



December 9, 2021

Aida Camacho-Welch
Secretary of the Board
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RE: BPU Docket No. QO21101186, IN THE MATTER OF COMPETITIVE SOLAR INCENTIVE ("CSI") PROGRAM PURSUANT TO P.L. 2021,C.169

Dear Secretary Camacho-Welch:

Enclosed herewith for filing are the written comments of Ric Energy in connection with the above-referenced matter.

In the Competitive Solar Incentive Program Design Stakeholder Meeting held on November 30, 2021, BPU staff presented conditions for the design of the competitive SREC program such as:

- (1) Preference for
 - a. Contaminated sites and landfills
 - b. Built environment
- (2) Must comply with siting limitations developed in a separate proceeding, pursuant to the Solar Act of 2021
- (3) Include net metered projects > 5 MW
- (4) Product procured = SREC-II (production-based incentive delivered in \$/MWh)
- (5) Program should
 - a. Encourage competition
 - b. Support a thriving solar industry in New Jersey

However, several key elements of the NJ Clean Energy Act of 2021 were not mentioned by BPU staff which are required for the design of the program. Pursuant to section 4 of P.L.2021, c.169 (C.48:3-117):

- At the end of each bidding round, the board shall:
 - **rank all bids received based on the bid price**, or, pursuant to subsection b. of this section, based on the bid price within each category;
 - select bids in ranked order, up to the procurement budget set by the board, or, pursuant to subsection b. of this section, the procurement budget of each category; and
 - adjust quantities awarded if prices are above or below any confidential pre-determined thresholds established pursuant to subsection d. of this section.
- The board may establish a system of distinct bidding categories within the competitive solicitation process set forth in this section, such that only bids from the same category compete with one another. The category system may take into account

the size of the facility, location of the facility on a contaminated site or landfill, as determined by the board in consultation with the Department of Environmental Protection, or any other feature of a facility, **provided that the category system enhances the continued diversification of the energy resources used to meet consumer demand in this State and results in environmental and public health benefits to New Jersey residents, as determined by the board.** The board may revise the category system as it deems appropriate after each solicitation round.

- The SREC-II value per megawatt-hour may include the value of the environmental **and other benefits to the State provided by the facility, as determined by the board**
- Solicitation rounds shall occur **at least** as frequently as once every 18 months, beginning on the effective date of P.L.2021, c.169 (C.48:3-114 et al.) and ending no earlier than January 1, 2026
- award contracts for SREC-IIs to promote **the construction** of solar electric power generation facilities for **no less than** an average of 300 megawatts per year, for five years
- The board may establish confidential high and low bid thresholds prior to conducting a competitive solicitation pursuant to this section, provided that the thresholds promote fiscal responsibility for the State and the likelihood of successful bids, as determined by the board. The thresholds may include a cap on the renewable energy incentive payments required pursuant to paragraph (4) of subsection c. of this section. **The board may also procure more than the minimum quantity of solar power required by this section if bids are below the predetermined bid threshold.**
- include requirements designed to **ensure successful completion of projects**, including, but not limited to, the imposition of appropriate escrow fees, bid maturity requirements, **required interconnection milestones**, and conditions on when a project must achieve commercial operation

Moreover, pursuant to section 1 of P.L.2021, c.169 (C.48:3-114):

- The development of grid supply solar should be directed toward marginal land and the built environment and away from open space, flood zones, and other areas especially vulnerable to climate change, **and a coordinated land use policy for grid supply solar siting is needed to affordably expand New Jersey's commitment to renewable energy while not compromising the State's commitment to preserving and protecting open space and farmland**

Further, pursuant to section 2 of P.L.2021, c.169 (C.48:3-115):

- The goal of the program shall be to provide incentives for the development of at least 3,750 megawatts of new solar power generation by 2026, although **this goal may be extended or revised by the board as necessary** to conform to the State's solar energy policies.

Key Findings

1. The board should not limit the locations allowed for developing solar any more than the restrictions prescribed by the statute in section 6 of P.L.2021, c.169 (C.48:3-119).

These are the requirements that the legislation very clearly and thoughtfully detailed for how grid supply solar locations should be limited, and any additional limitations would not be in conformance with the statutory law

2. Projects should be ranked by bid price alone and there should be no qualitative influence to ranking of projects beyond bid price
3. The legislation provides the Board the ability to set an additional value for “other benefits to the State” when setting an SREC price. In order to direct development towards marginal land and the built environment, the board should create a SREC price adder for those projects. The price adder should be equal to the additional cost required to build those projects when compared to traditional greenfield projects on a net present value basis.
4. Bid categories should consider system size and market segment to ensure diversification of resources. More specifically, grid supply projects and net metering projects should be treated differently to ensure diversification of resources since the economics of both project types vary greatly as net metered projects stand to benefit from higher bill credit values for energy produced compared to wholesale compensation. Furthermore, system size has a significant impact to the cost of construction, and therefore projects should be segmented based on system size. For simplicity, these two categories are the most optimal to provide diversification to meet consumer demand and maximize benefits to the state: 1) grid supply solar facilities greater than 5 MW, 2) grid supply solar facilities less than or equal to 5 MW or net metered solar facilities greater than 5 MW
5. Interconnection maturity requirements are extremely important to ensure the successful completion of projects. We strongly recommend requiring that projects advance through the interconnection process that is relevant to each project to a point which interconnection upgrade cost scopes are committed to and timelines are established, whether that be an interconnection study with the EDC or a facilities study through PJM.
6. Maturity requirements addressing discretionary permitting should not require projects to obtain the permitting approvals in order to be eligible for participation. It should be recognized that such a requirement for a competitive bid is unreasonable and very likely would result in unwillingness by developers to participate in the program. Obtaining discretionary permits, especially for larger projects, requires significant investment of time and financial resources, which would be too high of a risk for projects that have not already received an award. However, it is appropriate for the board to require some level of due diligence to de-risk permitting and reasonably assess projects to ensure there are no critical issues for permitting. Some options other than requiring projects to obtain discretionary approvals prior to bidding include requiring a detailed permitting matrix and critical issue analysis included as part of bid applications.
7. It is extremely important for the board to recognize that the statutory minimum of 300 MW of solicitation projects per year on average over five years is for projects to be constructed, not simply awarded contracts. Also, this is not the maximum, and it requires that the state procures far more than 300 MW each year to account for projects not being built each year due to permitting or other issues. Furthermore, grid supply solar projects require a much longer development timeline than typical solar



projects due to lengthy interconnection and permitting. Typically, developers wait to permit projects until they've received clarity on the cost to interconnect. PJM is undergoing a queue reform, which is going to result in delays for any new projects being studied for several years. Therefore, the board needs to consider a significantly larger amount of capacity for each solicitation being held over the next 5 years. Doing so would also send a clear signal to the solar industry that the state is committed to aggressively building out renewable capacity to achieve GHG reduction goals which will prompt a flurry of development activity. By not providing clarity on forward looking solar procurement targets to achieve the state's commitments for GHG reduction will cause delays from the industry to mobilize and will slow the execution of projects. Furthermore, having a solicitation at least every 18 months is the maximum time between, not the minimum, and it is recommended that to create a robust program to attract development that the board creates ample procurement supply with more frequent solicitations to provide multiple entry points for project development.

8. The statute provides that the BPU may establish high and low bid thresholds by category so that they can procure any capacity with bid prices below the low threshold. The state's clean energy goals are ambitious and require swift action, and the board staff recognizes the need to support a thriving solar industry in NJ to accomplish these goals. In order to do this, the board must remove market uncertainty and commit to a scale that is necessary to achieve the critical mass to draw investment. One way to accomplish this is establishing a formula mechanism that increases subsequent solicitation round procurement capacity based upon the capacity bid during each current year, to continue driving demand for new project capacity. This would accelerate the build out in the state and allow developers to take additional risks by advancing projects to later stages much earlier on in the development process.

Very truly yours,

/s/

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