## MEMO

April 13, 2021

To: Board Regulated Entities; Retail Electric Third Party Suppliers, Electric Distribution Companies and BGS Providers

From: Staff in the Division of Clean Energy within the New Jersey Board of Public Utilities

Re: Treatment of Transition Renewable Energy Certificates ("TRECs") in New Jersey's Renewable Portfolio Standards ("RPS"); EY21 RPS Compliance Process

In response to several inquiries from Third Party Suppliers and Basic Generation Service Providers ("TPS/BGS Providers"), Staff are issuing this memo to provide clarity to the relevant processes involving TREC in New Jersey's RPS.

## Background

On May 23, 2018, the Governor signed the Clean Energy Act of 2018 which directed the Board to close the Solar Renewable Energy Certificate ("SREC") registration program to new entrants upon the State's attainment of 5.1% of retail electricity sales from eligible solar electric generation facilities. The Board was mandated to develop a new approach to providing solar incentives which would continue solar development in the state in a cost-effective manner.

On December 19, 2019, in the matter of New Jersey's Solar Transition, the Board established a Transition Incentive program and the use of TRECs. Effective October 5, 2020, the RPS rules were amended to efficiently close the SREC registration program, ensure that RPS compliance is as cost effective as possible, and to establish the Transition Incentive Program.

Beginning with the RPS true-up period in EY21, the first TRECs will be retired on behalf of TPS/BGS Providers by the TREC Administrator. The TREC Administrator has been hired by the Electric Distribution Companies ("EDCs") as directed by the Board. TREC requirements are additional to the SREC requirements with both sets of certificates reducing the New Jersey Class I requirement of a TPS/BGS Provider. TRECs will be allocated by the TREC Administrator to the TPS/BGS Providers based on their market share of the total statewide retail sales. This memo is intended to provide further details to the TPS/BGS Provider community on the anticipated process for communicating TREC requirements in EY21.

## Method for TREC Allocation in EY21

N.J.A.C. 14:8-2.3 establishes the amount of renewable energy required to be procured by TPS/BGS Providers to satisfy the RPS. The TREC obligation is expressed as a percentage of retail sales in a given energy year which will not be known until the conclusion of each energy year when the volume of retail sales subject to the RPS has been determined.

Pursuant to subchapter 2.3 (d), beginning in EY20, SREC obligations and TREC obligations are a component of class I renewable energy requirements, and satisfaction of SREC and TREC obligations shall be counted toward class I renewable energy requirements. Since no TRECs were retired in EY20, TRECs were not used to reduce TPS/BGS Providers' class I requirements.

The allocation of the Statewide obligation to individual TPS/BGS Providers follows the method set forth at N.J.A.C. 14:8-2.3 (r) and (t). Each megawatt-hour (MWh) of retail electricity supplied by a TPS/BGS Providers carries with it an accompanying TREC obligation. Such obligation is based upon the total number of TRECs procured by the TREC Administrator within the applicable Energy Year and the market share of retail electricity sold by the TPS/BGS Providers within the Energy Year.

All TRECs shall be created by GATS and procured by a TREC Administrator under contract with the State's electric distribution companies. The TREC Administrator (<u>https://trecsnj.com</u>) will purchase the TRECs from eligible system owners on a periodic basis and will allocate the TRECs to TPS/BGS Providers annually based on their market share of retail electricity sold during the relevant Energy Year.

**N.J.A.C. 14:2-3**(t) establishes during the RPS true-up period following each Energy Year, Board Staff shall calculate the market share of total Statewide retail electricity sold by each TPS/BGS Provider. The TREC Administrator will allocate a proportionate percentage of the total TRECs procured during the Energy Year to each TPS/BGS Provider. Each TREC allocated by the TREC Administrator shall be retired by the TREC Administrator on behalf of the TPS/BGS Providers.

**N.J.A.C. 14:8-10** establishes the Transition Incentive Program requirements including the role of TRECs in RPS compliance. Subchapter 10.3 (c) defines the TI-RPS as a carve-out of the Class I RPS requirement with each TREC allocated to, and retired on behalf of, TPS/BGS Providers based on their respective market share of retail sales. Each TREC retired shall reduce the Class I requirement by one REC as set forth at N.J.A.C. 14:8-2.3(d) and (r).

More information about the Transition Incentive Program Administrator can be found at (<u>https://trecsnj.com/faqs/</u>)

Please use this link to view NJ RPS rules: <u>New Jersey Office of Administrative Law (OAL) and</u> <u>LexisNexis<sup>®</sup>.</u>