



Agenda Date: 9/21/11
Agenda Item: 8D

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE FIFTEEN YEAR SOLAR)
ALTERNATIVE COMPLIANCE PAYMENT SCHEDULE) ORDER
IN THE NEW JERSEY RENEWABLE PORTFOLIO)
STANDARD)
)
) DOCKET NO. EO11090527V

BY THE BOARD:

On January 17 2010, the Solar Energy Advancement and Fair Competition Act, L. 2009, c. 289, ("SEAFCA" or "the Act") was signed into law. The Act made a number of significant changes to existing law, including mandating the establishment of a fifteen-year schedule for the Solar Alternative Compliance Payment ("SACP") in New Jersey's Renewable Portfolio Standard ("RPS"). N.J.S.A. 48:3-87(d)(3).¹

Background

The requirement for compliance with the RPS by entities with retail electric sales in New Jersey, electric power suppliers, commonly referred to as third party suppliers ("TPS" or "suppliers"), and basic generation service providers ("BGS providers" or "providers") is found in N.J.S.A. 48:3-87 (d) with specific requirements set out in the Board's regulations at N.J.A.C. 14:8-2.1 through 2.12. The RPS requirements have historically been expressed as a percentage of retail sales in megawatt hours (MWh) which increases annually, reflecting the State's goal for building a regional market for renewable energy.

The primary method for compliance with New Jersey's RPS is by the procurement and retirement of Solar Renewable Energy Certificates ("SRECs") for the solar provisions, and

¹ On March 30, 2011, the Board proposed regulatory amendments to implement the requirement of a 15 year schedule and other provisions of the Act. These amendments were published in the New Jersey Register on May 2 with public comment due on July 1, 2011.

Renewable Energy Certificates (“RECs”) for Class I and II energy, each representing the attributes of 1 MWh of eligible electricity. The rules also permit a secondary method of compliance through the payment of a Solar Alternative Compliance Payment (“SACP”) or an Alternative Compliance Payment (“ACP”) in the case of Class I and II renewables in lieu of the retirement of REC/SRECs.

The ACP and SACP levels effectively establish a ceiling on the market price of RECs and SRECs, respectively. Supplier/providers in New Jersey are understood to determine how to comply with their portion of the RPS by first estimating their expected level of retail sales and determining their resultant RPS obligation. Supplier/providers seek to procure RECs and SRECs at the lowest price possible either by contract or on the spot market until the market prices approach the ACP/SACP level. When the market price of available RECs/SRECs plus the transaction costs approach the ACP/SACP amount, suppliers and providers will presumably simply pay the ACP/SACP

The RPS rules, at N.J.A.C. 14:8-2.10 (b), provide for the appointment of an Advisory Committee to recommend the ACP/SACP levels to the Board. Since adoption of this process in 2003 and prior to the effective date of the Act, the process for setting both ACP and SACP levels involved an annual review for a one year recommendation. The ACP has remained constant at \$50 per MWh since it was first established in 2003, and the SACP had remained constant at \$300 per MWh from inception until Reporting Year 2009.

Following a public stakeholder process which was commenced to explore models for transitioning the New Jersey solar market away from reliance on rebates, an eight year schedule of SACP levels, along with other amendments to the RPS, was established in September 2007 as shown in Table 1 below. The eight year schedule of SACP amounts was designed to provide greater transparency to market participants with regard to what was expected to be maximum SREC prices and the maximum compliance costs for suppliers and providers. The SACP levels were set approximately \$100 above the SREC values estimated to be necessary to reach the RPS goals with diverse market participation. The SACP levels were also designed to serve as a motivation for load serving entities to procure SRECs in lieu of seeking compliance via payment of SACP.

Table 1. The 8 year SACP Schedule originally approved by the Board 09/12/07.

8 Year SACP Schedule approved by the Board on September 12, 2007								
Energy Year	2009	2010	2011	2012	2013	2014	2015	2016
SACP	\$711	\$693	\$675	\$658	\$641	\$625	\$609	\$594
% Change	-	2.53%	2.60%	2.52%	2.58%	2.50%	2.56%	2.46%

By letters dated January 26, 2010, Acting President Randall issued invitations to public stakeholders to serve as ACP advisory committee members “to provide recommendations to the Board regarding the appropriate cost of the ACPs, as well as other characteristics of their use” in compliance with N.J.A.C. 14:8-2.10 (b). Committee members were charged with making a recommendation to the Board for the New Jersey Class I ACP amount for Reporting

Year 2011 (June 1, 2010 – May 31, 2011) and also a recommendation to fulfill the provision of SEAFCA that the Board establish a fifteen year schedule of SACP levels.²

Staff coordinated advisory committee deliberations, with input sought on several straw proposals and a variety of related issues such as the fifteen year schedule's start and end points, changes to the existing eight year schedule, and the rate of decline in SACP amounts in light of the Board's goals for meeting the solar requirements of the RPS at the least cost to ratepayers. Staff received written comments and valuable input from the Solar Alliance, Jersey Central Power & Light, and the New Jersey Large Energy Users Group. Staff considered Advisory Committee members comments in developing a final straw proposal for their review.

Staff found the provisions within the Act limiting the Board's ability to reduce the SACP amount to be very important in determining the SACP levels in this recommendation. The fact that the Board can raise the SACP levels but cannot reduce them once they have been set makes it desirable to set the levels at the minimum level necessary to induce long-term contracting. While it is expected that REC prices exhibited in a market in balance will be unbound from the ACP level, demand exceeded supply in the New Jersey solar market since the SACP level was increased for Reporting Year 2009 until the beginning of Energy Year 2012.

The SACP schedule proposed by Staff uses the SACP amounts from the remaining five years of the previously established eight (8) year schedule adopted by the Board as a starting point. N.J.A.C. 14:8-2.10 (f). The final ten years in the fifteen year schedule are proposed with an initial reduction of 20% in the SACP amount from Energy Year 2016 to Energy Year 2017, followed by annual reductions that continue the average annual decline of 2.54% as exhibited in the original eight year schedule.

Staff recommends that the Board approve Staff's distribution of the following proposed fifteen (15) year SACP schedule for public comment for consideration in a subsequent proposal for regulatory amendments.

Staff Straw Proposal; Remainder from the 8 Year Schedule

Energy Year	2012	2013	2014	2015	2016
SACP	\$658	\$641	\$625	\$609	\$594
Annual % Change	2.52%	2.58%	2.50%	2.56%	2.46%
Year in schedule	1	2	3	4	5

New SACP Amounts and Reductions by Energy Year and Year in Schedule

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
\$475	\$463	\$451	\$440	\$429	\$418	\$407	\$397	\$387	\$377
20.00%	2.54%	2.54%	2.54%	2.54%	2.54%	2.54%	2.54%	2.54%	2.54%
6	7	8	9	10	11	12	13	14	15

² The Committee recommended that no change be made to the ACP for Energy Year 2011; however, at the request of the BGS Auction Managers, Staff did not present this recommendation to the Board prior to the 2010 BGS Auction.

Discussion and Finding

The development of a fifteen year schedule provides a unique opportunity to communicate State policymaker's goals for and expectations about the future of the New Jersey solar market. The SACP schedule serves several purposes. The process for establishing an SACP provides transparency to market participants about the SREC and RPS as an incentive for solar investments and maximum SREC levels expected. The SACP establishes an upper limit to the cost to ratepayers to satisfy the solar requirements within the RPS.

Based on its review of the proposal and on the recommendation of Staff, the Board HEREBY FINDS the straw proposal developed by Staff to be an appropriate starting point for further discussions, and HEREBY DIRECTS Staff to publish its straw proposal on the NJCEP website and to distribute it to the renewable energy listserve for the purpose of receiving public stakeholder comment to inform rulemaking as required by the Act.

DATED: 9/23/11

BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER

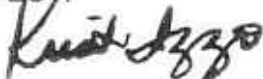


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COMMISSIONER



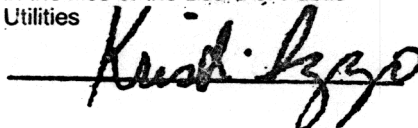
NICHOLAS ASSELTA
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



I/M/O FIFTEEN YEAR SOLAR ALTERNATIVE COMPLIANCE PAYMENT SCHEDULE IN THE
NEW JERSEY RENEWABLE PORTFOLIO STANDARD
DOCKET NO. EO11090527V

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