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Successor Program March 20 Comments

Vivint Solar appreciates the opportunity to submit comments on the New Jersey Successor Incentive Program. New Jersey was the first state in which Vivint Solar operated, beginning in 2011. Over the last 9 years Vivint Solar has served more than 17,000 residential customers, totaling over approximately 120 MW of installed solar capacity. Vivint Solar offers consumers access to both third-party and customer owned financial products. Vivint Solar provides a full-service experience to customers from sale to design to installation and maintenance for the term of the contract. With over 400 employees statewide including installers, electricians, sales representatives, surveyors, and warehouse staff Vivint Solar is committed to New Jersey's clean energy future. The residential solar segment in New Jersey employs thousands of residents of New Jersey whose livelihoods will be affected by the decisions made for this successor, program. The economic benefit to the state is significant and to reach a 100% clean energy future there will need to be a strong solar industry for all market segments.

Vivint Solar almost exclusively serves residential customers and thus the following comments are only intended to address that market segment. Vivint Solar also supports the comments submitted by SEIA.

1. Please describe the advantages and disadvantages of the three incentive program types identified above.

Tariff-Based Incentive – A tariff-based incentive that accounts for all revenue streams for a project can be the most effective way at holistically evaluating what an incentive value is. However, it is extremely sensitive to having the correct inputs and assumptions and difficult to implement as long as the revenue streams remain separated. A pre-set declining value, like with the SMART program in Massachusetts, can also create challenges that are difficult to address if the market rapidly deploys MWs or market forces such as costs change over a short period of time. A tariff-based approach also requires a broader set of regulations and processes in setting up a program. For example, in Massachusetts there are multiple sets of requirements and regulations that govern each of the entities involved in administering the SMART program and it took much longer than expected for the program to start, and even when it started there were a host of issues that had not been fully addressed such as metering requirements, changes to the interconnection process, and constant changes to the SMART incentive application process. Despite the SMART program opening in November 2018, the program is still experiencing significant delays and backlogs of systems due to the complexity of the program. A tariff-based approach described in the notice would also need to have utility-specific values which would make the program more complex.

Market-Based RECs – The main advantage of maintaining a market-based REC is that it is familiar to businesses, regulators, and utilities. It can be implemented the fastest of any option and would have the least amount of disruption. However, RECs are a more volatile revenue stream that could end up over or under compensating projects and being a higher overall cost to ratepayers than other incentive types. REC revenue streams are also more discounted due to the risk and are more difficult to raise debt against with favorable terms. Given the trajectory of solar incentives across multiple states, we believe that moving to a performance-based incentive or tariff-based incentive would be preferable.

Performance-Based Incentive – A performance-based incentive ("PBI") is a middle point between the two other types of incentive programs. It would allow for inverter-reporting, a strong preference for residential systems, through GATS to allow for the familiarity of RECs while providing revenue certainty and avoided market volatility which would lead to better financing terms. It is also the best suited, potentially, for increased solar deployment to meet the Governor's energy goals. A PBI could be a fixed value per MWh and either be set by utility or as a singular value for the state depending on what the BPU decides is best. By having the PBI value be set essentially in exchange for the environmental attributes, it avoids a direct entanglement with net metering that a tariff-based incentive would have, which is beneficial when considering the role of net metering in the future and other energy programs such as those for energy storage.

2. How would you expect the incentive value (and the cost to ratepayers) to change based on the incentive program type?

We believe that the REC market would be the highest cost to ratepayers because of the inherent risk in an SREC market. Between a TBI and a PBI we believe that value of the incentive could be essentially the same but that a PBI will be easier to develop and implement.

3. Should the Board establish a differentiated incentive (i.e. different incentives for different project types), as was done for the Transition Incentive program? If yes, what should these different project types be?

Yes, a targeted approach regarding the incentive value based on the different project segments is good public policy. The project segments included in the transition program appear to be comprehensive.

4. How should the Board set the value of the incentive: via administrative modeling, a competitive solicitation, or an on-going market? What are the advantages and disadvantages of these three mechanisms?

We believe strongly that the incentive levels should be set via administrative modeling. This has the greatest chance of providing a predictable, fair value that will achieve the solar deployment goals of the state.

One idea that has been put forward at various stakeholder meetings is conducting a competitive solicitation to set the incentive value for large projects and then using some variation of that value for residential projects. This was the process used for the SMART program but we do not believe this is the best approach. First, the market forces affecting large scale projects and residential projects are different and while there are similarities in some portions of the cost structures, there are significant differences. Second, the residential value was arbitrarily set at 2x the total compensation value from the large-scale projects. This 2x value was ultimately an administratively set value meant to adjust the value in a way that worked for residential projects. If the approach of an auction was used, at the end of the day the BPU and its staff would have to make administrative and/or arbitrary decisions on how to translate the large-scale incentive value to a residential incentive value. It would essentially be administratively setting the residential incentive value, with just more steps. We suggest engaging in a transparent, administrative process to set the incentive value. The residential market incentive should not be decided by a large-scale solar solicitation process.

Given the timeline of residential project development and ongoing sales, a changing incentive value is difficult to keep accurate when discussing with employees and customers. An administratively set fixed value provides the market with the most certainty and will be the easiest to communicate with customers. The blocks, if a block structure with declining incentive value is used, should be sufficiently large as to prevent rapid changes to the incentive value.

5. How should the Board establish and periodically revise the maximum incentive payment caps described in the Clean Energy Act?

We support SEIA's answer on this question.

6. What is the preferred incentive qualification life (10 vs. 15 years) based on typical project financing?

A 10-year is preferred due to the time-value-of-money, but a 15-year incentive qualification life would be workable as well as evidenced by the prior SREC program and the transition program. If a 15-year term is needed to stay comfortably below the cost caps then that term should be used.

7. The Clean Energy Act requires that the Board "encourage and facilitate market-based cost recovery through long-term contracts and energy market sales." Please provide your assessment of various market-based cost recovery mechanisms, and their applicability to each of the three incentive program types developed by Cadmus.

We support SEIA's answer on this question.

8. What MW target project categories should be established?

We support SEIA's answer on this question.

9. How should the Board set the capacity for each MW target, in compliance with the incentive cap and cost cap requirements? Please consider: 1) how the Board should set the overall capacity to be made available on an annual basis for the Solar Successor Program; and 2) the relative breakdown of the total annual capacity between MW target project categories

The capacity targets for each market segment should be large enough to allow for a sustained solar industry in the state and be in-line with the Governor's targets for solar deployment. As the industry has experienced in MA where the program size was too small, an expansion of the program became necessary for certain market segments within days of the program opening. New Jersey should avoid such a situation by having a large enough program to sustain multiple years of solar development.

For the residential segment, the program should be continuously open. While larger projects with longer development cycles are able to accommodate solicitations or annual limits, the same is not true for residential. These businesses need to have a constant flow of customers to ensure the business remain open. An example of an annual allotment for residential that was problematic is the Renewable Energy Growth program in Rhode Island. In previous program years there was a small number of MW allocated for residential systems. It was not a large enough figure to ensure the program was continuously open so it led to a cycle of the program being open for 6 months and then closed for the next 6 months. Because that cycle is not conducive for residential solar companies, the majority of companies participating had to be based in Connecticut or Massachusetts so that they could have year-round work. They were unable to staff up offices in the state because of the boom-bust cycle.

10. Should the historical breakdown of actual MW installations serve as the basis for future targets?

We recommend having a carve-out for small projects with shorter development cycles such as residential and small commercial, and that the rest of the program size should be accessible to all segments. Given the inability to forecast how each market segment's development will grow or contract in the coming years, making specific MW targets now could end up causing issues for the program down the line and lead to the state missing deploying enough solar to hit the Governor's goals.

11. How should the Board administer these MW targets? Should projects be allowed to participate on a first-come, first-served basis?

We support SEIA's answer on this question.

12. What measure should the Board implement to prevent "queue sitting"? Please include in your response a discussion of a) maturity requirements, b) filing fees, and c) alternative suggestions.

We support SEIA's answer to this question.

13. Should excess annual capacity be reallocated if not used (e.g. if a project drops out of the pipeline)?

Yes, any capacity that is not actually used for an installed project should be reallocated to the program at the current block or incentive level if applicable. The goal should be to hit the programs target MW for installed projects, not just applications.

14. Should projects located in municipal utilities that do not pay into the RPS be eligible to receive Successor Program incentives?

Municipal utilities should not be included in the program if those customers are not paying into the RPS.

We appreciate the opportunity to provide comments and look forward to further workshops and additional opportunities for feedback as this program is developed. If there are any questions or clarifications regarding items above, please feel free to reach out.

Sincerely,

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