



New Jersey Renewable Energy Solar Market Transition

Office of Clean Energy
Revised - Final Straw Proposal

August 24, 2007

On August 9, 2007, the Office of Clean Energy hosted an all day Stakeholder Discussion to solicit input regarding recommendations to the Board regarding transition of the solar marketplace. Attached is a Discussion Paper that provided background information that formed the basis of those discussions. ¹

Based on the record developed in this proceeding, including the stakeholder work group meetings held over the past year, public meeting to discuss the transition and various models, oral comments presented in the public hearings, written comments, rebuttals and the reports prepared by Summit Blue, as well as comments received at the August 9, 2007 Stakeholder Discussion, the following sets out OCE Staff's Revised Solar Market Transition Straw Proposal:

Assumptions:

Model: Competitive, Multiple Year SACP with Rebates for Smaller Projects

Target IRR: 12%

Qualification Life: 15 Years

Annual percentage decrease in SREC/SACP Levels: 3%

Table 1: SREC Levels Required to Achieve Target IRR

Energy Year	2009	2010	2011	2012	2013	2014	2015	2016
SREC	\$611	\$593	\$575	\$558	\$541	\$525	\$509	\$494

OCE proposes setting the SACP level \$100 above the SREC levels in Table 1 above. This results in the following 8 Year SACP schedule:

Table 2: Proposed 8 Year SACP Schedule

Energy Year	2009	2010	2011	2012	2013	2014	2015	2016
SACP	\$711	\$693	\$675	\$658	\$641	\$625	\$609	\$594

¹ The Board reserves the right to modify this straw based on the review by Legal, the Deputy Attorney General's Office and the Commissioners

Table 3 below shows the rate payer impacts of the Revised OCE straw proposal:

Table 3: Rate Payer Impacts of OCE Revised Straw Proposal

Energy Year	2009	2013	2017*	2021*	2023*	Total cost (NPV)
Annual SREC Cost of Straw	\$42,239,108	\$210,235,781	\$490,871,366	\$904,651,223	\$864,372,885	\$3,562,848,815
Estimated Total Retail Sales	\$10,895,247,290	\$13,113,020,842	\$15,782,924,044	\$18,997,269,834	\$20,842,517,172	\$154,644,800,395
SREC cost of Straw as a % of Total Retail sales	0.39%	1.60%	3.11%	4.76%	4.15%	2.30%

The straw sets the SACP values and estimates the market SREC values for 8 years. The annual cost estimates an SACP values continue at a 3% rate decrease through 2021 and no RPS increase through 2035 with decreasing new solar capacity

Other Issues:

1. Legacy Projects:
 - a. Provide legacy projects with same QL as non-rebated financed projects but have the start date be the EY in which the project received the rebate.
2. SREC Vintage:
 - a. Two year trading life.
3. Community Based Solar Program:
 - a. Allow residents or small businesses to “buy” into a centrally located project as opposed to individual home installations.
 - b. The RPS regulations should be clarified to confirm that all solar systems connected to a NJ utility system are eligible for SRECs.
4. Rebates for Small Systems
 - a. OCE recommends that the Board indicate continued support for rebates for small systems.
 - b. OCE recommends that the details regarding the level of funding available for rebates and project eligibility criteria be considered in the ongoing CRA proceeding which will set funding levels for the years 2009 through 2012.

5. Phase II Pilot:
 - a. OCE recommends extending or expanding the Phase I pilot to include the provisions to implement the solar transition to assist in developing data and information regarding securitization.
6. Long term monitoring:
 - a. OCE recommends that the Board adopt in concept the idea of capping rate payer subsidies for solar and monitoring progress towards achieving the goal of a sustainable solar industry that does not require subsidies.
 - b. OCE recommends that the details regarding the mechanics of achieving this objective be considered further through a continued stakeholder process with additional recommendations provided to the Board by November 1, 2007.
 - c. The OCE will continue to monitor installation/ panel costs and supply of Solar RECs and report to the Board in order to set the 9th and following successive SACPs based on the rate of decline of these costs and the availability of Solar RECs.
 - d. OCE recommends that RPS rule making be initiated to implement a safety value which would maintain the current RPS if the Solar REC supply does not match demand. This safety value would include both a review of the total installation cost/panel cost and the supply of Solar RECs.
 - e. The target would be to provide two percent of the electricity through solar at two percent or less of the total cost.
7. Securitization:
 - a. OCE recommends that as part of the going monitoring of the Phase II pilot that staff with stakeholder continue to evaluate and investigate whether and how additional securitization can help to lower ratepayer costs or is otherwise warranted.
 - b. OCE recommends that the securitization proceeding by November 1, 2007 and that OCE will report back to the Board within 6 months or May 1, 2008.
 - c. If such securitization is warranted OCE will initiate appropriate action including rule making or rate making to be finalized by December 1, 2008
8. Rule Making:
 - a. The Solar Market Transition will require regulatory updates and revisions. This process will be informed by the pilot. OCE will initiate an informal stakeholder process and will have a draft rule to present to the Board by May 1, 2008.