

# Comments on the Solar Successor Program on behalf of the New Jersey School Boards Association

March 20, 2020

## Introduction

The New Jersey School Boards Association (NJSBA) appreciates the opportunity to provide these comments in relation to the notice on the Solar Successor Program that was released on February 28, 2020.

Public schools are a key sector for solar energy development. NJSBA is statutorily mandated to represent all of New Jersey's public school districts. Public schools have already developed over 600 solar energy projects.

Solar projects at schools are important for a number of reasons: they reduce school budgets, help stabilize property taxes, create savings for other educational initiatives, become part of the educational curriculum and demonstrate the benefits of solar energy to the community at large. The BPU must create a stable investment climate so schools can continue to reap the benefits of solar for the greater good of their districts and surrounding communities.

Our goal is to work with the BPU to assure that the BPU recognizes and protects the significant commitments made by our school districts, as well as to work to develop a Successor Incentive Program that allows for continuing opportunities to develop solar projects that can reduce public costs, while protecting ratepayers.

## Recommended Approach to the Successor Program

- 1) Differentiate Between Small and Large Solar Projects:** The BPU should recognize that smaller commercial projects are not the same as large ones. Small projects should not be asked to enter into a competitive solicitation to sell its Successor SRECs (hereinafter called "SREC2"). Instead, the approach used for TRECs (a set fixed price paid over a fifteen-year period through an administrator engaged by the EDCs) should be repriced and used in the Successor Program.

Making smaller projects jump through the hoops of a competitive solicitation process increases transaction costs as a percentage of total project costs, and will hurt project development and impose costs on ratepayers. Of particular note, requiring a competitive bid process for determining the SREC2 incentive is especially difficult for public sector projects that must be bid. Specifically, if BPU were to require an auction or other SREC2 bid process, it creates a severe "chicken and egg" development problem: when conducting its own procurement project to designate a solar developer, which solar developer does a school district award the solar project to if the district doesn't know final pricing until after

they compete in a BPU SREC auction; and at the same time, how does a developer bid in a BPU SREC2 auction until it is selected by the school district? An auction process will make it very difficult for a public entity to develop a project.

Based on the above considerations, smaller projects should not be required to competitively propose its SREC2 prices and go through an “auction” process.

Instead the BPU should set a SREC2 structure similar to the TREC design for smaller projects, under 5 MW. BPU would fix the SREC2 price administratively based on analysis; and projects would then be developed under the multiplier system. To protect ratepayers the SREC2 values should be reset every three years to track costs and markets.

- 2) **Larger Projects:** The BPU should have a competitive process for SREC2 for projects greater than 5 MW (while recognizing the need for differentiated pricing for projects on preferred site categories). As part of this process, there should be appropriate land use considerations and restrictions in place including no farmland development, preference for siting on landfill, brownfield, and other preferred site categories, and an emphasis on community solar projects.

To simplify program administration for large projects, auction results in the first year would also set the price for the following two years. After the first year, projects would be approved on a first come, first served basis using an application queue similar to the current SRP applications.

- 3) **Use Energy Master Plan (EMP) Solar Goals to Set Solar Capacity Amounts While Protecting Ratepayers:** The Successor Program should account for the growth curve required to achieve New Jersey’s EMP solar goal of 17 GW installed by 2035. The growth path to meet this EMP requirement is shown below in Attachment 1 (*NJ Smooth Path to 17GW*), which shows a consistent increase to the solar construction pace of 5 MW/month each year will achieve this goal, i.e., 35 MW/month in 2020, 40 MW/month in 2021, 45 MW/month in 2022, etc.

Using these annual capacity guidelines, the BPU should set total capacity amounts for small projects over a three-year period, and large projects on an annual basis. These capacity limits will contribute to ratepayer protection, while ensuring a growth line to meet EMP solar goals. To further protect ratepayers, the SREC2 values should be reset every three years to track costs and markets using a collaborative stakeholder process.

- 4) **Ensure Reasonable and Non-Discriminatory Accounting of the Cost Cap:** The solar goal is a critical component to the Governor’s vision and mandate for a clean energy future in New Jersey. As the annual new solar construction requirements climb, it is important that the BPU stay under the cost cap required by the Clean Energy Act to protect ratepayers. However, it is equally important that the BPU carefully consider ALL of the costs and the

direct, electric ratepayer benefits in its cost cap calculations. Not including these benefits would be unfair and discriminatory against solar energy.

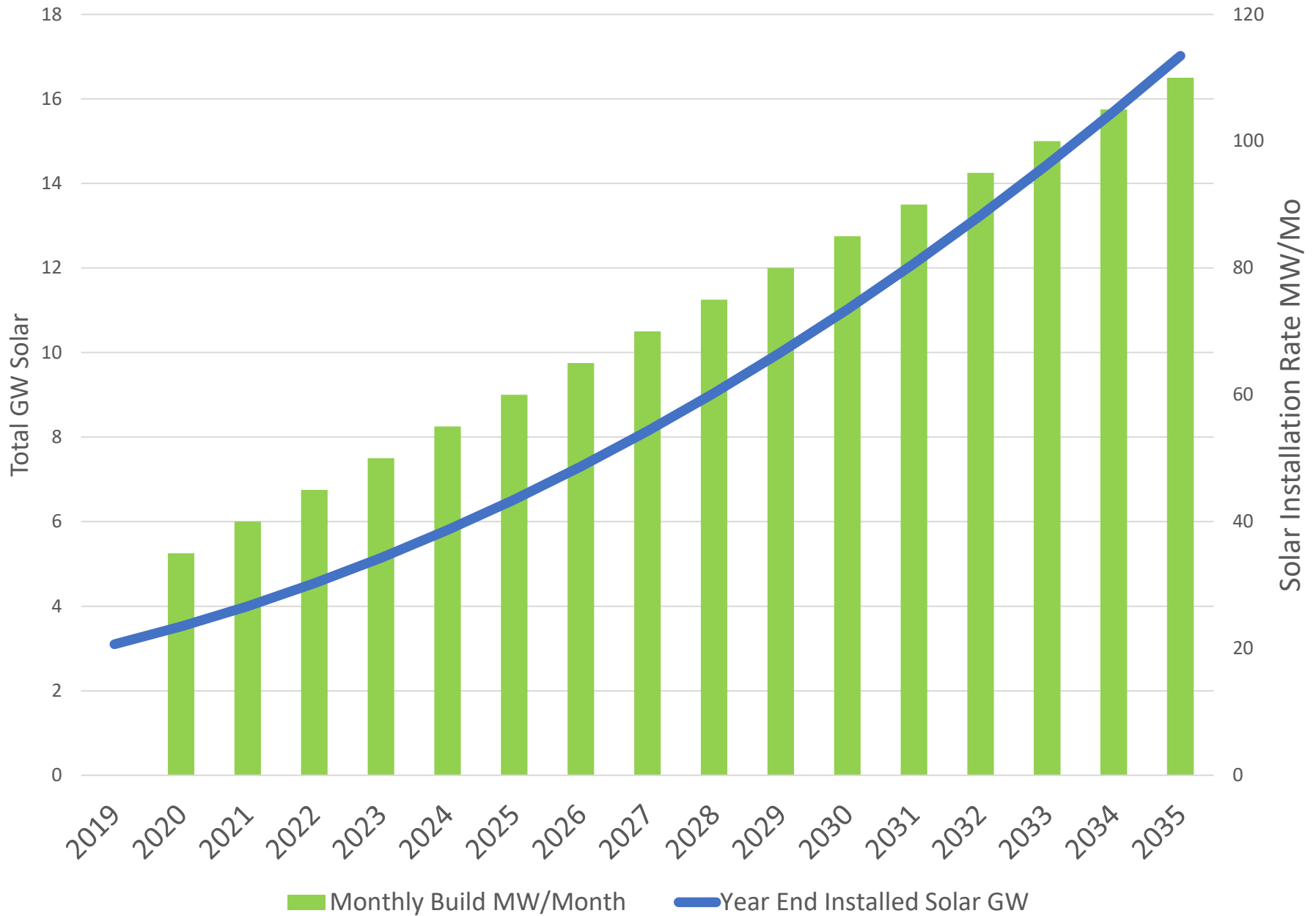
With respect to benefits, solar (and other in-state renewable generation) provides merit order benefits for both wholesale energy and capacity prices; these costs would be higher in the absence of solar generation and these benefits should be incorporated into the calculations. Behind the meter solar installations provide cost savings to those customers. Lastly, all renewable generation provides hedge value against the volatility of fossil fuel prices. These and other benefits must be taken into account in order to perform a full and fair cost cap calculation.

The denominator in the cost cap calculation should include ALL paid for electricity, inclusive of all supply, delivery, utility, third-party supplier, and RPS incentive charges. Further, all renewable PPA payments, behind the meter solar self-own costs, and electricity cogeneration costs should be included in these calculations.

The NJSBA provided detailed analysis in its comments on January 31, 2020 to the BPU that show a reasonably calculated cost cap.

We appreciate the opportunity to provide input into the design of the Solar Successor Program. The K-12 public schools in New Jersey have been an active participant in the development of the solar market in New Jersey. We want to ensure our robust participation will continue, bringing the many benefits of solar to our students and faculty, our community, taxpayers, and the State.

New Jersey's Smooth Path to 17GW of Solar PV by 2035



**New Jersey 17GW Solar by 2035**

**Gabel Associates**

3/20/2020

<b>Calendar Year</b>	<b>Year End Installed Solar GW</b>	<b>Monthly Build MW/Month</b>	<b>Annual Build MW/Year</b>
2019	3.1		
2020	3.5	35	420
2021	4.0	40	480
2022	4.5	45	540
2023	5.1	50	600
2024	5.8	55	660
2025	6.5	60	720
2026	7.3	65	780
2027	8.1	70	840
2028	9.0	75	900
2029	10.0	80	960
2030	11.0	85	1020
2031	12.1	90	1080
2032	13.2	95	1140
2033	14.4	100	1200
2034	15.7	105	1260
2035	17.0	110	1320