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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

December 21, 2018

VIA ELECTRONIC DELIVERY COMMUNITYSOLAR@NJCLEANENERGY.COM

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
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CASE MANAGEMENT

DEC 24 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Re: Docket QO18060646 - Community Solar Pilot Program Application Process

Dear Secretary 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 a response to the Board of Public Utilities’ (BPU) request for comments on the Community Solar Energy Pilot Program Application Process and related forms.

PSEG has a long history of partnership with the state and aligning its interests with those of New Jersey. This partnership has been instrumental in helping the state achieve several important public policy goals, including making New Jersey a nationally recognized leader in the installation and operation of clean, carbon-free energy technologies. The passage of the Clean Energy Act, along with Governor Murphy’s energy vision and the BPU’s efforts to develop community solar provides a unique opportunity to build on that prior success as we implement a 100% clean energy future accessible to all customers and ensure that the benefits of solar (financial and otherwise) are available to previously underserved customers.

The BPU Notice dated November 28, 2018 (the “November 28 Notice”) requested that written comments be limited to the Community Solar application process and related forms attached to the Notice and not address the Community Solar Energy Pilot Program as a whole. In the spirit of that direction, PSEG respectfully request that the Board consider the following.

Application

The Community Solar Energy Pilot Program Application Form provides, in the “Minimum Qualification Requirements,” that “[t]he Board will not consider Applications for projects for EDCs to develop, own, or operate community solar projects(s).” PSEG respectfully requests that the BPU reconsider this position. As set forth more fully in PSEG’s comments

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dated November 30, 2018, PSEG believes that it is essential for the EDCs to participate in the Pilot Program, which is the one and only opportunity (a) for the BPU to design and test the standards for community solar projects prior to the transition to the permanent Community Solar program, and (b) to ensure that the low and moderate income segment is fully subscribed. We therefore renew our request that the EDCs be permitted to submit applications to participate in the community solar pilot program. We hereby incorporate by reference the balance of our November 30th comments with respect to this issue.

Interconnection

During the three stakeholder meetings held pursuant to the November 28 Notice, it became apparent that some meeting participants thought that Community Solar projects would submit interconnection applications to PJM Interconnection LLC to facilitate the sale of the output of projects into the PJM wholesale market. PSEG on the other hand thought that the more appropriate interconnection process would have Community Solar projects submitting interconnection applications to the local EDC in accordance with the proposed rule N.J.A.C. 14:8-9.9 ("Community solar pilot projects shall comply with all current and future applicable interconnection requirements applicable to each EDC, as set forth in N.J.A.C. 14:8-5 and shall be processed by the EDCs following normal interconnection procedures.") Consistent with other distribution grid-connected generators, PSEG understood that the output of the Community Solar project would act as a "load reducer" and, in certain circumstances described below, the owner of the generator would be compensated at the avoided cost of wholesale power. The differing perspectives on the proper interconnection process and the proper treatment of the Community Solar project output are subjects that require additional consideration by the stakeholders to ensure that the rules are clear and consistent, and can be efficiently administered by the EDCs.

From PSEG's perspective, implicit in the overall Community Solar project structure was the concept that the Community Solar program is being developed and offered to assist those New Jersey residents who are currently unable to participate for one reason or another in the established rooftop solar net metering program offered in New Jersey. See N.J.A.C. 14:8-4. In that vein, the output of Community Solar projects would be treated in a manner consistent with generic net metering rules, which, among other things, require the compensation of the customer-generator for any excess kilowatt hours generated at the electric power supplier's avoided cost of wholesale power. See N.J.A.C. 14:8-4.3(e). Notably, under the existing net metering rules, the solar project owner is not permitted to sell the excess electrical output into the PJM market.

Similar to the "avoided cost compensation" net metering rules, the proposed Community Solar rules state (N.J.A.C. 14:8-9.7) that the community solar subscriber/project owner shall be compensated for any unused credits at the avoided cost of wholesale power:

(f) At the end of the annualized period and/or when a subscriber's EDC account is closed and/or at the end of the subscriber's community solar subscription, any excess net bill credits greater than the sum of all appropriate billable charges shall be compensated at the EDC's or BGS provider's avoided cost of wholesale power, as determined from time-to-time, calculated at the nearest node to the point of delivery of the community solar project. The excess compensation must be returned to the subscriber following his or her preferred method, wire transfer, or check. (Emphasis added)

* * *

(h) Any generation delivered to the grid that has not been allocated to a subscriber may be "banked" by the project operator in a dedicated project EDC account for a period of up to 12 months. The banked credits may be distributed by the project operator to any new or existing subscriber during that 12-month period, in conformance with subscription requirements set forth in N.J.A.C. 14:8-9.6. At the end of the up to 12-month period, any remaining generation credits shall be compensated at the EDC's or BGS provider's avoided cost of wholesale power, calculated at the nearest node to the point of delivery of the community solar project. (Emphasis added)

Consistent with our November 30th comments, PSEG continues to believe that the avoided wholesale energy cost is the most appropriate community solar subscriber credit. Using the retail rate is an implicit subsidy (in addition to the SREC and/or other subsidies) that is not transparent in the Board's valuation of solar or to customers who either participate or bear the burden of the cross-subsidy. That said, if it is ultimately determined that the value of the credit should be the "retail rate net metering, inclusive of supply and delivery charges", then it would be appropriate for the Community Solar rules to conform to the balance of the net metering rules, which would preclude the sale of the output into the PJM markets. To do otherwise would create an unreasonable "triple-dipping" result: effectively permitting the sale of the output of the Community Solar project three times, once into the PJM market¹, a second time by virtue of the retail credit, and a third time when the subscribers are to be compensated for unused credits at the avoided cost of wholesale power.

After further stakeholder input, if the final rules do permit the output of Community Solar projects to be sold into the PJM markets, PSEG recommends that revenues derived from those PJM sales be used to offset the overall costs of the Community Solar program. As the overall costs of installing solar continues to decline, the value of the SRECs or Class 1 RECs available to the solar project developer combined with the value of the subscriber fee paid by subscribers to the project owner/developer are sufficient incentives for developers to construct Community Solar projects.

Evaluation Criteria

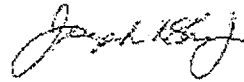
The Board should evaluate projects in the application process based on the additional incentives they anticipate taking. Section 14:8-9.7(q) of the proposed rules states: "Community Solar projects shall be eligible to apply, via a one-time election prior to the delivery of any energy from the facility, for SRECs or Class I RECs, as applicable, or to any subsequent revision to the solar compensation mechanisms as determined by the Board pursuant to the Clean Energy Act." Since developers have an option as to which incentive they will take, the BPU should request information on this election and evaluate and select projects with the lowest cost of subsidy.

¹ Of note, it is PSEG's understanding that community solar projects located in Maryland, Delaware and Washington, DC do not sell their output into the wholesale market. Rather, the local EDC takes possession of the output which is then cleared through the EDC's standard offer program. Additional information regarding the treatment of community solar output in other jurisdictions should be obtained before a final resolution of the issue is reached.

Lastly, the Application's "Evaluation Criteria" include a preference for Community Solar projects that have received an "EDC feasibility study." PSEG respectfully submits that requests for interconnection should be made only after the BPU has ranked the applicants in the competitive process. This will help to avoid unnecessary costs and time for the EDC engineering teams to review proposals that are not accepted or lowly ranked by the BPU and the potential result of a higher ranked project receiving a higher interconnection cost simply because it is later in the queue. Of note, community solar developers should be able to readily identify lower-cost interconnection locations by consulting the EDC's solar capacity maps currently under development. See N.J.A.C. 14:8-9.9(f). PSE&G will follow normal interconnection procedures, including collecting fees and charges for system studies, equipment and upgrades for any community solar projects submitted for EDC interconnection review.

Once again, PSEG appreciates the opportunity to provide these comments. We thank Staff for its consideration of our submission.

Respectfully submitted,



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