

May 27, 2021

Joseph L. Fiordaliso, President
State of New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

Re: Docket No. QO20020184, Solar Successor Program

Thank you for the opportunity to provide comment on the Staff Straw Proposal (“Straw”) for the Solar Successor Program (“Successor”). Nexamp appreciates the effort that the Board and the Board Staff have put into this effort and in particular the willingness from the Board to engage with stakeholders to ensure a successful program.

Nexamp is pleased to have been awarded projects under Year 1 of the Community Solar Pilot Program and looks forward to the continued success of that program as it transitions into a permanent program. These comments will primarily focus on the Straw as it relates to the community solar market segment and that program specifically.

Overall, Nexamp supports the Straw’s basic framework for the Successor. In particular, Nexamp appreciates that the Straw builds off of the success of the TREC program by recommending a 15-year fixed incentive with an administratively determined value for most market segments. This structure provides a stable revenue stream that benefits both project financing and the Board’s interest in predictable cost. It also provides flexibility for the Board to adjust should market conditions warrant an adjustment.

While Nexamp supports the overall design of the Straw, we are concerned that the incentive value for community solar in particular is too low, and is too significant a departure from TREC values. The proposed levels are likely to be disruptive to the market, and are unlikely to provide the full diversity of project types that have been proposed in the first years of the pilot program. Nexamp appreciates the trade-offs inherent in differentiated incentives, but in the case of the community solar program, and particularly in light of the Straw’s proposed options for the permanent program, preferred siting is more of a prerequisite for participation than a goal. As such, aligning these incentive values with the program goals is critical to the overall success of the community solar program.

Nexamp also appreciates that the Board is moving forward with the permanent program for community solar. Nexamp strongly recommends that the Board move to a permanent program as soon as practicable, and opt for a first-come, first-served model with project maturity requirements. This model has been highly successful in other states, and can be designed to both meet the Board’s policy objectives for the program, while providing the certainty and stability that helps the market bring forward successful projects.

Overall program design:

Staff proposes to establish a bifurcated Solar Successor Incentive Program in which residential projects, community solar projects, and non-residential net metered projects 2 MW or smaller are offered an administratively set \$/MWh incentive. All other projects would participate in the competitive solicitation.

1. Please comment on the benefits and consequences of this suggested division. Does this program design provide a pathway to maximizing solar development while minimizing ratepayer costs and supporting the industry? Please explain and include alternative suggestions if you believe there is a better approach that Staff should consider.

Nexamp supports the suggested division.

Administratively determined incentive for small net metered and all community solar projects

2. Please comment on the proposed breakdown of market segments in the administratively set program (e.g., net metered residential, net metered non-residential rooftop and canopy, net metered non-residential ground mount, community solar, and LMI community solar). Would you suggest any changes, and if so, why?

Nexamp supports the breakdown generally, but respectfully suggests that the segments should also be differentiated by siting criteria, as that is a major driver of project cost. As Nexamp understands it, the Straw is focused on differentiating market segments to account for unique costs within that segment, and to provide an incentive that accounts for those costs. While there is a cost differential for LMI and non-LMI community solar, there is also significant differential in cost among community solar projects located on rooftops, landfills or carports that should be accounted for if the Board wants to see those projects move forward. With that said, the Board could achieve this same objective by using adders for particular siting criteria that could be used across the administratively set program.

3. As currently proposed, all net metered projects in the administratively set program would qualify for an incentive of \$85/MWh for the first three-year period (EY 2022-2024); community solar projects would qualify for an incentive of \$70/MWh, and community solar LMI projects would receive an incentive of \$90/MWh. Please comment on these proposed incentive levels and if you disagree, please reference specific concerns with the modeling or historic performance assumptions used to develop the proposed levels.

Nexamp appreciates the consideration that went into proposed incentive levels and the challenges facing the Board given the constraints of the cost cap and competing interests. In our view, however, the current proposed levels for community solar are not sufficient to support the type of program envisioned by the Board.

The proposed levels represent either a 45% or 30% reduction relative to TREC values, a significant departure that has not been clearly explained by either Board policy or modeling. While we appreciate the effort that went into the Capstone Report, as Nexamp and others provided in feedback at the time, the modeling for community solar in particular was flawed and critical inputs including specific yield,

lease rates, and customer discounts, for example, were not reflective of current market conditions. We also expect interconnection costs to vary significantly for community solar projects, which is not fully reflected in the modeling. It should also be noted that the Capstone Report cited the current lack of information on community solar costs, and that the modeling for community solar may need additional clarity.

Overall, as many commenters have noted throughout the stakeholder process to date, these incentive levels are not sufficient to deploy many projects sited on landfills, carports or other challenging sites. Even with the differentiated incentive for LMI projects, the increased cost associated with managing LMI *and* the increased cost associated with preferred siting when combined are likely to be cost prohibitive. If the Board's policy is to increasingly direct more solar toward these types of sites and to LMI customers, as seems to be the case at least within the community solar program, then the incentives will need to align with these policy goals for the market to deliver.

4. The Straw proposes that selected projects would receive a 15-year qualifying life, consistent with the TI Program. Staff seeks comments on whether this is the appropriate term due to the nature of heavily discounting outer-year incentives, as well for consistency with the proposed competitive solicitation program. Please comment on this proposal and explain any alternative suggestions.

Nexamp supports the 15-year incentive for the administratively set program.

5. Staff proposes to establish annual capacity allocations for each market segment on an annual basis, as discussed in the Cost Cap section. The annual program capacity allocation would be divided (by four) into a quarterly allocation. Developers would then be able to reserve a spot within each quarter's capacity allocation.

a. Staff proposes to allow projects to reserve capacity against the quarterly capacity allocation on a first-come, first-served basis. Please provide any comments on this proposal.

b. Staff anticipates that there may be situations in which a quarter's allocation becomes over-subscribed. How should the Board handle over-subscription?

c. What different or additional measures could the Board take to ensure that there is sufficient opportunity to participate in the incentive program throughout the year?

Nexamp recommends that the Board use a quarterly allocation process, including for community solar. This will keep a regular cadence and ensure there is opportunity throughout the year for projects, as opposed to a waiting game for the next annual allocation to open. The Board could also consider using a waiting list of projects, but if relying on a quarterly allocation that may be unnecessary.

6. Concern of "ghost projects" or "queue sitting" threatens the productive functioning of the incentive program. Please comment generally on the slate of project maturity requirements as proposed on page 13 of the Successor Straw or suggest alternative bidding requirements, including minimum criteria to demonstrate project maturity, site control, or escrow amounts to discourage speculation.

Strong maturity requirements, like those proposed, should effectively prevent queue sitting but Nexamp would urge the Board to look at the milestones and requirements for community solar separately from the rest of the administratively set program, given the substantial differences between the development cycles and key milestones of community solar from the other project types.

8. Staff proposes that developers seeking an extension beyond the initial 12-month deadline must submit a deposit, refundable upon project completion, equal to 10% of the project cost and not to exceed a value determined with stakeholders. Please comment on how Staff should determine the deposit fee for a deadline extension request.

Nexamp suggests that the Board set any deposit at \$ per megawatt basis, rather than as a percentage of project cost. This will be substantially simpler for the Board and developers to implement. Nexamp also urges the Board to clarify the timelines for community solar, and when or if, community solar projects would be required to submit a deposit for an extension.

New programs and technologies

21. Are there additional solar technologies or use cases for which this Successor Straw has not yet considered that may be considered for the Successor Program, either now or in the future? Please explain.

Nexamp recommends that the Board consider the benefits of energy storage, particularly as it relates to the administratively set program. Behind-the-meter storage and storage paired with solar, including community solar, can provide significant benefits to the distribution system that will not be achieved through the solar plus storage segment of the grid-scale program as currently envisioned by the Board. While we understand that the Board may proceed later with a full stakeholder process to evaluate additional storage programs, we recommend that the Board consider the comments of SEIA and others on potential pathways in the near-term that can work alongside the administratively set incentives under the Successor.

Megawatt Targets

29. Please comment on Staff's proposed megawatt targets for the first year (EY 2022) (see page 22).

While 150 MW may be reasonable for the community solar program as a pilot, the Board should consider expanding the MWs allocated to the community solar program going forward. Community solar can serve a significantly more diverse, and significantly larger, segment of New Jersey residents and businesses than traditional net-metered projects. Low-income residents, renters, and others have been unable to go solar in New Jersey until very recently, despite the many years of growth in the state's solar deployment. The Board should question whether an even distribution of MWs for net metered residential, commercial is the most equitable path forward for this program.

In addition, we believe there is likely to be a significant under-supply of projects in the grid-scale program in the near term, given the pace of the Board's stated timeline. The Board should consider whether the current MW targets for the competitive solicitation are realistic in the near term. Given the number of projects currently proposed for community solar, the Board should consider increasing the number of MWs in the community solar and reducing the grid-scale targets in the near-term. Regardless, in order to keep pace with the state's overall targets, it is important for the Board to establish a process to reallocate capacity in the event the capacity from one market segment goes unutilized.

Implementing the Successor Program and Transitioning from the Transition Incentive Program

34. Please comment on the Staff proposal that, following the close of this stakeholder process, the Board will issue an Order directing Staff to close the Transition Incentive Program within 30 days. After that 30-day period, the administratively set program will open immediately. The competitive solicitation is targeted to commence in the second half of 2021. Staff notes that there will be a seamless transition for residential, community solar, and net metered projects at 2 MW or less, but there will likely be a gap between the end of the TI Program and the start of the competitive solicitation that will affect large net metered and grid supply projects.

Nexamp appreciates that the Board will generally close the TREC to new registrations following the Board order, but notes that Year 2 community solar projects will still need a path to register following capacity being awarded under the program.

On page 38 of the Straw, the Staff recommends that the completion deadlines for community solar projects be based on the Board order approving those projects and the community solar program rules, rather than the TREC rules regarding completion deadlines. For Years 1 and 2 projects under the TREC, the completion deadlines between the incentive and program rules would otherwise be in conflict. Nexamp supports this recommendation and hopes that this will be clarified if the Board chooses to adopt this recommendation.

Ensuring State Policy Priorities

35. Should "adders" or "subtractors" be used to further differentiate incentives by project attributes in both the administratively set incentive program and the competitive solicitation, only one program, or neither? Explain why.

Nexamp strongly recommends that the Board consider adders to accommodate certain higher cost projects that the current values would otherwise not allow. As has been discussed at length in the stakeholder process, many projects on preferred siting would be effectively shut out without an adder to account for the higher costs associated with those projects. While we recognize the concern that Staff has expressed about the wisdom of paying higher value for a given MW over another, the Board has also expressed a clear policy preference in favor of projects in the built environment. If the Board continues to support this policy direction, there are certain project types that will need an additional incentive.

Adders are an effective way of achieving this end. Adders would allow the Board to target an individual policy preference, evaluate the cost associated with achieving it, and the adder could be applied across

the administratively set program. Adders make the most sense in administratively set program, where the market will not be able to set the necessary incentive value and projects not supported by the incentive levels will simply not happen.

The Board should also consider providing an adder for community solar projects that commit to higher levels of LMI participation. An adder that would escalate with the percentage of the project dedicated to LMI would be a significant incentive for projects to go beyond the minimum requirements and to seek higher levels of LMI participation.

36. Would adders make the administratively set incentive program too complex when coupled with the anticipated differentiation envisioned for residential, non-residential roof, non-residential ground, community solar LMI, and community solar non-LMI? How could they be used most effectively?

No. As stated above, in our view the proposed structure of the administrative set program does not currently provide sufficient differentiation to adequately address project cost. Rather than add different segment targets, however, the adders could simplify the process by applying across the administratively set program. To be most effective, they should target specific policy outcomes and be reflective of an added project cost.

37. Should the administratively set incentive program include an adder for projects that benefit environmental justice communities? For the competitive solicitation? If so, should there be criteria to select the projects with the highest benefits? How can “benefits” for these communities be quantified?

Nexamp appreciates and supports this concept. An adder for projects located in environmental justice communities, or that has subscribers located in an environmental justice community in the case of community solar, would work well with the Board’s goals.

Community Solar Permanent Program

39. Please comment generally on whether the Board should consider maintaining the competitive solicitation for community solar projects in the Permanent Program, or if it should adopt strict qualifications and otherwise establish a first-come, first-served model (detailed as Option 1 and Option 2 on pages 40-41).

As stated above, Nexamp recommends that the Board adopt a first-come, first-served model for the permanent program with project maturity requirements. Generally, Nexamp urges the Board to require projects to demonstrate site control, submit a deposit and have submitted an interconnection application or have received a pre-application report from the EDC. While the Straw suggests that the maturity requirements will be similar or the same as the maturity requirements proposed for the competitive solicitation, some of these requirements require clarification or amendment for the community solar program.

Current interconnection procedures are a major barrier to demonstrating full maturity, and community solar projects would be unable to have a full impact study completed prior to application. Currently the EDCs will not study projects until they are approved by the Board, and given the number of projects that have applied for the community solar program to date, they are likely to be overwhelmed by the number of applications received if that were to change. Nexamp recognizes and appreciates that the Board is undertaking the critical task of updating current interconnection practices, but until that effort is complete, there will need to be a lower bar to demonstrating interconnection viability for community solar projects.

Nexamp agrees with the recommendation of a refundable deposit for the permanent program. It should be clarified, however, whether community solar projects would post a deposit alongside their community solar application, or as part of registration for the Successor. Nexamp recommends that the Board require the deposit of \$40/kw with the program application and, if awarded, allow that deposit to carry over as the project registers for the Successor. If the project is not awarded, the deposit would be refundable. In addition, the Board should allow the deposit to also be refundable pending full interconnection review. If projects have not received a full assessment of interconnection costs, posting the deposit would be too great a risk if it were not refundable. Projects should have 30 days from receiving a completed study to either move forward, or request a refund of the deposit and drop out.

In addition to project-level maturity requirements, the Board should require developers submitting projects to the community solar program to have demonstrated experience with community solar and in particular, experience working with LMI customers. The key to an ultimately successful community solar program is the customer experience, not the development process. Applicants may have significant experience developing solar projects, but equally if not more important to that project's success is whether the applicant has any experience actually managing subscribers. A requirement for demonstrated experience will do as much for ensuring projects are successful as the other development maturity requirements, and Nexamp recommends that the Board adopt one.

In our view, the competitive solicitation model is administratively intensive, for Board Staff and developers, and its goals can be accomplished far more efficiently through a first-come, first-served approach. The Board, as the Straw contemplates, can simply bake the key policy goals into the design of the program and ask developers to deliver, rather than evaluating projects individually year after year. With that said, if the Board does mandate certain elements, like a preferred siting requirement, it increases the importance of getting the incentive values to properly reflect the cost of those types of projects. In our view, the Straw currently falls short of doing so.

40. Please comment on the Pilot Program rules (detailed beginning on page 41) and discuss which, if any, the Board should consider modifying for the Permanent Program, and why.

Based on our experience so far, Nexamp does recommend that that the Board make several changes to the program rules now. First, the Board should continue the path toward improving the LMI verification process by allowing for self-attestation of income. While we appreciate the changes the Board has already made in this regard, we believe allowing self-attestation is important to achieving a fully accessible program to New Jersey residents regardless of their geographic location or participation in

existing programs. The details of this method can and should be refined through further stakeholder engagement.

In addition, Nexamp recommends that Board remove the current rule imposing a maximum of 250 customers per megawatt. This requirement is an unnecessary challenge that is in contrast to the goal of ensuring the participation of residential and low-income customers, who have the lowest subscription sizes.

Nexamp also recommends that the Board establish clear standards for the data exchange between subscriber organizations and the EDCs. These standards should allow subscriber organizations access to subscriber information, provide transparency around the credits that are applied to subscribers' bills, and provide accountability in the event there are errors. Subscriber organizations need the ability to track and to verify what is being applied to subscribers bills. Ideally information between EDCs and subscriber organizations should flow through API.

Related to the above, Nexamp recommends that the Board establish a billing and crediting working group with subscriber organizations, Staff, and the utilities at the table. In our experience, issues with billing and crediting of customers will inevitably arise as more projects come online and more customers sign up for community solar and it is important to have a forum to address those issues on an ongoing basis. This allows issues to be resolved among stakeholders, with less need for formal Board intervention or changes to program rules.

Apart from these changes, Nexamp recommends that the Board largely adopt the current program rules. Although the program will become permanent, Nexamp hopes that the Board will continue to review and reevaluate the program rules as needed. Given that projects are only now starting to come online under the pilot program, there are undoubtedly new challenges that will arise.

Sincerely,

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Nexamp