Comments of Rockland Electric Company
In the Matter of Competitive Solar Incentive ("CSI") Program Pursuant to P.L. 2021, C. 169
Docket No. QO21101186

Introduction

The New Jersey Board of Public Utilities ("BPU" or "Board") Staff held a stakeholder meeting on November 30, 2021 to discuss the program design for the Competitive Solar Incentive Program and requested comments, pursuant to a Notice[1] ("Notice").

The Competitive Solar Incentive ("CSI") Program, which is part of the Successor Solar Incentive ("SuSI") Program, will provide incentives for grid supply solar projects and net-metered non-residential projects above 5MW in size. The Solar Act of 2021[2] directs the Board to establish a program to incent the development of 3,750 MW of solar by 2026 and stipulates that SREC-IIs, renewable energy certificates issued under the SuSI program, shall be the funding mechanism of providing incentives based on per-megawatt-hour of solar power generation. Rockland Electric Company ("RECO" or the "Company") outlines a number of issues for the Board to consider as it develops the CSI program.

RECO supports New Jersey's clean energy goals and appreciates the opportunity to submit these comments. It is critical that the Board design and evaluate the CSI program in the context of all renewable energy incentive programs. Such a holistic approach, which must include an evaluation of the costs and benefits of all solar renewable energy certificate ("REC") incentive programs, offshore wind REC incentive programs, and any yet-to-be developed incentive programs, will assure that bill impacts to ratepayers are minimized. Because the CSI program and OREC program are not considered when looking at the statutory cost cap on solar programs, careful consideration must be given to ratepayer support for all clean energy programs.

Net Metering Considerations

Minimizing the impacts of the SuSI program on customer bills is critical to maintaining a sustainable program that will further achievement of the State's clean energy goals. Because the CSI program is not considered when looking at the statutory cost cap on solar programs, careful consideration must be given to all sources of revenue received by solar projects. Net metering provides benefits based on the retail rate of energy plus the offset of additional charges on the customer's bill. Non-net metered projects do not receive this level of benefits and may receive benefits at the wholesale rate of energy or another contracted rate. The BPU should recognize that there will be differences in compensation between net metered and non-net metered projects.

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[1] *In the Matter of Competitive Solar Incentive ("CSI") Program Pursuant to P.L. 2021, C. 169*, Docket No. QO21101186 (November 1, 2021).
[2] P.L. 202-1, c. 169, signed by Governor Murphy on June 9, 2021.

Recognizing and quantifying those differences will ensure that ratepayers do not bear a greater financial risk than necessary and that projects are not overcompensated.

Storage Considerations

The Company acknowledges the important role that energy storage will play in a clean energy future, especially when it is co-located with renewable generation resources. Prior to authorizing energy storage dispatch to be able to generate SREC-IIs or any similar clean energy attribute, rules must be established regarding whether dispatched energy qualifies as SREC or REC eligible. In any case, stand-alone energy storage[3] should not qualify to create RECs. Because an SREC represents the environmental benefits or attributes of one megawatt hour of solar electric generation,[4] an energy storage system that is charged from any resource other than solar should not be eligible to generate any type of solar RECs. Likewise, an energy storage system that plans to mint Class I RECs must be charged by resources that would qualify on their own to generate such RECs. Rules must be established to track and verify these systems and any dispatch. In addition, other rules and requirements may be necessary, such as those for metering configurations. The Company recommends that energy storage not play a role in the solar REC or Class I REC markets until the storage proceeding occurs, including robust stakeholder sessions and input, where all associated considerations can be fully vetted and evaluated.

REC Price Structure

During the stakeholder meeting, commenters suggested that the Board consider an indexed REC option, which they stated would make project financing more accessible and thus ultimately lower costs for customers. Although New York recently implemented an indexed REC program, it is too early to know whether indexed RECs are resulting in lower costs for customers. By adjusting the price paid for a fixed REC to include a decrease in revenues, an indexed-price REC shifts costs and risks from renewable energy developers to EDC customers. RECO recommends that careful consideration be given to indexed RECs and if the Board decides to implement this product, cost controls, such as a cap on the increase paid for an indexed REC, must be implemented to minimize the risks that ratepayers shoulder a significant increase in REC prices. This is critical given that the CSI program is not subject to the statutory cost cap which seeks to minimize the utility bill impacts of renewable incentive programs.

Solar Financing

The Notice states that "New Jersey's current practice is to provide subsidies such as SREC-IIs through administrative rules developed pursuant to statute, not through contracts." At the Stakeholder Meeting, however, there also was discussion about incenting solar production through a solar financing program similar to the utility financing programs currently

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[3] Stand-alone storage is energy storage that is not co-located with generation and charges from the grid.
[4] N.J.A.C. 14:8-2.2

administered by RECO, Atlantic City Electric, and Jersey Central Power and Light (collectively "Select EDCs") where solar projects are solicited, and the Select EDCs enter into long-term contracts with the projects that have the lowest net present value contract costs. The Select EDCs then sell the purchased SRECs in an auction.

RECO supports the practice of providing subsidies such as SREC-IIs through administrative rules and not through contracts between individual projects and an EDC. The use of an administrator to run a statewide program provides transparency to all parties to evaluate the costs and benefits of the CSI program, which will be useful to the Board and Staff when reviewing the impact of the program on developers, ratepayers, and achievement of the State's clean energy goals. In addition, requiring contracts, such as a program similar to the utility financing programs between individual projects and an EDC which currently exists, would result in additional administrative costs for both parties, may result in one EDC procuring more than its proportionate share of SREC-IIs while another EDC procures less, and is moving away from a market-based approach which attempts to allocate risks appropriately between developers and ratepayers.

Conclusion

RECO appreciates the opportunity to comment on the development of the CSI program and looks forward to working collaboratively with Board Staff and other stakeholders to develop a sustainable, cost-effective solar incentive program that furthers the achievement of the State's goal of 100 percent clean energy by 2050 while minimizing the bill impacts to ratepayers.