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VIA ELECTRONIC MAIL ONLY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 S. Clinton Ave.
Trenton, NJ 08625
Board.secretary@bpu.nj.gov

Re: Jersey Central Power & Light's Comments on the Solar Successor Program Straw Proposal

BPU Docket No. QO20020184

Dear Secretary Camacho-Welch:

On April 7, 2021, the Staff of the New Jersey Board of Public Utilities ("Board" or "BPU") issued a straw proposal setting forth its proposed approach for New Jersey's solar successor program (the "Straw Proposal"). The Straw Proposal was subsequently updated by a Staff Memorandum issued on May 7, 2021 in order to reflect Staff's subsequent thoughts regarding certain specific items. Please accept this letter as Jersey Central Power & Light Company's ("JCP&L" or "Company") comments on the Straw Proposal, the Staff Memorandum, and stakeholder feedback that has been provided to date.

As an initial matter, JCP&L supports the Board's efforts to develop a solar successor program that strives to meet the dual objectives of the New Jersey Clean Energy Act of 2018 ("CEA")[1]. While the CEA certainly recognizes the importance of solar generation development through its adoption of aggressive renewable portfolio standards, it also recognizes that the continued subsidization of solar resources comes at a substantial cost to New Jersey ratepayers. To balance these interests, the CEA imposes a cap on the costs of the solar successor program and provides the Board with authority to take the steps necessary to ensure that the costs of the program do not exceed the cap. As many stakeholders have pointed out, including advocacy groups representing environmental interests, it is important that the costs of the program stay within this cap in order to support the State's holistic approach to meeting its environmental goals. JCP&L commends the Board's efforts in the Straw Proposal to control costs to New Jersey ratepayers and comply with the requirements of the CEA.

[1] *See* N.J.S.A. 48:3-87, *et seq.*

I. The CEA contemplates the potential for utility ownership of Community Solar projects.

The Straw Proposal should be amended to address the potential for utility ownership of Community Solar projects. The CEA provides that "[n]o later than 36 months after adoption of the rules and regulations required [for the Pilot Program], the board shall adopt rules and regulations . . . to convert the Community Solar Energy Pilot Program to a permanent program. The board shall adopt rules and regulations for the permanent program that set forth standards for projects owned by electric public utilities, special purpose entities, and nonprofit entities." N.J.S.A. 48:3-87.11(f). As the Straw Proposal is Staff's proposed methodology (which will, presumably, be codified into regulations at some point) for the conversion of the Pilot Program to a permanent program, it should acknowledge that electric public utilities are permitted to own projects under the permanent program and set forth standards for same.

II. An increased number of solar projects will require significant incremental utility support for review of interconnection applications and further direction from the BPU related to treatment of requests.

JCP&L supports New Jersey's effort to meet the State's aggressive environmental goals, as represented by the CEA. In doing so, however, it is important to recognize how the State's programs will impact the utilities' operations. For example, the Straw Proposal discusses the need for annual increases in solar generation of approximately 300% in order to meet the State's 950 MW goal by 2035.[2] This substantial increase in solar generation projects connected to the EDCs' systems also means a substantial increase in interconnection applications for the EDCs to review and administer. Accordingly, the EDCs will need significant incremental support for review and processing of these requests and a mechanism to recover the costs of same will be needed. Additionally, the smaller, behind the meter generators, including solar and renewable facilities, participating in net metering are expected to provide wholesale grid services to PJM Interconnection, LLC ("PJM") under Federal Energy Regulatory Commission ("FERC") Order 2222, on Distributed Energy Resource ("DER") aggregation. Wholesale market participation requirements will play a significant role in how DER resources are utilized by customers. It is also anticipated that FERC Order 2222 could impact interconnection processes, retail billing, and wholesale settlements, as well as require new operational and metering requirements and/or modifications to retail tariffs. It is important to recognize these potential impacts in connection with the impacts resulting from an increased number of interconnection applications to avoid negative impacts that could hinder the State's achievement of its goals.

The anticipated influx of interconnection applications will also require additional discussions regarding best practices with respect to the reservation of DER capacity on the EDCs' systems and the practical limitations of interconnecting DER to a radial distribution circuit. At present, JCP&L reserves capacity on its system for pending projects that have submitted a valid application and are being constructed or are under review by the Company; however, this practice may result in long lines and increased costs for projects that enter the queue around the time that a circuit's DER capacity limit is being approached. With the anticipated increase in

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[2] *See* Straw Proposal at pp. 22-23.

interconnection applications, it is important for there to be additional discussions at this juncture to discuss this process and modify it, if necessary, to maintain the safe and reliable operation of the distribution system and to support the solar successor program.[3] As solar penetration increases and as customers choose to participate in wholesale markets, it will become increasingly more important for EDCs to have visibility into the operating impacts of the DER resources on their systems and to have the ability to exert control, as necessary.

III. The use of statewide incentive levels is appropriate.

Like the program for Transition Renewable Energy Credits ("TRECs"), the Straw Proposal contemplates the use of statewide incentives for the Renewable Energy Credits ("RECs") issued under the solar successor program. At the stakeholder meetings on the Straw Proposal, however, several developers commented that they believe territory-specific incentives should be implemented, and specifically encouraged a higher REC price for projects in JCP&L's service territory. They reasoned that an increased REC is needed to encourage solar investment in JCP&L's service territory because the Company offers lower electric service rates compared to other EDCs in the State and, thus, the customer receives less of a benefit per kilowatt-hour of electric usage that it offsets. The developers, however, did not explain how a such a differentiated REC price could be implemented or who would be responsible for paying the increased REC price in JCP&L's service territory.

JCP&L has concerns about the policy underlying the developers' request for differentiated REC prices across service territories. This request is not driven by the developers' desire to assist JCP&L customers but rather their desire to maintain profit margins. There is nothing preventing a developer from offering larger incentives to customers in JCP&L's service territory (if truly needed to incentivize projects), regardless the REC price. However, the developers do not want to do that because it will reduce their margins and/or force them to reduce their own costs. Rather than adjusting to market circumstances, the developers would prefer all customers in the State be forced to pay more to subsidize projects in JCP&L's service territory. This result is untenable and should be rejected outright.

Moreover, the use of a single statewide incentive is appropriate under a statewide program. The Straw Proposal contemplates that a single administrator will procure the RECs for the solar successor program and that the EDCs will pay the costs for same.[4] As with other solar clean energy programs in New Jersey (including the TREC program), those costs will then presumably be recovered through an annually reconcilable non-bypassable surcharge. If differentiated REC prices are utilized, there will be a need to pay for (and recover) the costs of the increased REC price in JCP&L's service territory. This means that either: (1) customers outside of JCP&L's service territory will be forced to subsidize the cost of the increased REC price; or (2) JCP&L customers will be forced to absorb the costs of the increased REC price, punishing them for having lower electric service rates. Rather than accommodating the developers' request to maintain their

[3] During recent stakeholder meetings, BPU Staff has indicated that it anticipates initiating a more robust stakeholder process to review New Jersey's interconnection rules. JCP&L looks forward to participating in this process and working with the BPU and other stakeholders to address these issues.
[4] *See* Straw Proposal at p. 39.

profit margins by implementing a differentiated REC price across service territories, the Board should maintain the statewide incentive contemplated by the Straw Proposal.

IV. The solar successor program should utilize competitive procurement processes to the extent possible.

In recognition of the need to control program costs, the CEA provides that the solar successor program should: "where cost recovery is necessary for any portion of an efficient solar electric power generation facility when costs are not recoverable through wholesale market sales and direct payments from customers, utilize competitive processes such as competitive procurement and long-term contracts where possible to ensure such recovery, without exceeding the maximum incentive cap for that category of facility." N.J.S.A. 48:3-87(d)(3). JCP&L has previously expressed its support of competitive procurement processes to reduce the costs of solar subsidies to New Jersey's customers. JCP&L again encourages the Board to utilize competitive processes to the greatest extent possible to ensure that the statutory cost caps in the CEA are met.

V. Project deposits and fees should be used to offset program costs.

The Straw Proposal further contemplates that projects will be required to provide certain deposits and fees for their applications and to ensure projects continue to progress through the interconnection queue. To the extent these requirements remain in place, JCP&L encourages the Board to use these deposits and fees to help offset the cost of the program to the EDCs' customers. This use is consistent with cost causation principles and should help control the costs of the program in order to meet the State's goals.

VI. EDC customers should not be required to subsidize projects for customers who do not pay for the program.

The Straw Proposal asks for feedback on whether projects outside of the EDCs' service territories (*e.g.*, projects for customers of municipal electric utilities) should be allowed to participate in the solar successor program. They should not. Customers located outside of the EDCs' service territories will not pay for the costs of the solar successor program and the EDCs' customers should not be required to subsidize projects for these customers. The Straw Proposal should clarify that projects for customers outside of the EDCs' service territories are not eligible for participation in the solar successor program.

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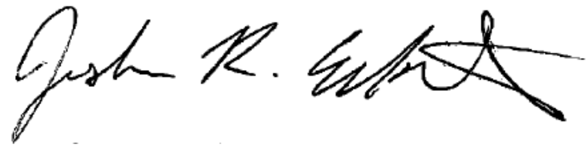
JCP&L thanks the Board for the opportunity to provide these comments. If you have any questions, please do not hesitate to contact me.

Respectfully submitted,



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