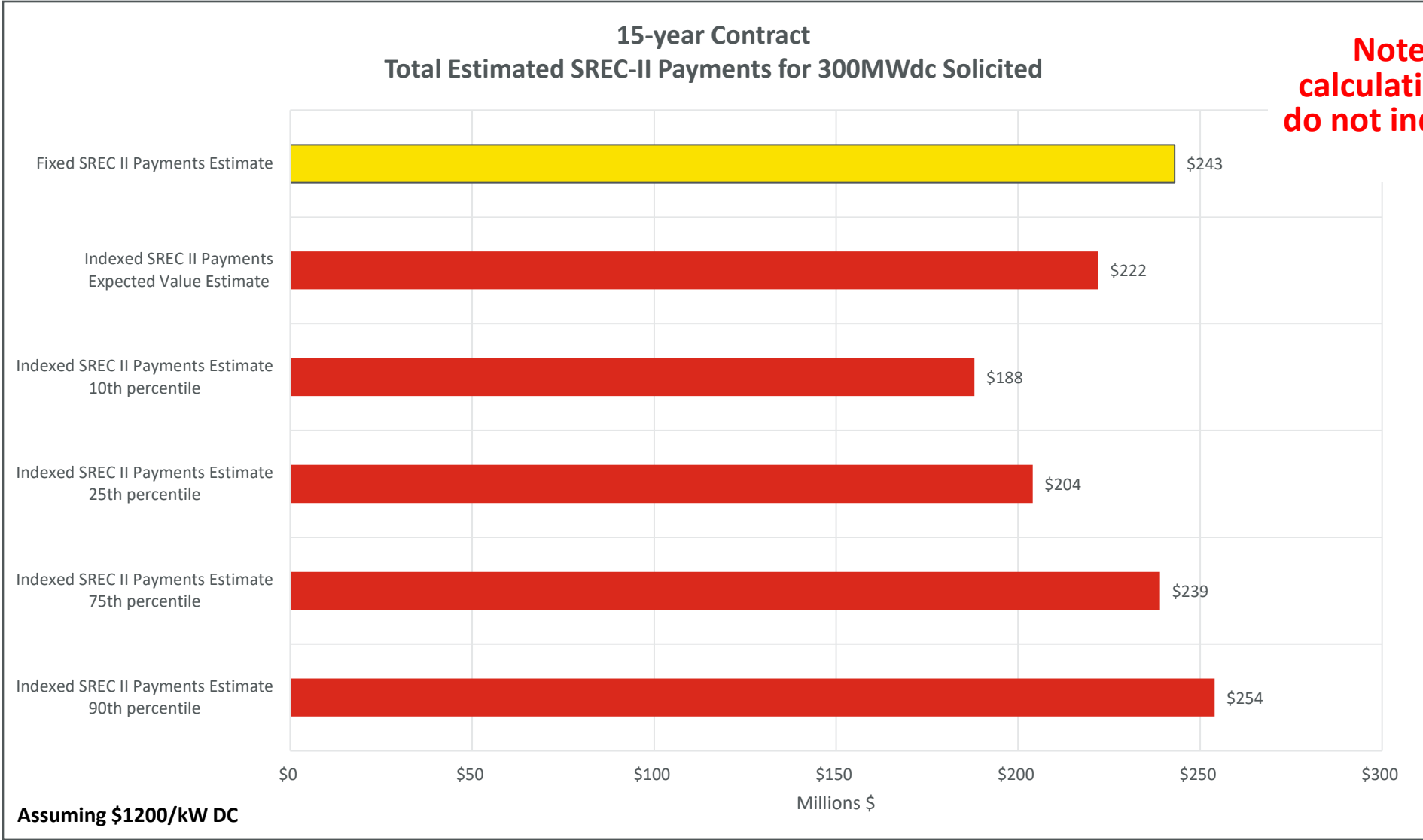
- Assumes developer bids an all-in Strike Price
- SREC-II price paid = Strike Price - Monthly average on-peak Zonal Day Ahead LBMPs \$/MWh + Capacity prices \$/MWh

# Daymark Analysis Conclusions

- The WACC adjusted for forecasted cashflows was slightly lower for developers in the Indexed scenario
- The result of stochastic Monte-Carlo performed showed savings for ratepayers in the vast majority of cases
- About 20% of the cases showed the total indexed SREC-II contract cost to ratepayers being higher than an alternative fixed SREC-II contract
- The analysis does not account for potential changes in market structure, which increases longer-term ratepayer risk in the case of Indexed RECs



# Impact on the CSI Program could be \$21 Million Savings Annually



**Note: Numbers are for calculation purposes only and do not indicate expectations for bid prices**

# Current Proposal

- Board Staff and Daymark seek additional comments on Indexed SREC-II or Fixed SREC-II format
- 15-year SREC-II term
- Administrative awards, rather than individual contracts

# Thank you

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# Stakeholder Comments

- Please be respectful of other speakers.
- We will call on speakers in order. If your name is not showing in the list of participants (only a phone number), please raise your hand when it is your turn to speak.
- Phone controls for participants
  - The following commands can be entered via DTMF tones using your phone's dial pad while in a Zoom meeting:
    - \*6 - Toggle mute/unmute,
    - \*9 - Raise hand.
- At the conclusion of our pre-registered speakers list, we will invite additional speakers to raise their hands to speak.

# STAKEHOLDER COMMENTS



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**THANK YOU – Let's continue the conversation**  
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# Appendix



# Daymark Model Part I – Estimating Bid Price Difference in Project with Indexed REC Contract and Fixed REC Contract

