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A FirstEnergy Company

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VIA ELECTRONIC MAIL ONLY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625
Solar.transitions@bpu.nj.gov

Re: Successor Program March 20 Comments

Dear Secretary Camacho-Welch:

On behalf of Jersey Central Power & Light Company ("JCP&L" or the "Company"), please accept this letter as JCP&L's Comments on the stakeholder notice dated February 28, 2020 issued by the New Jersey Board of Public Utilities ("Board") related to the first Solar Successor Program Meeting. In that notice, Board Staff sought comment on four topics: (1) the design of the successor program incentive; (2) the megawatt targets/program targets; (3) the treatment of grid supply solar; and (4) the siting of solar projects. JCP&L thanks the Board for the opportunity to provide these comments on New Jersey's solar successor program as the Board strives to establish a program that continues to encourage solar investment while minimizing costs to New Jersey's ratepayers.

As it did with the solar transition program, JCP&L supports the use of a market-based incentive to control costs for ratepayers. The Clean Energy Act ("CEA," codified, in relevant part, as N.J.S.A. 48:3-87) directs the Board to "provide an orderly transition from the [solar renewable energy credit ("SREC")] program to a new or modified program" upon the closing of the existing SREC program. It further requires that the Board "continually reduce, where feasible, the cost of achieving the solar energy goals" and "establish and update market-based maximum payment caps." The CEA also sets compliance cost caps and requires the Board to "take any steps necessary to prevent the exceedance of the cap on the cost to customers." Clearly, the CEA expresses a preference for—and requires the use of—market-based solutions to reduce the costs of solar programs for New Jersey's ratepayers.

The notice issued by Staff references the use of a tariff-based incentive as a potential option for the successor program. There are a number of reasons why this would not be the proper incentive structure to use for New Jersey's successor program. First, as set forth above, the CEA expresses a preference for market-based solutions to control costs for customers. Second, a tariff-based incentive results in administrative inefficiencies that may result in customers over-paying for solar projects as market conditions and technology change. A market-based mechanism is much more effective at finding the required equilibrium price to establish the value of any incentive. Third, a tariff-based incentive would result in the program's costs flowing through distribution rates, whereas the solar incentives—just like the existing SRECs—are a generation attribute. Finally, and perhaps most importantly, only solar participants would benefit from the use of a tariff-based incentive but all customers will pay for the costs, including those who do not wish, or are unable, to avail themselves of the use of solar generation. A market-based mechanism should be used to control costs for these customers.

JCP&L supports the use of a market-based mechanism similar to the Company's SREC II financing program. This program is market-based and, through the use of periodic, planned solicitations, customers have still benefitted from the reduced costs resulting from the changes in solar technology. If a similar program is adopted for the successor program, JCP&L recommends that SREC contracts not exceed ten years. This duration will ensure that project developers are able to receive an adequate return while not exposing the utilities' customers to undue financial expense should there be a change in market conditions. A ten-year term will allow for the most flexibility in the administration of the program should market or regulatory conditions change.

Finally, consistent with N.J.S.A. 48:3-98.1 (the "RGGI Law"), utilities should continue to be permitted to "invest in Class I renewable energy resources, or offer Class I renewable energy programs on a regulated basis" and participate in any solar successor program for the benefit of their customers. By doing so, New Jersey can ensure that all the utilities' customers can enjoy the benefits of solar generation while still controlling the costs to ratepayers.

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JCP&L again thanks the Board for the opportunity to provide these Comments. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Joshua R. Eckert
Counsel for Jersey Central Power & Light Company