

SREC-Only Pilot Program **Guide to Participation**

Draft 12/20/2007



The SREC-Only Pilot Program is sponsored by the New Jersey Board of Public Utilities and New Jersey's Clean Energy Program™. More information on New Jersey's Clean Energy Program™ is available at www.NJCleanEnergy.com.

Table of Contents

Table of Contents	2
Sponsor Statement	3
References	3
Overview	3
Program Description	3
Management and Staffing	4
New Jersey Clean Energy Program	4
Program Contact Information	4
Program Eligibility Requirements	5
Registrant Eligibility	5
Projects in the CORE Queue	5
Proposed System Financing	6
Total Program Participation Limit	6
System Size (Capacity) Limit	6
Past Participation: Participation Limit per Entity	6
AC System Ratings	7
Vendor Eligibility	7
“Self” Installation Eligibility	8
System and Technology Eligibility	8
Solar Electric (Photovoltaic) Systems	8
Registration Process	9
Steps in the Registration Process	9
Step 1. Submit Initial Registration Package	9
Step 2. Receive Acceptance Letter	11
Step 3. Submit Final Registration Package	11
Step 4. Schedule and Pass NJCEP Inspection	12
Step 5. Create SREC Trading Account, Begin Trading SRECs	13
Interconnection and Inspections	13
Utility Interconnection	13
Other Required Inspections	14
SREC-Only Pilot Program Inspections	14
Trading SRECs	14
Tax Considerations	14
Disclaimers	14

Sponsor Statement

The SREC-Only Pilot Program is sponsored by the New Jersey Board of Public Utilities and New Jersey's Clean Energy Program (NJCEP). More information on New Jersey's Clean Energy Program can be found at www.NJCleanEnergy.com.

References

1. BPU Order dated 1/19/2007. DOCKET NO. EOO6100744, IN THE MATTER OF THE RENEWABLE PORTFOLIO STANDARD. This Order established the SREC-Only Pilot Program, enumerated the program's goals and initial eligibility criteria.
2. BPU Order dated 8/1/2007. DOCKET NO. EXO4040276, IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE ENERGY RESOURCE ANALYSIS FOR 2005 -2008: 2007 PROGRAMS AND BUDGETS: COMPLIANCE FILINGS. This Order extended the SREC-Only Pilot Program's registration period and clarified eligibility criteria concerning system size limits and limits on participating entities.
3. BPU Order dated 9/12/2007. DOCKET NO. EO06100744, IN THE MATTER OF RENEWABLE PORTFOLIO STANDARDS – ALTERNATIVE COMPLIANCE PAYMENTS AND SOLAR ALTERNATIVE COMPLIANCE PAYMENTS. This Order addressed transitioning the solar renewable energy market from rebates to market-based incentives. In the Order, the Board created an 8-year SACP schedule, increased the SREC trading life from 1 to 2 years, defined the SREC qualification life as 15 years, and extended the SREC-Only Pilot Program, among other items, subject to rulemaking.
4. SREC-Only Pilot Program Initial and Final Registration packages, as posted on www.NJCleanEnergy.com.
5. CORE program rules and operating guidelines, as posted on www.NJCleanEnergy.com.

Overview

Program Description

The SREC-Only Pilot Program offers a means for New Jersey public utility customers to invest in and install eligible electricity-producing equipment and participate directly in the NJ SREC market without receiving any NJCEP rebates or grants, such as those available through the Customer Onsite Renewable Energy (CORE) Program or the Renewable Energy Project Grants and Finance Program.

The SREC-Only Pilot Program was authorized by Order of the New Jersey Board of Public Utility in January 2007. As described in the Order, the goals of the SREC-Only Pilot Program are to:

- Enable projects to bypass the CORE rebate queue and proceed to construction and participation in the solar REC markets.
- Reduce the expected solar generation capacity shortfall in Energy Year (EY) 2009 and beyond.
- Provide OCE staff and the Board with data regarding the potential for self-financing of solar generation projects, in order to better inform the Board in monitoring the solar energy market and setting the level of the ACP and SACP going forward.

The registration period for the SREC-Only Pilot Program opened on April 3, 2007 and was originally scheduled to remain open through August 1, 2007. However, subsequent Board Orders on August 1 and September 12, 2007 extended the registration period indefinitely, or “until the requisite rulemaking process is completed.”

Registrants in the SREC-Only Pilot Program must satisfy all of the eligibility requirements contained in the registration forms and technical worksheets and adhere to all of the procedures and processes contained in this Operations Manual. Rebate registrations approved under other NJCEP programs or previous program procedures and processes remain governed by those processes until the projects are completed, expired, or cancelled.

The SREC-Only Pilot Program is just one market development tool in the suite of NJCEP initiatives offering financial incentives, educational resources, and information on renewable energy systems, energy efficiency measures, and combined heat and power technologies. These programs are available to all New Jersey ratepayers, including residential customers, businesses, schools, and municipalities served by regulated electric and gas utilities. Information about these programs can be found at the NJCEP website, www.NJCleanEnergy.com.

Management and Staffing

New Jersey Clean Energy Program

Registration forms, eligibility processes, and information about the NJCEP, and all of its component programs, can be found at www.NJCleanEnergy.com. To directly access information about the renewable energy aspects of NJCEP, including the SREC-Only Pilot Program, go to www.NJCleanEnergy.com.

Program Contact Information

If you have any questions about the SREC-Only Pilot Program or how to complete the registration form, call the NJCEP at **1-866-NJSMART**.

Registration forms should be submitted to:

New Jersey Clean Energy Program
SREC-Only Pilot Program
c/o Conservation Services Group
75 Lincoln Highway
Iselin, New Jersey 08830

The SREC-Only Pilot Program Manager is:

Steve Wiese
Manager, REC Programs
New Jersey's Clean Energy Program
c/o Conservation Services Group
75 State Route 27, Suite 100
Iselin, NJ 08830
732-218-3409
Mobile 512-653-9651
Fax 732-634-8010
steve.wiese@csggrp.com

Program Eligibility Requirements

To qualify for participation in the SREC-Only Pilot Program, both the registrant and the renewable energy system must satisfy a number of requirements which are largely derived from the CORE program. This section outlines the details of these requirements.

Additional eligibility and technical requirements, and terms and conditions of participation, may be found in the SREC-Only Pilot Program Initial Registration package, available at www.NJCleanEnergy.com.

Registrant Eligibility

To be eligible for registration in the SREC-Only Pilot Program, a registrant must meet the same eligibility requirements that apply to CORE program applicants. Generally, the registrant must be a ratepayer of a New Jersey Board of Public Utilities-regulated electric or natural gas utility. A registrant must demonstrate payment into the Societal Benefits Charge (SBC) through submission of a utility bill from the site of installation. If the registrant is the customer of an electric Municipal Utility Authority and an NJBPU-regulated gas utility, they can demonstrate evidence of paying into the SBC with a gas utility bill for the site of the proposed installation. Only systems installed in New Jersey are eligible for SREC-Only Pilot Program registration.

Projects in the CORE Queue

Proposed projects currently in the CORE Program queue are eligible to register in the SREC-Only Pilot Program. However, any project registering for participation in the SREC-Only Pilot Program will not be eligible for rebates under the current CORE Program and will be removed from the CORE Program queue, removed from any

pending status for receipt of or approval for a rebate, and will relinquish any rights expressed or implied by submission of a CORE rebate application form.

Proposed System Financing

Registrants in the SREC-Only Pilot Program must construct, install and operate their proposed system without any NJCEP rebates or grants, such as those available through CORE or the Renewable Energy Project Grants and Finance Program. A registrant may utilize any non-BPU funding, including but not limited to federal tax credits, federal grants, any other State agency grants, and/or any other grant, loan or rebate funding.

Registrants in the SREC-Only Pilot Program are required to submit as part of the Initial Registration Package a general financial statement listing all sources of project funding. This general statement consists of a checklist and brief description identifying all sources of current and future financial value applied to the project. Completion of the general financial statement is a requirement for acceptance in the SREC-Only Pilot Program, but the financial information contained in the statement is not used to determine eligibility for participation in the program.

Once accepted, SREC-Only Pilot Program participants are required to submit a detailed project financial pro-forma along with their Final Registration Package. Information and assumptions submitted with the detailed project financial pro-forma will not be used for reviewing the determination of acceptance in the SREC-Only Pilot Program, and if any portion of the detailed project financial pro-forma includes information that the registrant believes is confidential or proprietary, the registrant can assert confidentiality under the Board's OPRA rules at N.J.A.C. 14:1-12.

Total Program Participation Limit

There is no limit on total participation in the SREC-Only Pilot Program; however, the Board retains the right to close the Program registration period at any time if registrations are deemed to exceed the needs of the RPS.

System Size (Capacity) Limit

In its Order dated August 1, 2007, the New Jersey Board of Public Utilities clarified system capacity limitations in the SREC-Only Pilot Program, limiting residential installations to 10 kWdc (consistent with the CORE program's limitation) and all other installations to 2 MWac (consistent with the net metering and interconnection rule, N.J.A.C. 14:4-9).

Past Participation: Participation Limit per Entity

To ensure that the SREC-Only Pilot Program achieves its goals as equitably and efficiently as possible, the New Jersey Board of Public Utilities has established maximum per entity annual participation caps. An *entity* is defined for the purposes of entity cap calculations as follows:

- For public sector registrants, an entity is defined by the existence of a distinct and separate budgetary authority;
- For private sector registrants, an entity is defined by a corporate parent or holding company and includes all related subsidiaries and affiliates regardless of separate EIN numbers or locations within New Jersey.

In its August 1, 2007 Order, the Board of Public Utilities established that “the entity caps in the SREC-Only Pilot Program shall be limited to 2 MW AC at any time or in any rolling 12 month period, and that evaluation of the entity cap's application to the SREC-Only Pilot Program registrant shall not consider an entity's current or previous participation in the CORE Program.”

To be consistent with CORE program policy, it is possible for an entity to seek exemption from the entity cap by written appeal to the Office of Clean Energy (OCE). In such cases, the OCE would approve an exemption on a case by case basis, based upon the submittal by the registrant of a detailed description explaining how and why the project meets the below listed criteria. The Office of Clean Energy would present the exemption to the Board for its consideration. The following criteria would form the basis for granting an exemption:

- Location within a designated smart growth area; and one or more of the following criteria:
 - a. the creation or retention of jobs in New Jersey; or
 - b. the assistance in the expansion of economic growth for the entity; or
 - c. the ability to meet a statewide or regional greenhouse gas commitment; or
 - d. case specific substantive congestion mitigation of local electric distribution or regional transmission system; or
 - e. case specific substantive tax relief benefits.

AC System Ratings

Because system size and entity participation limits are designated by the AC capacity of PV systems, a consistent approach to calculating a system's AC capacity is warranted. In the SREC-Only Pilot Program, a system's AC capacity is defined as the lesser of:

- The sum of the AC nameplate capacity ratings (watts) of the inverters installed; or,
- The sum of the DC nameplate capacity ratings of the modules installed, multiplied by the inverter's published peak efficiency rating.

Vendor Eligibility

To help consumers make wise renewable energy purchase decisions, a list of active solar photovoltaic and wind installers is available on the CORE Program website. The CORE Program's requirements for listing on the website apply.

“Self” Installation Eligibility

Systems may be self-installed by the purchaser (owner), in accordance with the current procedures and processes established for “self” installations under the CORE Program.

System and Technology Eligibility

Solar Electric (Photovoltaic) Systems

Participation in the SREC-Only Pilot Program is limited to solar electric (photovoltaic, or PV) systems that produce electricity directly from sunlight.

New Equipment

All major solar electric system components must be new, and not have been placed in service at any previous site. Major system components include solar electric (photovoltaic) modules, inverters, and transformers.

Certifications and Listings

All major system components must be Underwriters Laboratory (UL) Listed, and comply with the requirements detailed in the SREC-Only Pilot Program’s Technical Worksheet, which is a part of the Initial Registration Package.

Ineligible Equipment

Any solar electric systems that are not connected to a building’s electric distribution system are ineligible for participation in the SREC-Only Pilot Program. Portable systems are not eligible for participation.

System Design and Installation Requirements

All systems must be installed in accordance with manufacturer specifications and locally applicable electrical codes. System installation must match the information submitted with the final project documentation, and meet all applicable local, state, and federal electrical, building, environmental, and any and all other applicable codes, rules, regulations and requirements.

Estimated Performance Threshold

To qualify for participation in the SREC-Only Pilot Program, the estimated annual electrical energy output of a solar electric system, as modeled by PVWATTS and considering an appropriate factor for shading, must be at least eighty percent (80%) of the estimated annual energy output for an optimally-sited, unshaded system of the same capacity. The estimated annual electrical energy output can be determined by entering a system’s design parameters into the National Renewable Energy Laboratory’s [PVWATTS](http://rredc.nrel.gov/solar/codes_algs/PVWATTS/) calculator, available online at http://rredc.nrel.gov/solar/codes_algs/PVWATTS/. Design parameters must include an appropriate factor for shading, as determined using a Solar Pathfinder.

Array Tilt and Orientation

No array facing north of east or west is allowable unless the slope of the photovoltaic modules is less than five (5) degrees. All photovoltaic modules in a string must be in the same plane.

System Metering and Energy Production Monitoring

An ANSI C.12 certified electricity meter, metering the output of the solar energy system, is required on all projects participating in the SREC-Only Pilot Program. These meters are required to meet a standard of 1 percent accuracy for systems greater than 10 kW, and 5 percent accuracy for systems up to 10 kW.

Utilization of estimated monthly generation for the purpose of creating SRECs is not allowed for any systems participating in the SREC-Only Pilot Program.

Owners of systems up to 10 kW must self-report actual metered monthly generation data to the SREC Administrator. Currently the NJCEP is researching cost-effective solutions that would enable smaller systems to automatically report this information, and will consider proposals for such systems by customers. When the NJCEP determines that a cost effective solution is available, program requirements will be updated, registrants will be notified of the new requirements, and registrants will be required to install such systems within a reasonable time period.

Owners of systems larger than 10 kW are required to automatically report, via electronic data exchange, their monthly generation to the SREC Administrator.

Warranties

Eligible systems must be covered by an all-inclusive warranty for at least five years from the date of installation to protect the purchaser against component or system breakdown. The warranty must cover all major components of the system against breakdown or degradation in electrical output of more than 10% from their originally rated electrical output during the five-year period. The manufacturer and installer may provide the required warranty in conjunction, covering major system components and labor, respectively. An owner's manual, including warranty documentation, must be provided to the customer on completion of the installation.

Registration Process

Registration in the SREC-Only Pilot Program is a five step process, as outlined below.

Steps in the Registration Process

Step 1. Submit Initial Registration Package

A completed Initial Registration must include:

- Registration Form
- Technical Worksheet

- Documentation of the method used to estimated annual PV system output
- Site Map (see requirements on Technical Worksheet)
- Initial Financial Worksheet
- Copy of Signed Customer Contract
- Record of most recent 12 months electric consumption at system location

The SREC-Only Pilot Program Manager will review each Initial Registration Package for completeness and determine whether the proposed system meets program eligibility requirements. If it does, the Market Manager will issue an acceptance letter to the registrant. If it does not, the Market Manager will communicate the deficiencies to the registrant and allow for corrections.

Electric Consumption Estimates for New Construction Projects

Registrations for new construction projects must include a detailed list of estimated electricity consuming loads at the site of system installation. This should include a breakdown showing expected annual consumption derived from appliance volts × amps = watts × expected annual operating hours.

If this documentation cannot be supplied, for residential registrations a default standard maximum capacity size that references the square footage of the residence can be used: less than 2500 square ft. of habitable dwelling will be limited to a maximum of 5kW; 2501-5000 square ft. will be limited to a maximum of 7.5 kW; and over 5000 square ft. will be capped by the 10 kW residential cap.

For commercial buildings an estimate of annual building energy consumption from a qualified engineer, architect, or energy manager may be supplied. The estimate must reference the total square footage of the building and be reasonably consistent with energy intensity (kWh/ft²) figures reported in the Energy Information Administration's (EIA) Commercial Building Energy Consumption Survey (CBECS) for commercial buildings.

Registrants must also demonstrate that the new construction is within the service territory of a public electric or gas utility. The SREC Pilot Program manager may request utility consumption history for new construction projects that have been completed prior to registration in the SREC program.

Contract Requirements

The requirements for Contracts vary according to customer type and project financing.

- For ALL private sector registrants and all public entity registrants for systems less than 10kW in size, a copy of the signed contract between the registrant and installer (or registrant and site host, in the case of power purchase agreement contracts) must be included with the initial registration package.

- For public entity registrations greater than 10 kW, a copy of a Public Resolution to Solicit Bids must be included with the initial registration package. For public entity power purchase agreements, a letter of intent to contract signed by the customer and developer is sufficient. A signed contract between the registrant and installer (or registrant and site host, in the case of power purchase agreement contracts) is due to the SREC-Only Pilot Program Manager within 180 days of acceptance.

All contracts must include a complete breakdown of costs including, but not limited to: installation costs, customer cost, and estimated rebates or incentives. Contract language must also indicate that incentive levels may change in the future, and that final contract terms may need to be adjusted to reflect any such changes.

Step 2. Receive Acceptance Letter

When the initial registration is complete, and the registrant and proposed system have been determined to meet all applicable eligibility criteria, the SREC-Only Pilot Program Manager will send the registrant a letter indicating the project has been accepted into the SREC-Only Pilot Program. From the acceptance date, the registrant will have 9 months (for systems up to 10 kWdc) or 12 months (for all larger systems), to complete the project and file a completed Final Registration Package (see Step 3).

Step 3. Submit Final Registration Package

The Final Registration Package for the SREC-Only Pilot Program is to be submitted to the NJCEP after an Accepted Registrant has completed construction of their proposed project as described in their Initial Registration Package (or, if revised, see below).

Submittal of a completed Final Registration Package triggers scheduling of an NJCEP inspection of the completed system, and upon passing the NJCEP inspection, the Registrant will receive written confirmation from the SREC-Only Pilot Program Manager that their project is eligible to generate and trade SRECs, as well as additional information and instructions on setting up an SREC trading account. Generation of SRECs may commence from the project on the later date of:

- Utility approval to operate/energize the system, or
- SREC-Only Pilot Program passing inspection date.

A completed Final Registration Package must include the following documents:

- Revisions (if applicable) to any documents submitted as part of the Initial Registration Package:
 - Registration Form
 - Technical Worksheet
 - Documentation of method used to calculate estimated annual system output (Technical Worksheet A.8)
 - Site Map (Technical Worksheet B.8)
 - Initial Financial Worksheet

- Copy of Contract for system installation
- Record of most recent 12 months electric consumption at system location
- Completed Detailed Financial Worksheet
- Completed Installed Metering/Monitoring Identification Form
- Proof of local inspection approval (copy of certificate, photo of inspection sticker)
- Copy of signed utility interconnection agreement
- Copy of OPRA assertion of confidentiality of financial information (optional).

Installation Deadline and Extensions

The installation deadline is designed to strike a balance between the need for rigorous and efficient program administration, including the need to strongly discourage speculative project registrations and eliminate distressed projects that cannot complete as planned, with the need for reasonable completion intervals that reflect implementation realities and the need for commercial contracting confidence.

The SREC-Only Pilot Program will rely on the applicable CORE installation deadlines for determining compliance with the allowed installation period, which varies by type of project. If a project completion exceeds the initial deadline, registrants may qualify for an extension in accordance with CORE procedures. If a project exceeds the extended deadline, registrants will be required to re-register their project in the SREC-Only Pilot Program. In all cases, the installation deadline is based upon the date of the SREC-Only Pilot Program Acceptance Letter.

System Modifications between Initial Registration and Final Inspection

The SREC-Only Pilot Program recognizes that changes to the system components or total system size are occasionally necessary after a proposed project has been accepted into the SREC-Only Pilot Program. To accommodate necessary changes, the Market Manager will accept reasonable amendments to previously accepted registrations, in accordance with the processes for System Modifications defined under the CORE Program.

In general, modifications that change system capacity by 10 percent or less from the capacity amount accepted need not be approved by the SREC Program Manager; larger changes must be accompanied by a request to amend the accepted registration, and in these cases the registrant will be required to resubmit relevant information such as the technical worksheet, contract, and other supporting documentation.

Step 4. Schedule and Pass NJCEP Inspection

When a completed final registration package is received, the project will be scheduled for an NJCEP inspection. The inspection scheduling process and content will be identical to that for the CORE program, except that SREC-Only Pilot Program inspections will also verify the meter and monitoring system complies with SREC-Only Pilot Program requirements.

Step 5. Create SREC Trading Account, Begin Trading SRECs

Upon passing the NJCEP inspection, the SREC-Only Pilot Program Manager will notify the registrant in writing that the system is qualified to generate SRECs as of the later date of EDC approval to energize the system or the date the system passed its NJCEP inspection. The notification letter will include instructions and forms necessary to establish an SREC account and begin trading SRECs. In addition, the SREC-Only Pilot Program Manager will forward final project information to the SREC Administrator to enable creation of an SREC account.

Registrants will need to register with the NJ SREC Administrator (www.NJCleanEnergy.com/renewable-energy/programs/solar-renewable-energy-certificates-srec/new-jersey-solar-renewable-energy) to establish an SREC trading account and begin trading SRECs.

Interconnection and Inspections

PV systems installed under the SREC-Only Pilot Program are required to pass three independent reviews:

1. The interconnecting electric utility must receive and approve an Interconnection Application. A copy of the signed Interconnection Application must be provided to the SREC Program as a condition of scheduling the final inspection.
2. Local code officials must review and approve the system. A copy of the local electrical code inspection certificate, indicating approval of the system as installed, must be provided to the CORE program as a condition of scheduling the Program final inspection.
3. An SREC-Only Pilot Program final inspection must be scheduled and the system must pass inspection.

In addition, each system must receive EDC approval to energize prior to commercial operation and/or generation of SRECs.

The installer shall make professional efforts to design and install each renewable energy generating system according to all applicable codes, standards and CORE program requirements. The installer shall bear responsibility for identifying and obtaining all relevant local, state and federal permits for the system. And, upon completion, the installer shall obtain all relevant inspections and approvals from the local jurisdictions and local electric utilities.

Utility Interconnection

All registrants for grid-connected systems must submit an Interconnection Application directly to the appropriate electric utility company. Interconnection applications are subject to review by the electric utility company and must comply with all utility interconnection requirements.

To ensure that a proposed renewable energy system is eligible for interconnection and net metering, all SREC-Only Pilot Program participants are encouraged to contact their local utilities *prior* to submitting a registration form to the SREC-Only Pilot Program.

A copy of the signed Interconnection Application must be provided to the SREC-Only Pilot Program as a condition of scheduling the SREC-Only Pilot Program final inspection.

Other Required Inspections

It is the installer's responsibility to identify all applicable permits required for any proposed installation. For example, these may include local building and electrical permits, as well as other local, state, or federal permits in cases where the proposed system is to be located in special use or environmentally sensitive areas. All applicable permitting authorities must review and approve the system.

A copy of the local electrical code inspection certificate, indicating approval of the system as installed, must be provided to the SREC-Only Pilot Program as a condition of scheduling the final inspection.

SREC-Only Pilot Program Inspections

In addition to the approvals listed above, eligible systems must pass an inspection conducted by the NJ CEP inspector. If a system deficiency is found, the installer must correct the problem and request a re-inspection. NJCEP inspection goals, contents, and the procedures for scheduling an inspection are consistent between the SREC-Only Pilot Program and the CORE program, with only minor modifications to account for program differences. The CORE program documentation on inspections applies to the SREC-Only Pilot Program.

Trading SRECs

After a project has passed final program inspection, the SREC-Only Pilot Program Manager will transmit instructions and forms for establishing an SREC trading account to the registrant, and project details to the NJ SREC Administrator. These activities allow the registrant to sign up for an SREC account and begin trading SRECs once EDC approval to energize has been obtained.

Tax Considerations

Registrants should consult a tax professional regarding taxation of SREC payments received, the eligibility of their installation for federal tax credits, treatment of depreciation and all other tax matters.

Disclaimers

Any questions on this Program Guide, web site content or SREC-Only Pilot Program procedures and processes should be directed to the SREC-Only Pilot Program Manager.

The SREC-Only Pilot Program Manager endeavors to offer timely program updates including policy changes and installation activity through the NJ CEP website. Enabling policies concerning Program governance, funding, and related support originating from Orders issued by the New Jersey Board of Public Utilities can be found at <http://www.nj.gov/bpu/>. The Program Manager does not distribute information about individual registrants without their consent.