

Joseph A. Shea, Jr.
Associate General Regulatory Counsel

Law Department
PSEG Services Corporation
80 Park Plaza – T5, Newark, New Jersey 07102-4194
tel: 973-430-7047 fax: 973-430-5983
email: joseph.shea@pseg.com



October 5, 2018

VIA ELECTRONIC DELIVERY & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
ATTN: BPU Docket Number: QO18060647
44 S. Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

**Re: Proposed Rulemaking for the Termination of the SREC Registration Program
BPU Docket Number: QO18060647 - Rule Proposal: PRN 2018-072**

Dear Ms. Camacho-Welch:

Public Service Enterprise Group, Inc. (“PSEG” or the “Company”), on behalf of affiliates Public Service Electric and Gas Company (“PSE&G”) and PSEG Power LLC (“PSEG Power”), appreciates the opportunity to provide input on this rulemaking. We commend the Board for initiating a stakeholder engagement process to determine the best course of action in establishing an orderly mechanism that will close the existing SREC program and put the solar market on a path to a successor program that cost effectively achieves the State’s clean energy goals.

PSEG believes that the language of the proposed rule should be modified to provide greater clarity, transparency and consistency with the statutory requirements. Specifically, the proposed rulemaking is based on Section 2(d)(3) of the Clean Energy Act which provides, in part, that:

The board shall adopt rules and regulations to close the SREC program to new applications upon the attainment of 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider from solar electric power generators connected to the distribution system.... The board shall provide for an orderly and transparent mechanism that will result in the closing of the existing SREC program on a date certain but no later than June 1, 2021. [Emphasis added]

The proposed rule states:

“No new SREC registration program submittal shall be accepted following a determination by the Board that 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider comes from solar electric power generators connected to the State’s electric distribution system has been attained” and that the “termination of SREC registration program shall occur no later than June 1, 2021”. [Emphasis added]

PSEG believes that the final rule should include additional detail and clearly establish the mechanism that the Board will use for determining that the 5.1 percent threshold has been attained. Absent such a

mechanism that affords public input and review, it may be argued that any determination by the Board regarding whether the 5.1 threshold has been attained would be arbitrary, based on unreasonable assumptions, and/or capricious.

PSEG would therefore like to offer the following comments and recommendations.

1. Clarity on Process. As the statute requires that the Board provide an “orderly and transparent mechanism” to close the SREC registration program “upon the attainment of 5.1 percent” threshold, the final regulation should set forth the sources of data to be used along with the analytical methods and calculations for determining when the 5.1 percent threshold has been attained.
2. Reliance on Actual Data or Forecasts. Since the statute specifies that the Board shall only close the SREC registration program “upon the attainment of 5.1 percent”, a plain interpretation would support a determination based upon actual solar generation and actual kilowatt-hour sales. To arrive at this determination with actual figures, the mechanism should rely upon official sources of data, which are transparent and publicly available.
 - Specifically, actual solar generation should be determined by solar production data provided by PJM’s Generation Attribute Tracking System (“PJM-GATS”), which the Board relies upon to manage the creation and retirement of SRECs in New Jersey and ensure compliance with the State’s Renewable Portfolio Standards.
 - Actual kilowatt-hour sales should be sourced from the Office of Clean Energy’s annual statewide load determination, which is based on data provided by Electric Distribution Companies and energy suppliers.

Dividing actual SREC production in an Energy Year as evidenced in PJM GATS by the official annual statewide load data produced by the Office of Clean Energy, is the only way the Board can objectively determine whether the 5.1 percent threshold has been attained. The Board should make this determination as soon as possible upon the availability of data following the end of every Energy Year, concurrent with its work in determining state-wide retail energy sales and Load Serving Entity obligations to retire RECs and SRECs.

If the Board were to propose a mechanism based on models or projections to prospectively estimate when the 5.1 percent threshold may be attained, PSEG would caution that modeling projections are inherently uncertain and highly sensitive to a host of assumptions concerning anticipated load, solar unit production, and solar capacity additions.

Specifically, statewide load varies widely from year to year given changes in weather, economic output, technology, and other factors. Solar unit availability can vary widely due to outages caused by storms, system failure, or other factors. Actual solar unit production also varies widely due to daily, monthly, and annual fluctuations in weather and solar irradiation. In addition, development and construction of projects in the solar pipeline is often subject to uncertainties surrounding the exact timing of installations as well as financial, permitting, or other factors that could cause a developer to delay or abandon its planned projects. Lastly, in recent history, the market has witnessed differences between the published projections of solar production and SREC supply based on assumptions around installed capacity that were inconsistent with actual production and SREC generation in PJM GATS.

Given these uncertainties, PSEG believes relying upon models, projections and assumptions to prospectively estimate when the 5.1 percent threshold may be attained creates unnecessary risks to ratepayers. In particular, if the Board were to rely upon inaccurate assumptions and prematurely close the SREC registration program, the SREC market may never actually attain the 5.1 percent threshold. Such a scenario could unintentionally lock in a structurally “short” market, cause SREC prices to rise up to the SACP for the remaining life of the SREC program, and increase costs to ratepayers for many years to come, regardless of the potential cost efficiencies achieved under the successor program.

3. Market Issues. Finally, PSEG recognizes the concerns raised by various stakeholders regarding how the Board’s determination that the 5.1 percent threshold has been attained may impact the New Jersey SREC market and solar development in the State. We also understand that the Board must consider and minimize costs to ratepayers. In order to mitigate potential harmful impacts to the market and solar development, while minimizing costs to ratepayers, PSEG believes that the Board should provide a bridge between the existing SREC program and the successor program that is currently being developed. For example, the Board could ensure the fungibility of SRECs between the two programs and/or allow uncompleted projects registered in the existing program at the time of program closure to be eligible for inclusion in the successor program. This would allow for the trading of SRECs between the two programs and/or provide a one-time option for project developers to transfer their registration from the existing SREC program to the successor program prior to project completion. By creating linkages between the existing and successor programs, effectively bridging the gap between the two programs, the Board may mitigate impacts to the market and minimize ratepayer impacts while allowing development to continue apace, thus preventing a disruption to solar development in the State. PSEG welcomes the opportunity to be part of the stakeholder discussion on how to manage this transition with the goal of balancing the State’s clean energy goals and the interest of ratepayers to find cost effective solutions.

Once again, PSEG appreciates the opportunity to submit comments in response to this proposed rulemaking. We thank the Board for its consideration of our submission.

Respectfully submitted,



Joseph A. Shea, Jr.
PSEG Services Corporation
80 Park Plaza, T-5
Newark, NJ 07102

Joseph A. Shea, Jr.
Associate General Regulatory Counsel

Law Department
PSEG Services Corporation
80 Park Plaza – T5, Newark, New Jersey 07102-4194
tel: 973-430-7047 fax: 973-430-5983
email: joseph.shea@pseg.com



October 5, 2018

VIA ELECTRONIC DELIVERY & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
ATTN: BPU Docket Number: QO18060647
44 S. Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

**Re: Proposed Rulemaking for the Termination of the SREC Registration Program
BPU Docket Number: QO18060647 - Rule Proposal: PRN 2018-072**

Dear Ms. Camacho-Welch:

Public Service Enterprise Group, Inc. (“PSEG” or the “Company”), on behalf of affiliates Public Service Electric and Gas Company (“PSE&G”) and PSEG Power LLC (“PSEG Power”), appreciates the opportunity to provide input on this rulemaking. We commend the Board for initiating a stakeholder engagement process to determine the best course of action in establishing an orderly mechanism that will close the existing SREC program and put the solar market on a path to a successor program that cost effectively achieves the State’s clean energy goals.

PSEG believes that the language of the proposed rule should be modified to provide greater clarity, transparency and consistency with the statutory requirements. Specifically, the proposed rulemaking is based on Section 2(d)(3) of the Clean Energy Act which provides, in part, that:

The board shall adopt rules and regulations to close the SREC program to new applications upon the attainment of 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider from solar electric power generators connected to the distribution system.... The board shall provide for an orderly and transparent mechanism that will result in the closing of the existing SREC program on a date certain but no later than June 1, 2021. [Emphasis added]

The proposed rule states:

“No new SREC registration program submittal shall be accepted following a determination by the Board that 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider comes from solar electric power generators connected to the State’s electric distribution system has been attained” and that the “termination of SREC registration program shall occur no later than June 1, 2021”. [Emphasis added]

PSEG believes that the final rule should include additional detail and clearly establish the mechanism that the Board will use for determining that the 5.1 percent threshold has been attained. Absent such a

mechanism that affords public input and review, it may be argued that any determination by the Board regarding whether the 5.1 threshold has been attained would be arbitrary, based on unreasonable assumptions, and/or capricious.

PSEG would therefore like to offer the following comments and recommendations.

1. Clarity on Process. As the statute requires that the Board provide an “orderly and transparent mechanism” to close the SREC registration program “upon the attainment of 5.1 percent” threshold, the final regulation should set forth the sources of data to be used along with the analytical methods and calculations for determining when the 5.1 percent threshold has been attained.
2. Reliance on Actual Data or Forecasts. Since the statute specifies that the Board shall only close the SREC registration program “upon the attainment of 5.1 percent”, a plain interpretation would support a determination based upon actual solar generation and actual kilowatt-hour sales. To arrive at this determination with actual figures, the mechanism should rely upon official sources of data, which are transparent and publicly available.
 - Specifically, actual solar generation should be determined by solar production data provided by PJM’s Generation Attribute Tracking System (“PJM-GATS”), which the Board relies upon to manage the creation and retirement of SRECs in New Jersey and ensure compliance with the State’s Renewable Portfolio Standards.
 - Actual kilowatt-hour sales should be sourced from the Office of Clean Energy’s annual statewide load determination, which is based on data provided by Electric Distribution Companies and energy suppliers.

Dividing actual SREC production in an Energy Year as evidenced in PJM GATS by the official annual statewide load data produced by the Office of Clean Energy, is the only way the Board can objectively determine whether the 5.1 percent threshold has been attained. The Board should make this determination as soon as possible upon the availability of data following the end of every Energy Year, concurrent with its work in determining state-wide retail energy sales and Load Serving Entity obligations to retire RECs and SRECs.

If the Board were to propose a mechanism based on models or projections to prospectively estimate when the 5.1 percent threshold may be attained, PSEG would caution that modeling projections are inherently uncertain and highly sensitive to a host of assumptions concerning anticipated load, solar unit production, and solar capacity additions.

Specifically, statewide load varies widely from year to year given changes in weather, economic output, technology, and other factors. Solar unit availability can vary widely due to outages caused by storms, system failure, or other factors. Actual solar unit production also varies widely due to daily, monthly, and annual fluctuations in weather and solar irradiation. In addition, development and construction of projects in the solar pipeline is often subject to uncertainties surrounding the exact timing of installations as well as financial, permitting, or other factors that could cause a developer to delay or abandon its planned projects. Lastly, in recent history, the market has witnessed differences between the published projections of solar production and SREC supply based on assumptions around installed capacity that were inconsistent with actual production and SREC generation in PJM GATS.

- Given these uncertainties, PSEG believes relying upon models, projections and assumptions to prospectively estimate when the 5.1 percent threshold may be attained creates unnecessary risks to ratepayers. In particular, if the Board were to rely upon inaccurate assumptions and prematurely close the SREC registration program, the SREC market may never actually attain the 5.1 percent threshold. Such a scenario could unintentionally lock in a structurally “short” market, cause SREC prices to rise up to the SACP for the remaining life of the SREC program, and increase costs to ratepayers for many years to come, regardless of the potential cost efficiencies achieved under the successor program.
3. Market Issues. Finally, PSEG recognizes the concerns raised by various stakeholders regarding how the Board’s determination that the 5.1 percent threshold has been attained may impact the New Jersey SREC market and solar development in the State. We also understand that the Board must consider and minimize costs to ratepayers. In order to mitigate potential harmful impacts to the market and solar development, while minimizing costs to ratepayers, PSEG believes that the Board should provide a bridge between the existing SREC program and the successor program that is currently being developed. For example, the Board could ensure the fungibility of SRECs between the two programs and/or allow uncompleted projects registered in the existing program at the time of program closure to be eligible for inclusion in the successor program. This would allow for the trading of SRECs between the two programs and/or provide a one-time option for project developers to transfer their registration from the existing SREC program to the successor program prior to project completion. By creating linkages between the existing and successor programs, effectively bridging the gap between the two programs, the Board may mitigate impacts to the market and minimize ratepayer impacts while allowing development to continue apace, thus preventing a disruption to solar development in the State. PSEG welcomes the opportunity to be part of the stakeholder discussion on how to manage this transition with the goal of balancing the State’s clean energy goals and the interest of ratepayers to find cost effective solutions.

Once again, PSEG appreciates the opportunity to submit comments in response to this proposed rulemaking. We thank the Board for its consideration of our submission.

Respectfully submitted,



Joseph A. Shea, Jr.
PSEG Services Corporation
80 Park Plaza, T-5
Newark, NJ 07102



State of New Jersey
DIVISION OF RATE COUNSEL
140 EAST FRONT STREET, 4TH FL
P.O. BOX 003
TRENTON, NEW JERSEY 08625

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

STEFANIE A. BRAND
Director

October 5, 2018

VIA ELECTRONIC MAIL (rule.comments@bpu.state.nj.us)
AND HAND-DELIVERY

Honorable Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
ATTN: BPU Docket Number: QO18060647
44 S. Clinton Avenue, 3rd Floor, Suite 314
Trenton, New Jersey 08625-0350

Re: Renewable Energy and Energy Efficiency
Proposed Amendment: N.J.A.C. 14:8-2.4
BPU Docket No.: QO18060647
Proposal No.: PRN 2018-350

Dear Secretary Camacho-Welch:

Please accept this letter and ten copies as the comments of New Jersey Division of Rate Counsel ("Rate Counsel") regarding the Board of Public Utilities' ("BPU") proposed amendments to its Renewable Energy and Energy Efficiency rules, N.J.A.C. 14:8-12.4 as published for public comment in the August 6, 2018 New Jersey Register, 50 N.J.R. 1708(a). Enclosed is one additional copy. Please date stamp the copy as "filed" and return to us in the enclosed self-addressed, stamped envelope. Thank you for your consideration and attention to this matter.

We are enclosing one additional copy of the comments. Please stamp and date the extra copy as "filed" and return it in our self-addressed stamped envelope. Thank you for your consideration and assistance.

RATE COUNSEL COMMENTS

In the above-referenced rulemaking proposal the BPU is proposing amendments to N.J.A.C. 14:8-12.4, which governs the Board's Solar Renewable Energy Certificate ("SREC") program. The amendments are being proposed to comply with the provisions in P.L. 2018, c. 17 (the "Clean Energy Act") that require the Board to adopt rules and regulations to close the SREC program to new applications when 5.1 percent of the total kilowatt-hours sold by each of New Jersey's electric power suppliers and basic generation service suppliers comes from solar electric power generators connected to the distribution system, and no later than June 1, 2021.

Rate Counsel supports the proposed amendments. They appear to properly implement the determination of the New Jersey Legislature that the BPU's current SREC program should terminate by within the time frame specified in Clean Energy Act.

Respectfully submitted,

STEFANIE A. BRAND
Director, Division of Rate Counsel

By: 
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

c: OCE@bpu.state.nj.us
publiccomments@njcleanenergy.com
Kenneth Sheehan, BPU
Sherri Jones, BPU
Scott Hunter, BPU
Noreen Giblin, Esq., BPU
Rachel Boylan, Esq., BPU
Caroline Vachier, DAG



MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

c/o Rutgers EcoComplex, Suite 208-B
1200 Florence-Columbus Road, Bordentown, NJ 08505

October 5, 2018

Ms. Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314, CN 350
Trenton, New Jersey 08625

**Re: Docket No. QO18060647; Proposal No. PRN 2018-072
Closure of the SREC Program to New Applications**

Dear Ms. Camacho-Welch:

The Mid-Atlantic Solar Energy Industries Association (MSEIA) is pleased to present these comments in regard to the above-referenced matter.

MSEIA is a trade organization that has represented solar energy companies in New Jersey, Pennsylvania, and Delaware since 1997. During that 20-year+ period, the organization has spearheaded efforts in the Mid-Atlantic region to make solar energy a major contributor to the region's energy future.

During these 20 years, MSEIA has adopted and followed three fundamental policy principles, which in short can be stated as: (1) Grow solar energy in our states as quickly as practicable; (2) do so at the lowest possible cost to ratepayers, while delivering the greatest possible benefit as a public good; and (3) preserve diversity in the market, including opportunity for Jersey companies to grow and create local jobs (see MSEIA's fundamental policy principles at <https://mseia.net/fundamental-principles/>).

Regarding the above-referenced matter, the primary question on the minds of people in the solar industry is, "when will the BPU close the SREC program to new applications?" It is clear that both the Clean Energy Act and the proposed rule state that the SREC program will be closed to new applications upon the "attainment" of 5.1% of New Jersey electric sales from solar power. But what does "attainment" mean?

Defining "attainment"

There are several possible definitions for the word "attainment" in the phrase "attainment of 5.1 percent".

One is that "attainment" means that the capacity of solar power systems already connected to the grid and operating, plus the capacity of solar power systems approved by the SREC Registration Program (SRP), is enough to generate 5.1% of sales. If this definition is used, then the total solar capacity that gets built will generate 5.1% of electric sales. This is a logical interpretation. The obvious reading of that section of the law is that solar

capacity in the SREC Program should be limited to the generation of 5.1% of sales. This is echoed in the new RPS schedule in the law, which peaks at 5.1% and then declines at a rate that matches the rate at which older solar systems cease to produce SRECs.

A second interpretation is that when the capacity of solar power systems connected to the grid alone is enough to generate 5.1% of sales, the SREC program will be closed to new applications. If this definition is used, then all of the solar capacity that is approved for construction will be on top of the 5.1% limit, and the solar generating capacity in the SREC program will far exceed 5.1%. According to MSEIA's projections based on the recent history of the SRP pipeline, the completion of projects in the pipeline of approved projects will push the solar generating capacity to between 5.8% and 6.1%.

Consequences of decisions re. "attainment"

If the second interpretation is used, two possible outcomes arise (see Attachment 1, which presents a decision diagram showing possible outcomes flowing from the first decision, the definition of "attainment").

In one possible outcome of the second interpretation, the board exercises its authority to raise the peak of the RPS schedule to 5.8% or 6.1%, to match the generating capacity that will be built as approved. This would thwart the law's 5.1% limitation, and counter its efforts to contain costs and to "continually reduce, where feasible, the cost of achieving the solar energy goals".

In the other possible outcome, the RPS schedule remains at a 5.1% peak. Then the SREC market will be oversupplied by 14% to 20% in the first year after closure. That oversupply would then carry forward to the second year, and add to the oversupply in that year. This "compounding" effect would continue for 5 years (the trading life of an SREC), so that at the end of five years after closure, the SREC market oversupply would reach 70% to 100%. Long before that point is reached, the SREC market would crash, with SRECs becoming worth almost nothing, as has happened in other oversupplied states.

It is useful to provide some detail regarding the consequences of a severe SREC market crash. The solar industry would grind inevitably to a halt, with thousands of jobs lost. Worse, 100,000+ solar projects that will already be built, representing about \$10 billion in investment, will become money-losing assets, many "under water" with respect to loans and bonds used to finance them. Owners of these solar systems would include school systems, municipalities, county facilities, hospitals, farms, thousands of homeowners, iconic New Jersey corporations, and private investors. Confidence in investing in New Jersey would suffer long-term harm. Many lawsuits would undoubtedly arise.

From the foregoing it may be evident that MSEIA believes the second definition of "attainment" would result in draconian and unintended consequences. However, the first definition, which we believe is the correct and logical one, presents a difficulty as well. It would result in closure of the SREC program very soon. Projections of the time of closure range from January 2019 to March 2019. That would not leave enough time to put a replacement program into place, so the solar industry would have to stop until a replacement program is ready.

Solutions

MSEIA believes that the solution is to close the market at the 5.1% mark, and implement an **interim program** for a limited time (e.g., two years) and for a limited amount of solar development (e.g., 400 MW per year).

MSEIA believes that the interim program must reduce the cost of achieving the solar energy goals as much as is feasible. We believe that a fixed-price SREC interim program is the lowest cost program that can be implemented in a short period of time. It is only necessary to look at the other states in the Northeast and Mid-Atlantic regions to realize that simple, secure incentive systems have succeeded, and are succeeding, in growing solar at low cost. They have been shown to be capable of producing sustainable, orderly development. Meanwhile, tradable incentive systems have either failed to spur growth sustainably, or produced very high costs. They have also produced boom-and-bust cycles, and made it difficult to respond to market changes, including improvements in the cost of production, without impairing past investments. Several other non-tradable SREC designs are in use in other states, including fixed-price SRECs.

The timeline for proper SREC Program closure at a true 5.1% is challenging, but it is also an opportunity to move quickly to a lower-cost, more sustainable growth path for solar energy.

We thank you for considering these comments, and look forward to exploring these matters further.

Sincerely,

A handwritten signature in black ink, appearing to read "Lyle K. Rawlings". The signature is written in a cursive, flowing style.

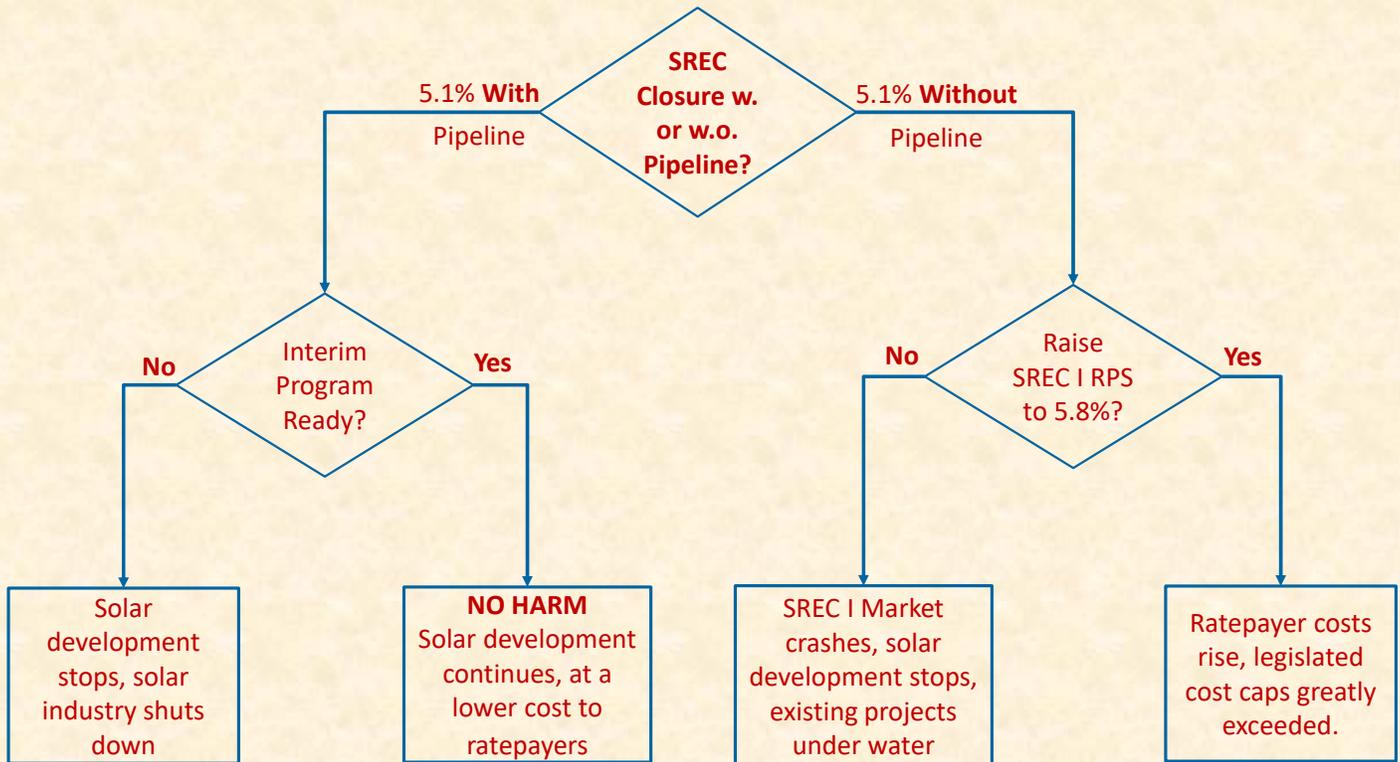
Lyle K. Rawlings, P.E.
President

ATTACHMENT 1



SREC Program Closure Decision Diagram

Outcomes based on decisions regarding the timing of SREC I market closure, and creation of an interim program.





Friday October 5, 2018

Via email: rule.comments@bpu.nj.gov

New Jersey Board of Public Utilities
44 South Clinton Ave.
3rd Floor – Suite 314, CN 350
Trenton, New Jersey 08625

ATTN: Ms. Aida Camacho-Welch, Secretary

Re: In the matter related to Docket No. QO18060647; Proposal No. PRN 2018-072

Dear Ms. Camacho-Welch,

New Jersey Resources (“NJR”) is submitting these comments in response to the amendments proposed by the Board of Public Utilities (“BPU”) to N.J.A.C 14-8.2.4 concerning the closure of the SREC market. NJR is among the leading solar providers in the State of New Jersey, with over \$600 million invested in 200 MW of projects, from large grid-scale projects to our Sunlight Advantage residential lease product serving over 7,000 customers.

As part of the State’s 100% clean energy goal and economic development plan, Governor Murphy’s administration has recognized the important role that solar will continue to play in New Jersey’s clean energy future. These goals include returning the State to recognized national leadership, growing the clean energy economy, and supporting continued growth of the State’s solar portfolio. The commitment to solar has been reinforced in the clean energy legislation passed on May 23, 2018, P.L. 2018, c 17 (“the Clean Energy Act”), in the Energy Master Plan objectives, and in New Jersey’s Economic Development Plan.

The Clean Energy Act requires the BPU to develop a solar incentive program that will reduce the costs of achieving the State's solar energy goals and provide an orderly, stable transition from the current SREC program to a new long-term successor program. In implementing this transition, the bill requires the BPU to close the current SREC market to new applications upon the attainment of 5.1 percent of the kilowatt-hours sold in the State. The bill also requires this closure not be later than June 1, 2021 - which is around the time the BPU is required to complete its evaluation of a new successor program.

In accordance with the terms of the Clean Energy Act, the BPU issued its proposed rule on how it will close the market, reiterating the statutory language that it will close the SREC market upon the “attainment” of an RPS of 5.1 percent, and no later than June 1, 2021. In justifying the social and economic impact of the bill, the BPU indicates that the current SREC program is believed to be “excessively, overly” costly to ratepayers. NJR offers the following comments:

1. The term “attainment of the 5.1 percent RPS” requires more precise definition and clarification. The definition has major implications on jobs, future market confidence, and the BPU’s ability to meet its goal of a stable, orderly transition.

2. The social and economic impact statements should be expanded to include the achievements associated with New Jersey's solar policy that includes a broader context on evolving costs. There should be comments from the BPU included indicating its view of the improvement opportunities available reflecting on its 10 years of experience in administering a successful SREC market.

Each of these comments is discussed in more detail below:

Definition of Attainment

In the proposed rule, the BPU reiterated the Clean Energy Act language that it will close the SREC market upon the "attainment" of an RPS of 5.1 percent, and no later than June 1, 2021. To ensure a stable, orderly transition, the term "attainment" requires more precise definition and clarification.

Appendix 1 graphically illustrates the timing of when the 5.1 percent goal will be achieved based on different interpretations of "attainment".

- If "attainment" is defined when SRECs from installed operating projects and from BPU-approved, but not constructed ("pipeline") projects are estimated to achieve 5.1 percent of retail sales, the 5.1 percent goal will be attained sometime in Q1 of calendar year 2019. If the program is closed to new applications in Q1 2019 without a new program ready for implementation, project sales and development activity will stall. The lack of certainty on timing and key terms of a new program will result in potential job losses and likely customer/market confusion. The current schedule defined in the Clean Energy Act gives the BPU until June 2020 to complete its study and evaluation of a successor program, indicating the potential for a multi-year gap between when the current program needs to close and when a new program will be available.
- If "attainment" is defined to be actual SREC generation from installed projects only, at the current installation pace, the 5.1 percent target will not likely be achieved until the June 2020 timeframe. If the BPU continues to accept applications until this time, at the current new approval pace, the pipeline could be 600 to 700 MW at the time of market closure.
 - o If the pipeline were not allowed to be constructed, this will create stranded development cost issues like those experienced in the implementation of the 2012 Solar Act.
 - o If the pipeline were to be constructed, the BPU would have closed the market with installed projects representing 6.1 percent of the kilowatt-hours sold, not 5.1 percent as required by the Clean Energy Act. Appendix 2 indicates the detrimental impact on the SREC market with steadily increasing SREC oversupply exceeding 80 percent by 2030. This degree of oversupply would impair billions of dollars invested in the New Jersey solar market, with irreparable damage to investor confidence. Appendix 3 shows oversupply sensitivities to build rate, indicating that even a modest build rate in excess of the 5.1 percent target could result in a significant SREC oversupply.

The closing of the SREC market either before the successor program can be developed and implemented, or with an installed amount in excess of the 5.1 percent target, would result in adverse consequences that will undermine the stable, orderly transition to support the state's clean energy goals.

A solution, which we strongly recommend, is for the BPU to implement a new, interim incentive program to bridge the time between when the 5.1 percent can be achieved with installed and approved projects, and when the new, long-term successor program can be implemented.

This new, interim incentive program can make incremental improvements to the current market structure, consistent with policy goals, including cost reductions for new projects, improved controls to sustain market balance, and potential targets or factors for different market segments. While there are details to be considered that are beyond the scope of our comments, given the urgent need for a quick solution, the design should strive for simplicity and limit modifications to the current structure.

NJR would welcome the opportunity to further discuss the recommendation for an interim program and is eager to work with stakeholders and assist the BPU as it leads the state in an orderly, stable transition of the solar market.

Modification of Social and Economic Impact Language

In the social and economic impact assessments in the proposed rule, the BPU indicates that the current SREC program is believed to be “excessively” and “overly” costly to ratepayers. NJR believes this language does not reflect the program accomplishments, place appropriate context on costs, or offer insights on improvement opportunities available from 10 years of experience.

New Jersey has created a robust market and positioned itself as a market leader in renewable energy with important and aggressive goals for the future. The SREC market has been an enabler of New Jersey’s success – stimulating over 2,500 MW installed at 100,000 customer locations, 7,000 in-state jobs, and \$10 billion in economic activity, with installation cost reductions of nearly 70 percent since program inception. Closing the current market should be viewed as an opportunity to make needed improvements to better control market supply, reduce regulatory and market risk, and incent ongoing cost reductions for new projects.

Consistent with New Jersey’s leadership role, properly closing the SREC market will be essential to sustaining market and investor confidence into the future. Missing this opportunity could create significant issues attracting the future capital necessary to meet our clean energy goals.

Statements about SREC costs should acknowledge that there is a single SREC price that covers all market segments and install configurations over a ten-year period, which encompasses a period of dramatic cost reductions. SREC values reflect the economic needs of these diverse projects, and individual project economics and profitability vary widely. Discussion of costs must also consider the costs specific to doing business in New Jersey. NJR is eager to work with the BPU and stakeholders on a data-driven, fact-based assessment of costs.

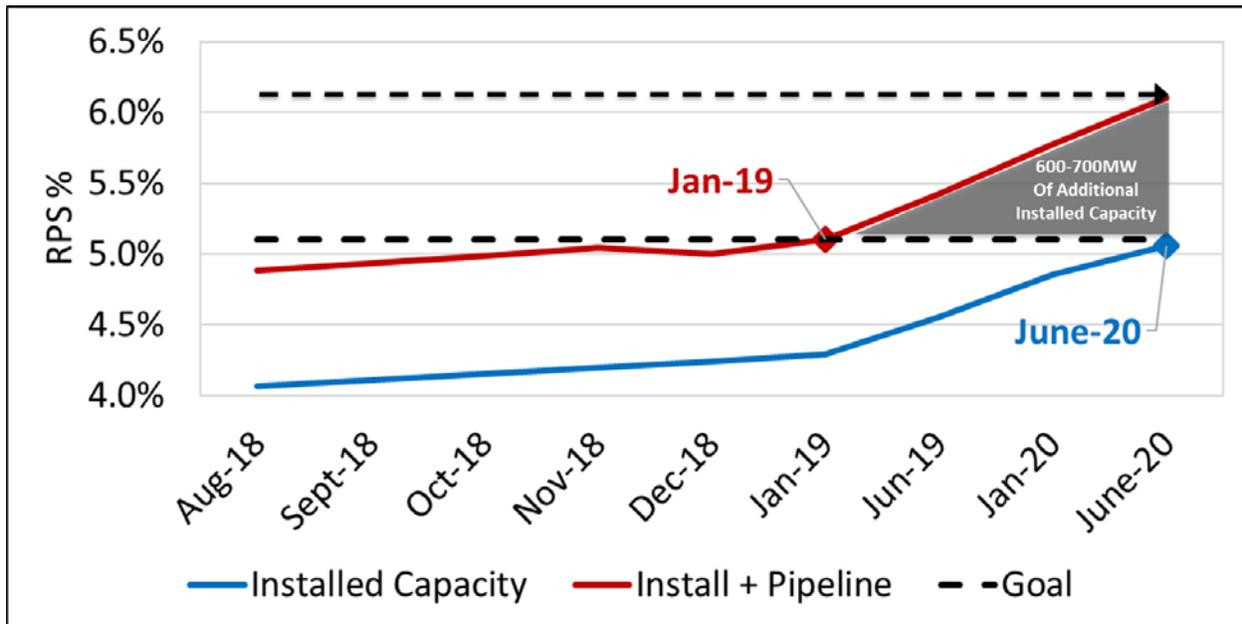
NJR appreciates the opportunity to comment on this rule proposal and looks forward to further engagement with the BPU and stakeholders on this important matter.

Sincerely,

Larry Barth
Director, Corporate Strategy

CC: Mark Valori, Vice President, NJR Clean Energy Ventures
Chris Savastano, Managing Director – Development, NJR Clean Energy Ventures

Appendix 1: 5.1 Percent Attainment Scenarios

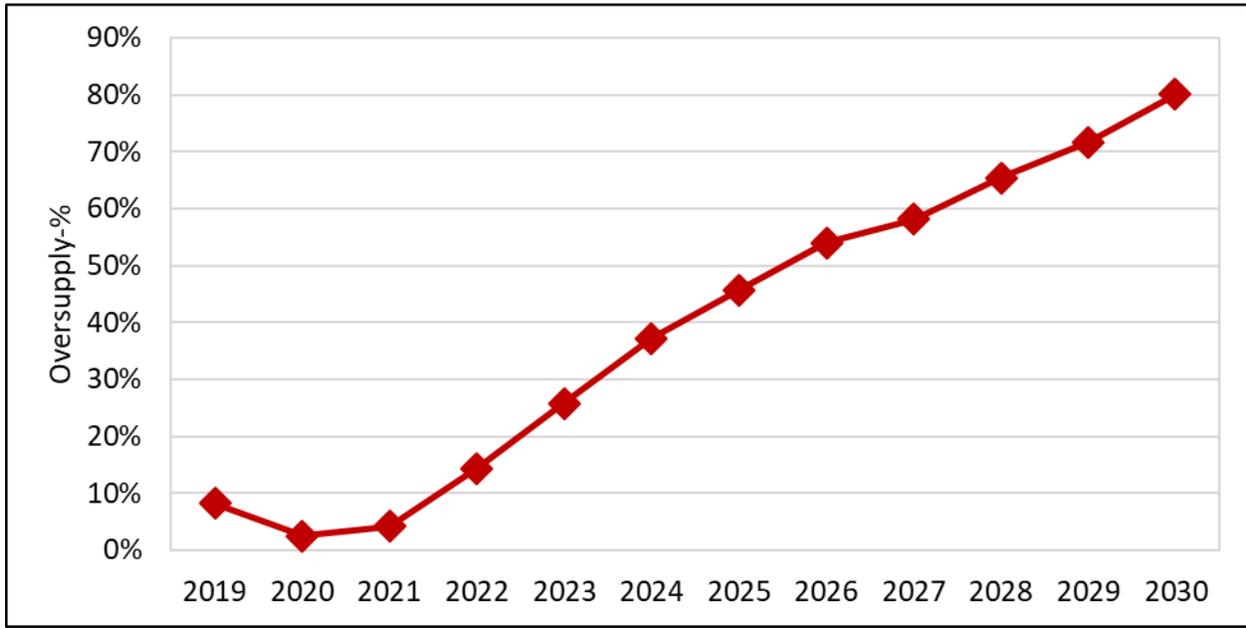


*Assumes current NJCEP installation and pipeline addition run rates (28 MW and 35 MW per month, respectively)

*Assuming current run rates, total installs and adjusted pipeline dictates that the BPU will have approved enough capacity by January 2019 to reach the 5.1 percent target. Should the BPU interpret the “attainment” of 5.1 percent to mean strictly installations, the current install pace would dictate that 5.1 percent is reached in June 2020.

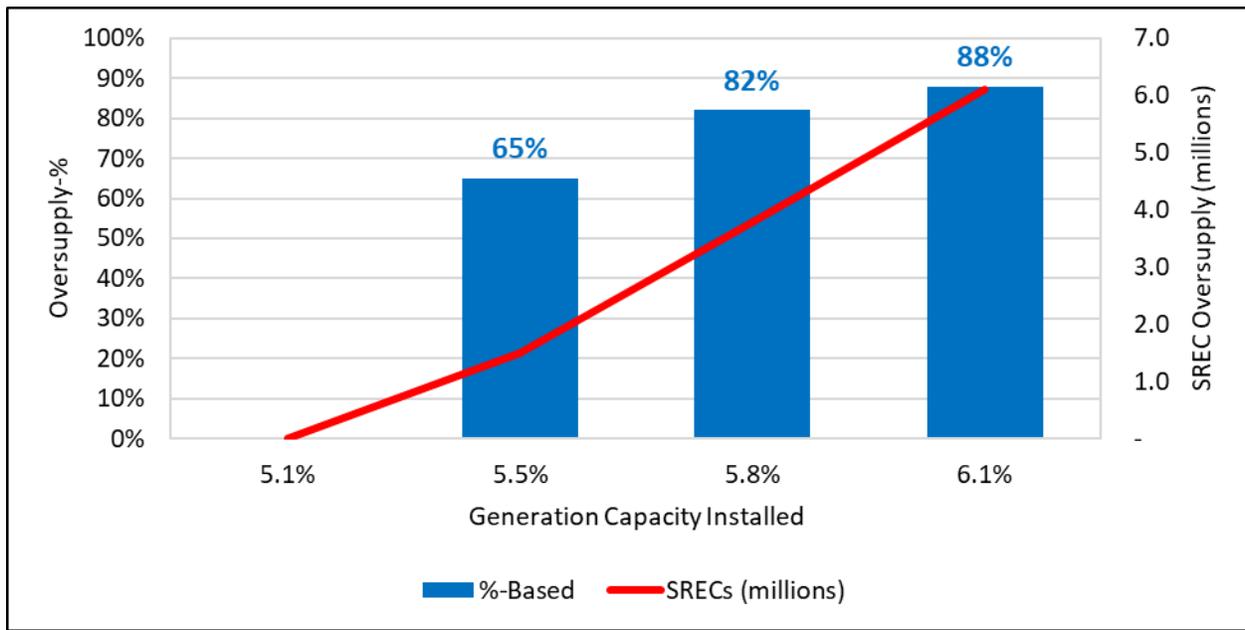
In this scenario, if the BPU were to continue to approve new applications after January, 2019, at the current new approval pace there would be between 600-700MW of approved projects in the pipeline at the time the market is closed when 5.1 percent is attained in June, 2020. If all those projects in the pipeline were allowed to build, these additional installed projects would be capable of producing 6.1 percent of retail kilowatt-hour sales, exceeding the 5.1 percent target.

Appendix 2: Impact on SREC Oversupply If Market Closed in June, 2020



Assuming the BPU waits to close the market until 5.1 percent is installed and operating in the estimated June, 2020 timeframe, and continues to approve new projects until then, at current new approval run-rates there would be a 600 to 700 MW pipeline by June 2020. Assuming this pipeline is allowed to install, there would be a perpetual oversupply in the market exceeding 80 percent by 2030, levels similar to those experienced when the SREC market crashed in 2011.

Appendix 3: Sensitivity of SREC Oversupply to Capacity Installed At Market Closure*



*Capacity installed calculated from SREC generation from solar installations divided by total retail kilowatt-hour sales

Given the current RPS schedule reflecting a phased sunset (decline in RPS coincident with projects retiring from SREC eligibility), any capacity installed capable of generating SREC's beyond the 5.1 percent target leads to perpetual SREC oversupply. The chart above indicates a 65 to 88 percent oversupply when the sunset RPS reaches 0 in 2033. Policies leading to these outcomes would be detrimental to the SREC market, leading to financial impairment and loss of investor confidence.



Joint Comments of the Solar Energy Industries Association, the New Jersey Solar Energy Coalition and KDC Solar

**On the Draft Rules for Closing the Solar Renewable Energy Credit Market
Docket No. QO18060647; Proposal No. PRN 2018-072
As Published August 6, 2018**

October 5, 2018

The Solar Energy Industries Association (“SEIA”), the New Jersey Solar Energy Coalition (“NJSEC”), and KDC Solar respectfully submit these comments on the Draft Rules for Closing the Renewable Energy Credit (“SREC”) market published on August 6, 2018. Our organizations represent a large segment of the New Jersey solar industry.

These comments: 1) discuss key principles to guide the closure of the SREC market; 2) describe issues associated with market closure that must be addressed; 3) make the case for closing the current SREC program and simultaneously opening a new “interim” solar incentive program using the Board’s administrative authority; and 4) recommend the creation of a stakeholder process outside of the Energy Master Planning (“EMP”) process to ensure an interim solar incentive program can be in put place as soon as possible.

SEIA is the national trade association of the United States solar energy industry. SEIA represents approximately 1,000 firms across the county, with many of these firms doing business in New Jersey, and nearly 40 member firms that list a specific New Jersey operating address. SEIA member companies in operation in New Jersey are working in all market segments. They provide solar panels and equipment, financing and other services to a large portion of New Jersey solar projects

NJSEC was formed to create public policy support for New Jersey’s solar industry. NJSEC works in legislative outreach, education and the development of realistic public policy alternatives that align with the fiscal and social circumstances that are unique to New Jersey. NJSEC members include local and national developers, SREC market traders and analysts, engineers, legal and accounting professionals supporting all phases of New Jersey’s solar industry.

Our organizations appreciate the leadership of the Murphy Administration and look forward to working with the Board of Public Utilities (“BPU”) to achieve New Jersey’s ambitious clean energy goals. New Jersey has been a leader in the growth of solar deployment in the United States. In turn, the solar industry has invested more than \$10 billion in New Jersey, created

enough clean energy to power nearly 400,000 homes, and helped create more than 7,100 jobs in the Garden State.

1) Principles Guiding SREC Market Closure

Chapter 17 of the Laws of 2018 requires the BPU to close the SREC market once 5.1% of the state's electricity is obtained from solar projects. Our organizations support requiring the closure of the existing SREC trading market but underscore the need to close it in an orderly and transparent way.

Although the current SREC program has been very successful at driving the development of solar in New Jersey, with the associated investment in jobs and infrastructure as well as significant benefits to New Jersey ratepayers and electric grid, we recognize that as the industry matures and grows it is important to re-evaluate policies that support it.

However, the BPU's proposed language is silent on several key issues that are of great interest to all market participants. Most notably, the regulatory proposal does not clarify exactly how the BPU will determine that the goal for solar generation contributing to the overall electric supply has been reached.

Failure to provide additional regulatory detail will cause uncertainty in the coming months, cast a shadow over the solar market, and result in the transfer of solar investment to other states. Furthermore, to avoid serious market disruption and job layoffs it is critical that the BPU also have a new program ready to accept projects upon the closure of the current SREC program.

Therefore, our organizations believe that maintaining market continuity and preserving the state's 7,100 solar jobs should be guiding principles in the coming months.

2) Issues Associated with SREC Market Closure

Based on our estimates, there will likely be enough solar in the pipeline and installed to meet the 5.1% program cap by March of 2019 at the latest. But it will take until mid-2020 before all 5.1% are installed. The potential buildup of an approved project pipeline results in the following market closure issues:

- If the BPU closes the market before such time as a successor program is available, it is likely that there will be job losses related to sales, marketing, installation, and development activities which represent over 40% of the 7,100 jobs in the state.
- If at the time the 5.1% program cap is reached there are BPU approved but not fully constructed solar projects (projects with SRP numbers and COD deadlines), this immediately raises the issue of an over-supply of SRECs that could create legal issues and administrative distractions similar to those experienced in implementing the Solar Act of 2012.
- If the approved projects with SRPs are installed beyond the levels needed to meet the 5.1% program cap, this will create over-supply and thereby adversely affect existing projects negatively impacting homeowners, schools, businesses, and municipalities that have invested over \$10 billion in the state thereby undermining investor confidence needed to attract capital to support clean energy growth going forward.

3) Close the SREC Program & Simultaneously Open a New “Interim” Program

Our organizations support closing the current SREC market using current installations and projects in the pipeline as the measure of attainment, provided that a new interim solar incentive program can be put in place on a very short timeframe.

To avoid serious market disruption and layoffs it is critical that the BPU have new program ready to accept projects. Given the short timeframe needed to design and implement such an interim program, our organizations recommend that the BPU, using its existing administrative authority, develop an interim solar program structure immediately for notice and comment by all stakeholders. Our recommendations for design features of the interim program are listed below:

- **Duration** – Be at least two years in length, with flexibility to allow possibility of extending the effort if a permanent replacement solar program is not yet developed.
- **Overall Size** – Support the current level of solar build across all market sectors (approximately 370 MW current build rate averaged over the last three years), as well as support the emergence of the new community solar sector at least 75 MW/year per Board order and the statutory 50 MW subsection (r.) grid project build out. Taken together the overall size would need to be approximately 500 MWs in order to maintain the current workforce and include the new segment build rate as required.
- **Incentive Design** – Build off the current SREC market design, and re-establish a tradable solar renewable energy credit at reduced SACP incentive level ceilings that will reduce ratepayer costs and create the required financial support all market segments.
- **Term** – Set the term that solar projects to be eligible to generate SRECs for 10 years; and
- **Market Segment Targets** – Include market sector targets that would be managed by the BPU, or its agent, to prevent significant market oversupply.

If the BPU determines that an interim program cannot be put in place by the end of March 2019, our organizations then recommend that the BPU use only installations as the definition of attainment. The BPU would then have to commit to use its administrative authority to increase the RPS solar carveout target to give all projects with an approved SRP a compliance home until a new interim program could be developed.

We would only support this option on the condition that the Board made it clear in its proposed rulemaking that all of the additional SRECs generated by all projects receiving an SRP during this extended period would be balanced against a commensurately increased RPS demand. In effect, this will insure that there is “a home” for all SRECs generated by existing and approved projects with SRPs.

4) Immediately Start a Stakeholder Process to Design the Interim Program

To ensure a smooth transition from the current SREC program to a new program, a common understanding of project development estimates will enable the most productive conversations with stakeholders. This discussion must take place outside of the EMP process.

The EMP process seeks to set New Jersey on the path toward obtaining 100% of its electricity needs from clean sources by the year 2050. The short-term nature of solving the solar market closure issues requires concerted effort, by a more limited set of participants, on a much more immediate set of issues.

Furthermore, we urge the BPU to immediately begin a stakeholder process that can consider design elements of the interim solar incentive program, with a goal of creating a consensus draft proposal to be released for formal notice and comment by the end of the calendar year 2018. We believe this accelerated timeline would allow for appropriate public input and help lead to the establishment of an interim program by the end of first quarter 2019.

In short, we strongly recommend that the BPU publishes a more detailed proposal to encourage transparency and an orderly SREC market shut down. We recommend that the BPU immediately commit to developing an interim solar incentive program. And we urge you to seek the input of industry stakeholders in designing this program. We thank you for your consideration of these recommendations.

Respectfully submitted,

/s/

David Gahl
Director of State Affairs, Northeast
Solar Energy Industries Association

/s/

Fred DeSanti
Executive Director
New Jersey Solar Energy Coalition

/s/

Tom Lynch
Executive Vice President & COO
KDC Solar

cc: Senator Bob Smith
Assemblyman Wayne DeAngelo
Kathleen Frangione
Madeline Urbish