

**ROCKLAND ELECTRIC COMPANY'S
COMMENTS ON
SOLAR SUCCESSOR PROGRAM**

I. Introduction¹

In response to the New Jersey Board of Public Utilities' ("Board") February 28, 2020 Notice for Solar Successor Program Stakeholder Meeting 1, Rockland Electric Company ("RECO" or the "Company") submits these comments regarding the Board's Solar Successor Program. In the comments below RECO sets forth its recommendations and considerations for developing the Solar Successor Program. In doing so, RECO has focused on reducing costs for customers and remaining within the statutory cost cap,² using competition to generate market innovation while addressing solar market realities, supporting the State's clean energy goals with a focus on a technology neutral approach, and developing a program that provides transparency for all stakeholders and minimizes administrative costs. These principles largely mirror the parameters for the Board in establishing a successor program as delineated in the Clean Energy Act.³

II. Comments

a. The Board Should Develop the Solar Successor Program Using a Market-Based Approach

With regard to how the Solar Successor Program is designed, RECO continues to recommend that the Board adopt a market-based approach that gradually decreases the incentive provided, using a maximum incentive cap that continues to decline with solar costs and becomes more in line with Class I REC prices. Benefits of this approach include transparency in how the Solar Successor Program's prices are set, as well as administrative simplicity compared to a tariff- or performance-based approach. This approach is also consistent with language in the Clean Energy Act, which specifically directs the Board to establish market-based incentive caps and market-based cost recovery.⁴

In addition, for several years, the Board has recognized that in order to build a solar industry economically, the State's solar incentives needed to transition from rebates and other subsidies to a system that uses market-based incentives to encourage solar industry growth. In 2007, the Board conducted an extensive stakeholder proceeding to examine how to begin this transition. That extensive stakeholder process resulted in the Board's 2007 decision to incorporate solar market-based incentives in its solar programs rather than rely on rebates and other subsidies.⁵ A Solar Successor Program that returns to non-market incentives reverses several years of Board policy.

¹ In lieu of responding to each question set forth in the Notice, RECO provides these comments.

² See P.L. 2019 c. 448

³ Clean Energy Act P.L. 2018 c. 17 § 2, amending Section 38 of P.L.1999, c.23 (C.48:3-87)

⁴ Id.

⁵ Decision and Order, *In the Matter of the Renewable Energy Portfolio Standards — Alternative Compliance Payments and Solar Alternative Compliance Payments*, BPU Docket No. EO06100744 (December 6, 2007).

If the Board decides to use a tariff-based or performance-based approach, RECO recommends the Board incorporate elements of competition, as discussed below in Section II(c).

b. The Board Must Holistically Consider the Relationship Between the Solar Successor Program and Other Compensation for DERs

It is important that the Board holistically consider the relationship between the Solar Successor Program and other existing solar and distributed energy resources (“DER”) programs. Such consideration should focus in particular on compensation methodologies, so that the Solar Successor Program avoids double compensation for the same attributes (*e.g.*, environmental benefits), reduces costs to customers, and operates seamlessly with these existing solar and DER programs. Specifically, RECO recommends that the Board consider the impact of the Solar Successor Program on its evaluation of the appropriate compensation for DER and the proceeding in 2021 to establish revised rate design recommendations, as set forth in the State’s most recent Energy Master Plan (“EMP”).⁶ An evaluation of DER compensation would include revisiting the State’s net metering program and considering a transition away from net metering to a more equitable value-based rate design for these resources. Such a transition will facilitate meeting New Jersey’s clean energy goals while minimizing the cost shift to non-participating customers.

In addition, as RECO has stated in prior comments, it is critical the Board balance the achievement of clean energy goals with the resulting customer bill impacts. The State should look holistically at incentives and rate design for clean energy projects and take a balanced approach that encourages development while delivering customer benefits. Rate design that is technology neutral should value the benefits provided by clean energy assets while providing that participating customers pay for their use of the electricity system, thereby minimizing the cross-subsidization of those assets by non-participating customers. Incentives should be transparent in their implementation and reflect the declining costs resulting from the development of clean energy markets.

In addition, RECO offers clarifications to certain of the remarks provided at the initial stakeholder meeting convened on March 3, 2020. Specifically, a number of stakeholders referred to the New York Public Service Commission’s (“NYPSC”) ongoing Value of Distributed Energy Resources proceeding.⁷ RECO’s corporate parent, Orange and Rockland Utilities, Inc., is a New York electric and gas utility, and as such is familiar with the VDER Proceeding and related rate design issues. It is important to note that the VDER Proceeding was not instituted to replace a statewide solar renewable energy certificate (“SREC”) program.⁸ Rather, the NYPSC instituted the VDER Proceeding to facilitate the transition from the blunt tool of net metering to a more equitable form of rate design for eligible DER. The goal of this revised rate design is to reduce the cost shift to non-participating customers, more accurately capture the benefits of DER for all

⁶ EMP p. 187

⁷ Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources* (“VDER Proceeding”)

⁸ New York, while it has a State Renewable Portfolio Standards program, has never established a solar carve out, or SREC program.

customers, and support state policy objectives.⁹ The VDER rate design values the export of eligible DER based on a total value calculated from energy, capacity, environmental and locational values, together called the “value stack.”

Finally, as part of a holistic approach to developing DER compensation, the Board should consider the role of factorization and the revenues received by Community Solar sponsors/owners.

c. The Board Should Consider Program Design Measures for a Non-Market Based Approach Consistent with the Clean Energy Act and the EMP

While RECO recommends a market-based approach, if the Board pursues a Solar Successor Program that is not market-based, RECO recommends that the Board consider program design measures to lower costs for customers and avoid over-compensation of projects.

The Board should utilize a competitive solicitation to set the compensation rate,¹⁰ to provide transparency into how compensation is set, as well as to be consistent with the market-based cost recovery language in the Clean Energy Act.¹¹ Specifically, the Clean Energy Act requires that the maximum incentive payment caps be market-based for each of the designated categories of solar projects. The incentive price should also include a set ceiling price that decreases over time, consistent with language in the Clean Energy Act to continually reduce the cost of achieving solar energy goals.¹² A decreasing ceiling price will also encourage more cost-efficient products and services be developed over time. Development of these incentive payment caps must be coordinated with any MW target for the various categories of solar projects, all of which must remain within the Clean Energy Act’s cost cap for the State’s RPS program.¹³ Periodic review of both the incentive payment caps and the MW targets will be essential as the Cost Caps will fluctuate for increases due to electrification and decreases due to solar.

For the performance-based approach, tying the value of a Solar Successor Program to the environmental benefits and value produced by solar assets may ease the transition to a value-based compensation methodology as envisioned in the EMP.¹⁴ One of the possible value streams to be compensated under such a methodology may be for the environmental attributes produced by the solar assets. Defining the methodology of the environmental value in the Solar Successor Program will avoid compensating a solar asset twice for the same attribute, once via a Solar Successor incentive and a second time via a value-based compensation mechanism or rate.

Regardless of the program design, the energy produced by the solar assets participating in the Solar Successor Program should be used to satisfy the Renewable Portfolio Standard requirement

⁹VDER Proceeding, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters at 3,9, and 22 (March 9, 2017) (VDER Transition Order).

¹⁰ In the MA Smart Program the initial Base Compensation Rate is set by a competitive procurement among larger solar projects. See 225 CMR 20.00.

¹¹ Clean Energy Act, P. L.2018, c. 17, § 2

¹² Id.

¹³ Id.

¹⁴ EMP p. 187

so that the underlying solar projects are counted toward meeting the State's goal to achieve 50 percent Class I renewable energy by 2030. will assist in achieving the Clean Energy Act's cost cap for the State's RPS program.

d. Further Program Considerations

Any program developed should prioritize transparency and administrative simplicity. An overly complicated program can make it both difficult to administer the program and for developers to determine the compensation levels, application requirements, and so forth. Use of a central third-party for administration, application processing, verification, and reporting similar to the process being established under the TREC program will simplify the process for developers deploying projects throughout the State. The Board must also provide for cost recovery mechanisms for costs incurred in the administration of the Solar Successor program so that utilities have certainty upfront to support this program.

In addition, while RECO does not have a strong position on how the Board determines the percentage allocated to project type for the overall program, it does caution the Board in being too rigid with this allocation. For example, these allocations should not unintentionally limit more cost-effective or economical projects from moving forward and over incentivizing less-economical project types. While historical information might be indicative of development trends, the Board should revisit any pre-set allocations on a regular basis so that it can steer the State towards reaching its ultimate renewable energy goals. Further, any allocations should be established on a statewide basis; specific utility-territory allocations may hinder achievement of the State's goals given the unique service territory of each utility.

RECO notes that any rules and regulations developed to discourage queue sitting should be clearly defined, with strict timeframes and limited extensions, and must be easy to administer by the utility and be easily understood by all parties.¹⁵

In addition, the State should continue to explore avenues to lower the costs of project development, where possible. For example, property taxes or sales taxes could be reduced, as well as permitting fees and streamlining the permitting and siting processes. This in turn may lower the incentives needed for in-state assets, minimizing the impact on customer bills and encouraging deployment of in-state assets.

III. Conclusion

RECO appreciates the effort put forth by the Board to engage stakeholders in the Development of the Solar Successor Program. The Company continues to encourage the Board to prioritize continually decreasing costs to customers and holistically look at the incentives and rate design measures available to clean energy projects, while working toward achieving the State's Clean Energy Goals.

¹⁵ For example, timeframes for actions and payments should be added to NJAC §14:8-5.6(g) and (h) to keep the process moving and avoid projects sitting in the queue for an unlimited period of time.