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Ms. Aida Camacho-Welch
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New Jersey Board of Public Utilities
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Re: Solar Successor Program

The enclosed comments are submitted on behalf of the undersigned in response to the **Docket Nos. QO19010068 and QO20020184 – In the Matter of a Solar Successor Incentive Program Pursuant to P.L. 2018, C.17**. We appreciate the opportunity to weigh in on this important conversation and hope you will consider our recommendations below in response to the questions posed by BPU in the Notice.

If you have any questions, please contact Pari Kasotia, Mid-Atlantic Director, Vote Solar at pari@votesolar.org.

Signed by,

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Questions:

Topic 1: Successor Incentive Program Design

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

We support a tariff-based incentive and performance-based incentive with preference for the latter. These approaches also provide market certainty to the solar industry and can be more easily structured to incentivize policy-preferred or underserved market segments, such as low-income customers and projects serving or controlled by environmental justice communities. These incentive approaches are easy to implement with lower administrative burden.

Market based incentives add significant risk to the customers and solar providers due to variable and fluctuating values. In order for this model to work, SREC prices have to be really high since the future value of SRECs is unpredictable, and therefore heavily discounted. The introduction of price risk can result in greater cost to ratepayers and higher risk to solar providers while not adding a great deal of value.

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

As stated above, tariff based incentives and performance-based incentives, whilst likely to have lower incentive than the market-based incentive, value will go entirely to the solar owner since they won't need any services from third-party brokers, and will create more market certainty. A market-based incentive will necessitate the use of third party brokers, they will charge solar owners a premium to buy and sell SRECs which reduces the overall incentive solar owners receive.

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, differentiated incentive structures as proposed in the Transition Incentive Program is a good approach because it recognizes the underlying costs and specific financial barriers for each subcategory. We recommend that BPU create additional categories that would help meet several public policy objectives especially increased solar access for low-income, and underserved and underutilized areas etc.

We have in the past¹ recommended higher incentives for projects that serve low-income households or are located in environmental justice communities. From EY2005 through EY

¹ Vote Solar and coalition partners comments submitted under the Transition Incentive Program, Energy Master Plan, and Clean Energy Program Funding budgets.

2018, New Jersey ratepayers have contributed over \$2.7B to New Jersey's SREC1 program². Of that, approximately 35% of New Jersey ratepayers are low-to-moderate income. These customers have contributed to the SREC program through the rate base, generally representing a proportionally higher percentage of their income or "energy burden". However, these ratepayers have largely not benefited from the suite of financial, economic and environmental benefits the SREC program provides. This is due to the fact that the SREC program has not been structured appropriately to address barriers faced by these communities and support their participation, at scale.

In particular, we would like to see higher incentives for rooftop and community solar projects serving low-income residential customers, low-income service organizations such as non-profits and affordable housing facilities projects sited in and controlled by environmental justice communities, brownfields, parking lots, and landfills, parking canopies, and community solar projects with a large number of small subscribers (e.g. over 51% residential and small commercial). Moreover, incentive structures should differentiate between low-income residential and low-income service organizations, offering higher incentives to the low-income residential sector because this customer segment faces the highest financial barriers to participation.

Massachusetts (MA) and Illinois (IL) both provide examples of how these incentives could be structured. For example, under MA's SREC II program, the state developed factors for SRECs generated by different market subsectors such as low-income and affordable housing. Similarly, the IL Power Agency set REC prices at a premium for low-income community solar projects vs. non LI projects, in some cases exceeding 30%.

When structuring incentives for low-to-moderate income customers, it is important to consider the following:

- LMI customers are less able to access or qualify for financing and the costs of structuring financing serving these customers creates higher transaction costs.
- Marketing and acquiring LMI customers is generally a higher cost, at least 25% or more than non-low-income.
- LMI customers generally need to experience a higher savings to motivate their participation, often at least 50% cost savings on their total electricity bill. Savings thresholds for affordable housing providers may be lower. Robust consumer protection should be included to ensure savings and overall benefit for LMI customers is maximized.
- An approved vendor process should be included to be eligible to access LMI incentive factors, which can also be managed by a low-income program administrator as in states like Illinois, California and Oregon.

² Total cost to ratepayers from EY2005 to EY 2018 for SREC and SACP (Solar Alternatives Compliance Payments). See New Jersey Board of Public Utilities RPS Compliance Reports, 'RPS Report Summary 2005-2018'. Available here: <http://njcleanenergy.com/files/file/rps/EY18/RPS%20Comp%20EY%202005-2018.pdf>

We also support higher incentives for projects that are located in brownfields and gray fields, landfills, parking canopies, and warehouse roofs.

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 recommend that the initial incentive values should be set via administrative modeling with robust input from low-income and environmental justice advocates, with options to revisit and update periodically. Competitive solicitations can add additional complexity, results may not be representative of all project costs, and may eliminate transparency. The administrative modeling process that was used for the TREC worked well as everyone received the same information at the same time and had the opportunity to provide input.

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

No response

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

Either can be appropriate as long as the incentive is set at an adequate level.

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.

No response

Topic 2: MW targets / Program Capacity

8. What MW target project categories should be established?

To meet the requirements laid out in the Energy Master Plan (EMP) of 12 GW of solar by 2030, New Jersey will need to deploy approximately 882 MW of solar per year from 2020-2030. According to SEIA, New Jersey currently has 3,180.74 MW of solar installed³, which means that an additional 8,819.26 MW will need to be installed by 2030 in order to meet the requirements of the EMP. Based on 2019 SEIA data, NJ installed approximately 75 MW utility-scale solar, 225 MW non-residential solar, and 125 MW residential solar, for a total of little under 425 MW. Each of these categories will need to more than double to help us reach the EMP targets. We recommend that BPU create a framework that allows all types of solar projects such as residential, community solar, grid scale etc. to be built. This will enable New Jersey to create

³ New Jersey Solar, available at: <https://www.seia.org/state-solar-policy/new-jersey-solar>

multiple sets of benefits such as job creation, economic development, community revitalization. If BPU decides to have MW caps for each category, that should be guided by what is feasible given the land and space constraints, and what is needed to meet the EMP.

As proposed by SEIA, we support the creation of interim goals such as 6 GW of solar by 2025 but we also encourage BPU to create yearly goals and separate goals to increase access for low-income households by 2030. In our Equitable and Resilient Solar + Storage Policy Roadmap⁴, we are advocating for 35% of NJ's low-income population to have solar access by 2030.

In addition to the categories proposed for residential, non-residential, and grid scale, we recommend including separate categories for residential low-income and non-residential low-income service provider / affordable housing buildings (which are generally larger installations and for master-metered properties, non-residential rate classes). This will ensure that these underserved market segments are clearly included in MW targets and that incentives are appropriately structured to address specific barriers faced by these market segments.

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.

We recommend including a carve out for MW capacity targets for low-income residential customers and low-income service providers. This carve out can be developed with input from low-income and environmental justice advocates and community-based organizations. The low-income carve out should allocate capacity generally in proportion to low-income customer representation within the rate base. For example, because 35% of New Jersey ratepayers are low-to-moderate income, it is appropriate that 35% of the residential capacity be carved out for low-income residential customers. A similar target should be carved out for low-income service providers and affordable housing buildings, based also on representation within the rate base. Market data from Vote Solar and GTM Research has broken down detailed information on solar access for New Jersey's low-income residential customer and housing segment which can inform this capacity target⁵. Additional input can be provided from New Jersey's nonprofit and community based organizations.

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

It can be used for reference but it should not be used as the only guide for several reasons. One, the community solar pilot program did not exist in the past so MW installations may increase this year onward due to the creation of the new program. Second, as the Investment Tax Credit (ITC) is phased down over time, that may impact the actual implementations of

⁴ Equitable and Resilient Solar + Storage Policy Roadmap located at Njshines.org

⁵ See the Vision for US Community Solar, GTM Research, slide 137 of Full Report. Accessible here: <https://votesolar.org/policy/policy-guides/shared-renewables-policy/csvisionstudy/>

projects and the timeframe they are implemented. Similarly, other policy factors can influence the deployment of solar targets, especially creating access for traditionally underserved market segments, including low-income customers, who face a unique set of financial barriers. Therefore, a well-thought out modeling process should be utilized that most accurately assumes the future projections and policy and financial scenarios.

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

While we support a first-come, first-served approach for many project types, we also recommend that BPU set aside some share for projects that are community-driven and serve low-income households, potentially administered by a third-party administrator. With the introduction of the community solar pilot program, community-based organizations are just starting to get a handle of how community solar projects will work. There is tremendous interest but a huge learning curve. Creating a set-aside each year can encourage community-based organizations and new market entrants to develop projects that meet the local needs. Similarly, low-income customers face unique barriers to participation, especially financial, and a separate MW target with a third party administrator is generally the best approach to effectively serving this customer segment.

We also encourage BPU to deploy technical resources for community-based organizations to participate in the solar market.

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.

No comments

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

BPU should first review and solicit additional stakeholder input to ensure that the category is appropriately structured, before reallocating any capacity.

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

No, we do not support projects located in municipal utilities that do not pay into the RPS to be eligible to receive successor program incentives. Nonetheless, municipal utilities should be afforded the opportunity to opt-in to the RPS, and therefore enable their customers to be eligible for the Successor Program incentives. Likewise, we do support alternative funding sources and programs to offer SRECs through municipal and cooperative utilities, especially to ensure access to low-income and underserved market segments.

15. How can the State most efficiently progress towards the goals set in the Energy Master Plan, while balancing ratepayer costs for solar development in- and out-of-state?

New Jersey can progress towards the goals set in the Energy Master Plan while balancing ratepayer costs for solar development through a clear, appropriately structured SREC successor program that ensures all New Jerseyans benefit through solar access and job creation. New Jersey must ensure that equity and inclusion are core components of both the SREC successor and Energy Master Plan, so that underserved market segments can benefit and participate, which will create the most efficient and successful path forward to meeting goals.

We strongly believe solar projects receiving incentives should be located in-state so that New Jersey ratepayers receive full suite of benefits such as job creation, local economic development, tax revenue which will otherwise not occur in New Jersey. Also, the Integrated Energy Planning (IEP) findings demonstrate that majority of the state's solar requirement can be met with in-state solar.

Topic 3: Grid Supply Solar

In the Legacy SREC program, grid supply project could be eligible for SRECs if they met the requirements defined at N.J.A.C. 14:8-2.4. These projects are known as subsection (t) and subsection (r) projects.

Questions:

16. Should the Board maintain the current subsection (t) and subsection (r) processes for determining incentive eligibility for grid supply projects?

If yes, what conditions should be maintained?

If no, how should the Board treat grid supply projects?

No comments

17. Should the Board set a dedicated incentive value for grid supply projects? If yes, how can the Board best determine the appropriate incentive value (i.e. incentive gap modeling vs. bid process)?

No comments

18. Should the Board establish a maximum system size to be eligible for a Successor Incentive? If not, how should economies of scale and the lower incentive gap be accounted for solar electric generation facilities over 20 MW?

No comments

19. What is the best means to motivate investment in rooftop grid supply solar facilities where insufficient electricity loads preclude net metering and the wholesale value of electricity generated increases the incentive gap relative to rooftop net metered projects?

We agree offering a higher incentive for rooftop grid supply and community solar projects where insufficient electric loads occur will motivate investments in this category.

Topic 4: Solar Siting

The 2019 Energy Master Plan states that, “in order to enhance smart siting of solar, the state should better define areas that are considered marginalized, such that they have constrained economic or social value.” This includes a commitment that “NJDEP and NJBPU will coordinate land use policy for solar siting with the New Jersey Department of Agriculture to identify sites that could be used to expand New Jersey’s commitment to renewable energy while still protecting the state’s farmland and open spaces.” (EMP Goal 2.1.8)

Questions:

20. How should the Successor Program incentive structure be designed to address the state policy preference for solar located on rooftops, landfills and brownfields versus open space and farmland?

As we noted earlier, increased incentives for projects that are sited on rooftops, landfills, canopies, and brownfields will encourage developers to implement projects on these sites.

21. What land use restrictions and limitations should apply to the Successor program incentive to reflect the siting of solar projects in New Jersey? Please include a specific discussion of solar on farmland and open space, consistent with all applicable New Jersey statutes and regulations.

If feasible, we do not support repurposing open spaces and farmlands exclusively for solar. However, we support the co-colocation of solar with agricultural operations. For example, we have seen various successful projects across the country that host solar PV with pollinator-friendly vegetation and/or grazing. This not only enables deployment of solar, it also helps preserve soil quality thereby elongating the life of the farmland.

22. Aside from the various types of net metered projects and grandfathering a defined set of projects on farmland, the Solar Act of 2012 limited eligibility for SRECs to solar electric generation facilities which demonstrated no adverse impact on open space or those located on properly closed sanitary landfills and brownfields as defined in the Spill Compensation and Control Act. Should the criteria for Successor Program incentives retain these limitations as contained in the statute or be refined to broaden eligibility beyond the footprint of a landfill cap or limits of the brownfield site?

Yes, we support the limitation but we recommend BPU adopt the siting of solar on farmlands that retain agricultural product functionality.