



Convergent Energy + Power
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August 10, 2020

Ms. Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
ATTN: BPU Docket Number QX20030253
44 South Clinton Avenue
PO Box 350
Trenton, NJ 08625-0350

Re: Community Solar Energy Pilot Program Year 1 Comments

Dear Ms. Camacho-Welch,

Convergent Energy + Power appreciates the opportunity to provide comments in response to the Community Solar Pilot Program. We are grateful for the time and support of the Board and Board staff.

Over the past nine years, Convergent has invested in and operated over \$260 million of solar and energy storage assets across the United States and Canada. Convergent presently owns and operates 24 MWs of solar and energy storage projects in PJM and has numerous projects in development in the RTO. As a business based in New York City with many employees who are proud residents of New Jersey, we have long-standing partnerships with diverse local stakeholders and are eager to invest in the state.

New Jersey continues to be a leading advocate of the solar industry. Convergent applauds the Board of Public Utilities for issuing the Energy Master Plan, which lays out steps to attain the state's goal of 100% clean energy generation by 2050. The Community Solar Pilot Program was the first in the country to award 100% of its funds to projects serving low and moderate income ("LMI") customers during its first year of operation. Convergent is also pleased that the BPU will establish an Office of Clean Energy Equity to further serve LMI communities.

The following pages contain Convergent's comments to the Community Solar Pilot Program. We have selectively answered certain questions from the BPU's request for comments. We look forward to engaging in a dialogue over the coming year to assist the Board in refining New Jersey's solar and energy storage incentives and are grateful for the Board's efforts in continuing to advance the state's clean energy future.

Sincerely,

Derek Oosterman
Senior Vice President
Regulatory & Policy Affairs

Surina Diddi
Associate
Investment & Policy Analysis

CC: Johannes Rittershausen, Chief Executive Officer



Topic 1: Equity and the Inclusion of Low-and Moderate-Income Households

Question 6: What additional suggestions do you have to facilitate inclusion of LMI households?

Convergent’s philosophy on LMI household inclusion is generally that more permissive policies that represent the lowest reasonable burden to potential LMI subscribers is the correct approach. The moral hazard of unintentionally including a few subscribers that do not qualify as LMI is less significant than the hazard of excluding qualified households from participation through excessive bureaucracy or onerous qualification documentation.

Topic 2: Program Year 1 Application Form and Application Process

Question 13: Please provide feedback on Appendix C: Evaluation Criteria from the PY1 Application Form. In particular, please discuss:

b) Should the Board modify the evaluation criteria for PY2? For example, should the Board give more or less weight to certain evaluation criteria in PY2?

Convergent suggests that the Board apply a weighting factor to developer experience and financial resource. Given the limited capacity of the Program, the goal is to maximize the likelihood that awarded projects come to fruition and benefit the communities they aim to serve.

Topic 3: Program Year 2 Application Process

Question 14: The PY1 capacity was 75 MW (dc). Pursuant to N.J.A.C.14:8-9.4(b), the PY2 capacity must be at least 75 MW (dc), but could be more. Staff is considering recommending that the Board increase capacity in PY2 to 100 MW (dc), and to 125 MW (dc) for PY3, with the intention of soliciting annually for 150 MW (dc) in the permanent program. Please comment on this proposed plan.

Increase Program Size

Echoing others in the industry, Convergent advocates to expand the annual limits of the Pilot Program. The first year of the program was oversubscribed by over 500MW, indicating the depth of developer interest in Program participation. In light of this, a larger program size could be easily supported. There are hundreds of thousands of LMI residents in communities across the state that could benefit from community solar, driving environmental benefits for the state as a whole.

Increasing the program capacity will ensure there is adequate solar development to meet the BPU’s clean energy goals. Many projects accepted for the Pilot program may fail for a myriad of reasons. For example, these projects may be unable to attract and retain sufficient subscribers. Developers have struggled to retain subscribers from the LMI community across various states in the country. It is also challenging to predict interconnection costs prior to conducting interconnection studies in New Jersey due to a lack of sufficient data at the distribution level. After these studies are conducted, developers may learn that interconnection costs far exceed their initial expectations, making projects infeasible. Projects that are unable to reach fruition will leave behind unutilized program capacity, hindering the BPU’s program goals. We also urge the BPU to select a list of back-up projects to fulfill unutilized program capacity if possible.

Since Community Solar is also new to New Jersey, the vast majority of residents are unaware of it. A larger program size will increase the number of projects (and subscribers) across the state, in turn

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increasing overall awareness and interest in Community Solar. With greater awareness, it will become easier for developers to attract new subscribers from various communities. This will help ensure the success of the subsequent permanent Community Solar program.

Greater Incentives for Ground-Mount, Grid Supply Projects

Convergent understands that grid supply projects, with the exception of subsection (t) projects, are currently not accepted in the Community Solar program. Convergent suggests that the BPU permit ground-mount projects to be eligible to participate in the program.

Convergent supports Senate Bill, No. 2605, which was recently proposed in the State Legislature. It directs the BPU to facilitate greater utility-scale solar energy development, as ground-mount, grid supply projects provide numerous benefits. Due to their large scale, they will be instrumental in achieving New Jersey's ambitious clean energy goals. The Energy Master Plan makes clear that the state has primarily relied on out-of-state Renewable Energy Credits thus far to satisfy its Renewable Portfolio Standards. Grid supply projects represent a small fraction of the recent solar installations in New Jersey; while all solar installations are beneficial, only ground-mount projects have the opportunity in aggregate to provide the capacity and energy that New Jersey will need to achieve its goals. Ground-mount, grid supply projects can also create tens of thousands of well-paid, local, and often unionized jobs. They are able to provide transmission congestion relief and reduce the need for costly grid upgrades, especially if energy storage is incorporated into their design. Finally, they deliver significant tax revenue to local municipalities and the state at large.

Incentivize Development on More Diverse Land Types

Convergent further recommends incentivizing projects to be sited on a greater variety of land types, such as agricultural land. Massachusetts just exempted all its existing and in-process solar projects from the more restrictive land mandates of their updated SMART program due to the profound reduction in viable projects that the new restrictions would have caused. Similar to Massachusetts, New Jersey is a densely populated state with a scarcity of available land to fulfill the state's clean energy goals. By utilizing agricultural land that would otherwise sit fallow or be committed to an uneconomic crop, landowners can receive stable cash flows, leverage their assets, and be contractually assured that the land will be fully restored for agricultural use at the end of the solar project's life. The New Jersey Farm Bureau, the largest grassroots advocate for agriculture, comprising of over 9,000 farm families and agribusinesses in the state, has been a long-time supporter of solar development. Developing solar projects on farmland can also be easier from an engineering and construction perspective, as well as driving greater solar production, because of the typical topography of this land type.

Topic 4: Other

Question 18: Should the Board consider amending the Pilot Program rules to require that community solar subscriptions guarantee savings compared to the subscriber's electric bill without community solar, as an added consumer protection measure, particularly given that all awarded projects already committed to doing so in the PY1 applications?

Yes, guaranteed savings will incentivize greater subscriber participation. Since Community Solar is a nascent industry, many developers are new to the space. Guaranteed savings will require industry stakeholders to conduct greater analysis and modeling in advance, which will help ensure the Pilot program is successful in providing subscribers with affordable energy. While there are many non-monetary benefits to solar energy, LMI communities may be more attracted by the immediate financial benefits.

Question 19: Should the Board consider amending the construction timelines and extension policies at N.J.A.C.14:8-9.3(c)? If yes, how? Currently, applicants have 6 months to start construction, and 12 months to become fully operational, with an unlimited number of possible extensions (so long as projects can demonstrate continued progress). Excerpts of the relevant section of the rules are provided in Appendix 1 below.

Streamline Extensions

Investing in a nascent program such as the Community Solar Pilot Program or the TREC program is an exciting opportunity for firms such as ours that have deployed over \$75M of capital into similar projects in other markets. However, it has been our experience that the first year or two of these programs can be fraught with policy uncertainty and unforeseen delays, which can delay investment or in many cases erode project viability. Layer onto this the challenges brought on by Covid-19, and you have an environment that is challenging for even the most seasoned developers and investors.

In our opinion, the best way to address these challenges to program success is through sound policy that provides certainty to investors while still safeguarding the state's and ratepayers interest. We have listed some "best practices" below that we feel would enhance the ability of the private sector to invest in these programs.

- 1) Automatic extensions on COD if construction is delayed
- 2) Automatic extensions between programs: i.e. if an extension is granted for TREC then a matching extension should be granted for Community Solar deadlines and vice versa.
- 3) Extensions for LMI Subscribers: it is more difficult to reach and enlist LMI households in a Covid-19 environment
- 4) Enable "credit" banking for years one and two to address high subscriber churn and difficulty in subscribing in Covid-19 conditions.
- 5) Clear criteria for granting of extensions that enable a ten-day turnaround of an extension decision

Question 21: How is the Pilot Program impacted by the ongoing transition in solar incentives from the Transition Incentive Program to the Successor Program?

Greater Certainty about the Availability of TRECs or subsequent RECs

We understand the BPU staff is busy trying to develop these various programs. We understand that the Permanent Community Solar program is scheduled to be established by February 2022 and the BPU hopes to stick to this timeline. However, there is uncertainty, specifically regarding whether projects accepted in Years 2 and 3 of the Pilot program will be a part of the TREC program or the Successor Solar Program. The BPU is also working on establishing the scoring methodology for Years 2 and 3 of the program.

Convergent echoes what many in the industry have requested: to the extent possible, please provide as much clarity and advance notice as possible about these matters. Without some form of tax equity or debt financing, these projects are typically not viable, and the counterparties in these types of transactions are seeking greater certainty about program eligibility and projected revenues.

Question 22: A number of resources are available to prospective community solar applicants, including a Frequently Asked Questions page, EDC hosting capacity maps, and the Department of Environmental Protection Community Solar PV Siting Tool.



- a) What other resources do you believe the Board should provide to facilitate community solar development in New Jersey?

Better Hosting Capacity Maps

Convergent supports the Coalition for Community Solar Access’s recommendations to improve the hosting capacity map. We support forming an interconnection working group with key industry stakeholders as a means to get better data at the distribution level.

Create Consolidated Billing

Convergent would also appreciate it if the BPU could establish consolidated billing. We thank the BPU for its on ongoing release of policy documents and the provision of extensive data, such as subscriber bills. However, it is still challenging to calculate the ultimate savings for different subscriber types. Due to a lack of consolidated billing, subscribers typically receive two bills – one from their utility and one from their community solar provider. LMI subscribers may also apply for various state-sponsored and private bill relief programs, which have separate billing and crediting processes. Consolidated billing would also lower administrative costs for developers, in turn enabling them to pass on greater savings to subscribers. The convenience of paying only one bill will also be attractive to subscribers.

Question 23: How can Staff otherwise support community solar developers and subscribers to ensure success?

Help Direct Green Bank funds to Community Solar

Convergent is excited to learn that state leaders recently established a state Green Bank. We would appreciate it if the BPU could work with state leaders to ensure that these funds are readily available for community solar projects. Traditional lenders are somewhat weary of this nascent industry, so greater access to financing is critical.

Question 24: Please provide comments on issues associated with the Pilot Program not specifically addressed in the questions above.

Incentivize Solar + Storage

Convergent would appreciate it if the BPU introduced incentives for Solar + Storage. We recognize the timeline for the Community Solar Pilot program is relatively short, so if these improvements cannot be incorporated at the moment, we would recommend applying them to the Permanent Solar program. The Clean Energy Equity Bill, which was recently introduced in the New Jersey State Legislature, also advocates to include a 400 MW energy storage target along with community solar projects.

In our experience, some simple policy changes to support energy storage include:

- 1) Provide Time-of-Use (TOU) credit and TREC pricing: technologically agnostic way of incentivizing energy delivery when it is most needed;
- 2) Upfront storage incentive;
- 3) Solar and storage incentives for equitable siting or environmental equity programs.

Energy Storage projects can help reduce system peak demand and meet New Jersey’s Global Warming Response Act goal to reduce state greenhouse gas emissions 80% below 2006 levels by 2050. The New Jersey Energy Storage Analysis (“ESA”) Report by Rutgers University, which was commissioned by the State Legislature, projects the state’s peak demand to increase significantly over time. Accelerated

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adoption of clean energy and electric vehicles as well as greater electrification of manufacturing will put increasing pressure on the electric grid.

Peak demand has historically been met by natural gas peaker plants. Reducing New Jersey's reliance on natural gas is critical to achieve its 100% carbon neutral goal. Roughly 20% of the state's net greenhouse gas emissions are attributed to natural gas. These plants also contribute strongly to local air pollution.

Energy storage projects will not only help the state meet its greenhouse gas emissions goal, but also help reduce System Load. Energy Storage systems have zero on-site greenhouse gas emissions. They typically charge during off-peak times using clean energy and discharge during peak times, thus replacing fossil fuel generation. In turn, they can defer or eliminate the need to construct new gas peaker plants or result in retiring existing thermal generation facilities. Massachusetts has established a "Clean Peak Standard" for this purpose, with energy storage incentives at its core.