New Jersey Solar Transition
Successor Program Capstone Report Staff Request for Comments
Docket No. QO20020184

Comments of Rockland Electric Company

Rockland Electric Company ("RECO" or the "Company") submits these comments in response to the New Jersey Board of Public Utilities' ("Board") Request for Comments on the Successor Program Capstone Report ("Capstone Report"), dated August 21, 2020 in the above-referenced docket. RECO appreciates the Board's continued effort to engage stakeholders in the development of the Successor Program and the substantial work undertaken by the Board and its consultants. In the comments below RECO continues to voice its support for a Successor Program that promotes the cost-effective deployment of solar resources in New Jersey and maintains flexibility to reflect improving technology and business models. Further, RECO continues to advocate that the Board holistically review State incentives developed to meet the goals of the Clean Energy Act of 2018, with an eye toward clear market incentives that reduce overall costs to customers while meeting State goals.

As the Company has stated in prior comments, regardless of the incentive structure implemented the total incentives available for Class I technologies must fall within the cost cap established in the Clean Energy Act for the State's RPS program.[1] Related to that point, and as prioritized in the Capstone Report, the Board must develop an incentive that cost effectively supports a robust solar market in the State, with an eye toward minimizing the bill impacts to all (particularly non-participating) customers. The Capstone Report specifically prioritizes maximizing cost-effectiveness and minimizing ratepayer impacts and/or maximizing ratepayer net benefits.[2]

RECO recommends that a market-based approach be implemented for all projects under the Successor Program. If a fixed incentive program is implemented, frequent review and updates will be required. The Successor Program should be established to minimize customer bill impacts and be used as an opportunity to phase out costly and market-distorting net metering incentives. The Company also addresses some of the Capstone Report's Successor Program Recommendations below.

Capstone Report Recommendation: Maintain flexibility and implement a Fixed Incentive program as a first stage, with potential to evolve towards a more Total Compensation paradigm

The Company agrees and recommends a market-based program to promote flexibility. A market-based program can respond to market and other external signals without requiring significant, ongoing administrative review. Pay as bid auctions encourage developers to base their bids on their cost structures and can result in lower customer costs. The Capstone Report notes that the disadvantages of a market-based approach include the risk of market volatility in cases of shortages and risk premiums built into financing that may increase costs. [3] Transparency and market-sustainability can reduce the premiums that investors demand, and clear price signals and market-based approaches can sustainably foster New Jersey's solar ecosystem. For example, the Board should avoid over-segmenting the market that might result in smaller market pools and less competitively bid prices.

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[1] P.L. 2018, Chapter 17 as amended by S-4275 (2019).
[2] New Jersey Solar Transition Draft Capstone Report, Successor Program Review at p.4 Table 7 (August 11, 2020) ("Capstone Report").
[3] Capstone Report, p. 23

Flexibility is key to developing a program that meets the requirements of the Clean Energy Act's cost cap. Any solar incentive program must be viewed as part of a holistic approach to meeting the State's renewable energy goals while maintaining a robust approach toward all clean technologies. The Capstone Report recognizes the impact of the cost cap on all clean energy programs, including the Successor Program. Minimizing customer bill impacts is critical to establishing an environment that encourages and supports deployment of renewable energy at costs that are manageable by all customers. Even though the cost cap proceeding is separate, the outcomes of these two proceedings must be viewed holistically.

While the Capstone Report has flexibility as its first recommendation, it also recommends a Fixed Incentive, especially during the beginning of the program. If a Fixed Incentive is provided, the Company agrees with the Capstone Report that frequent updates, monitoring and administration are necessary to achieve appropriate price level.[4] A fixed price would only represent a snapshot of conditions at the time it is established. Monitoring and updates should include wholesale market conditions, costs of building the projects, and the current compensation model for solar generation to incorporate aspects of market responsiveness[5] and produce a result that could more effectively minimize customer bill impacts.[6]

At a minimum, if the Board does adopt a fixed incentive as an interim solution, the Company recommends there be a competitive component to the establishment of this incentive, such as the proposal to have a competitive solicitation among a specific subset of projects that would set the baseline for a fixed incentive for the remainder of solar projects.[7] Because competitive markets produce more savings for customers and function better with more participants, the competitive portion of a competitive/fixed hybrid program should prioritize having a larger market for the competitive market versus the fixed incentive portion of projects. This solicitation can then inform the cap for administratively set incentives at a level that provides for solar development. In addition, if a fixed price option is chosen, it must decrease each year to reflect the decreasing costs of solar technology.

Finally, the Company cautions against delivering the incentives through project specific contracts with the EDCs. This mechanism should be reviewed through a broader analysis of replacement of the net metering compensation structure.

Capstone Report Recommendation: Maintain robust estimates of project economics.

The Company agrees that regulators must understand project economics, and that knowledge can facilitate customer savings and the achievement of state goals. RECO supports the Board's efforts to explore the most efficient and effective ways for it to maintain insight into project economics and market trends to inform adjustments or any measures imposed. This may also provide the Board insight into continuing market potential of various types of solar development and inform where the Board may want to best allocate incentives.

Capstone Report Recommendation: Differentiate between project types

As stated earlier, the Company recommends that the Board adopt a market-based approach for the successor program or, at a minimum, include a competitive solicitation as part of a Fixed Incentive program. With either approach, the Company encourages competitive solicitation with as little differentiation among projects as possible. This increases the bid pool and encourages the most economic

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[4] Ibid, p. 36
[5] The TREC program is limited in duration so that market responsiveness concerns are lessened.
[6] Capstone Report at 20.
[7] Id.

projects. To achieve certain policy objectives, such as prioritization of specific locations, the Board can explore the use of adders. However, it will want to review and verify that such incentives are promoting economic and viable projects. Further, the Board can continue the practice of factorization as part of a Fixed Incentive, to recognize certain projects' revenue streams result in the project being financially viable without the full incentive amount.

Capstone Report Recommendation: Differentiate between utility territories

The Capstone Report contemplates differentiating by utility service territory to reflect varying energy costs (higher energy costs requiring lower incentives and vice versa)..

The Capstone report cites to the New York program that differentiates between utility service territories. The New York compensation mechanism for solar projects provides for some variation among the utilities, which if considered in New Jersey should be part of a broader analysis of the replacement for net metering and the total compensation paid to solar projects. In addition, there can be other tools used to inform the solar market on interconnection costs, solar penetration, and electric system needs (*i.e*., areas of constraints). Hosting capacity maps are already an available tool that can inform the market where to pursue development.

Capstone Report Recommendation: Consider treating DO systems differently.

As discussed above, the Company cautions against over-segmenting the market for a market-based approach. In particular, it can increase complexity for developers and reduce competitiveness by dividing the market. The Company does note, however, that if the Board pursues a Fixed Incentive approach, such incentive should include a competitive element. It may make sense, after further evaluation, that these smaller systems receive a fixed incentive informed by the competitive process.[8]

Capstone Report Recommendation: Coordinate with related programs

The Capstone Report recommends coordination with related programs, including utility programs and operations, net metering, other clean energy programs and goals, and energy storage. The Company supports this review of the Successor Program in the context of the overall clean energy picture for the State.

The level of solar penetration in areas of the grid should be considered so that a program is sending the appropriate signals to developers. The utilities already provide insight into those locations that may be more economical or efficient to interconnect through their publicly available hosting capacity maps. Further, utilities can provide insight into areas of their distribution system where the resource could provide more system value than others.

Another area that requires coordination and review with the development of a Successor Program is net metering. The Capstone Report notes that the CEA's net metering milestone may be reached in just a few years.[9] In anticipation of this, the Company recommends the Board review net-metering, in light of increasing clean energy targets and the need to achieve these targets cost-effectively. Specifically, the Company recommends the Board explore replacement of net-metering with an incentive that more accurately values the costs and benefits of increased solar on the grid, potentially working toward the total

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[8] Capstone Report at 20.
[9] P.L. 2018, Chapter 17 §2

compensation mechanism discussed in the Capstone Report in a timely manner. This will provide all participants with adequate notification of such a change.

In addition, the Successor Program will need to be responsive to changes as other clean energy programs and policy goals are developed. The State will want to prioritize and develop programs to support the most economic and beneficial renewable technologies. Further, the Board will want to coordinate programs and policies to avoid double counting of benefits provided by a resource. Further, the State will need to view its programs to work toward the goal of prioritizing deployment of clean energy for low- and moderate-income communities and must work so that there is a strong, coordinated approach to drive investment and provide associated benefits. The Board should consider the Energy Master Plan policy for a technology-neutral approach and not allocate all the space under the cost cap to a solar program (either Legacy SREC, TREC, or Successor Solar) so that funds for incentives for any other Class I technology are unavailable.

The Capstone Report also highlights the potential for energy storage as both a viable standalone resource but also as a complement to solar. The Company recommends that future incentives remain technology neutral and recognize the value provided by such resources to the grid.

Finally, working groups with clearly defined objectives can provide insight to the solar market and identify emerging issues that can be addressed prior to causing substantial disruption to market development. The Company's affiliate, Orange and Rockland Utilities, Inc., has had positive experiences with interconnection policy and technical working groups in New York. A similarly focused working group could prove beneficial in New Jersey in assisting the achievement of its clean energy goals.

Conclusion

The Company appreciates the opportunity to comment on the Capstone Report. The Capstone Report recommendations for establishing a flexible market that maximizes savings for customers are goals RECO shares. The Company recommends the adoption of market-based solutions because they can best aid in meeting the State's goals, while minimizing costs to customers.