



Dakota Power Partners

December 14, 2021

VIA EMAIL AND E-FILING

Aida Camacho-Welch
Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350
aida.camacho@bpu.nj.gov

Re: I/M/O COMPETITIVE SOLAR INCENTIVE ("CSI") PROGRAM PURSUANT TO P.L. 2021, C.169 (BPU Docket No. QO21101186)

Dear Secretary Camacho-Welch:

On behalf of Dakota Power Partners, LLC ("Dakota") we submit these comments regarding the design of the Competitive Solar Incentive ("CSI") Program in response to the Board of Public Utilities ("BPU") Stakeholder Notice dated November 1, 2021. Dakota applauds the BPU for recognizing the need for a competitive bidding program for low-cost, in-state utility-scale solar. Dakota is one of the most experienced developers of large-scale renewable energy projects in the United States. Dakota and its investors have been direct participants in developing and funding over 10,000 MW of large-scale solar and wind projects now in operation nationwide.

BPU Stakeholder Notice Question 1

a. Do projects on contaminated land and/or landfills need special consideration when it comes to project maturity and Commercial Operation Date ("COD")? If so, why?

No comment

b. What additional costs, if any, are associated with development on contaminated land and/or landfills?

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No comment.

c. To the extent that the purpose is to avoid, as much as possible, the development of open space that might otherwise be available for other purposes, are there other siting options, besides the built environment, contaminated land and landfills, that should be given preference? .

New Jersey will need to deploy significant in-state utility scale solar resources to achieve its clean energy goals efficiently and cost-effectively. The PPAs for the utility scale solar projects whose bids are selected in the competitive solicitation could be required to include an annual remuneration of 1% of the annual payments under the PPA to the Garden State Preservation Trust to mitigate any land use concerns by funding permanent land preservation, development of recreational resources, and the preservation of crucial historic sites in New Jersey. In addition, the BPU could establish factorized adders to the REC price that can be adjusted based on the land use of the project to encourage projects located on sites that have no other productive uses as well as “dual-use” grid supply projects that enable solar and agricultural production to coexist on the same plot of land.

BPU Stakeholder Notice Question 4

Staff aims to propose a solicitation design that results not only in awards, but in successful project development. To facilitate this, some combination of project pre-qualification requirements, COD requirements, participations fees, and/or escrow requirements are being considered:

- **Should Staff consider recommending a requirement that projects have completed a Facilities Study?**
- **What about having a requirement for a completed or draft System Impact Study?**
- **Are there other PJM queue position requirements that should be considered?**
- **At what point in the process would an SREC-II award provide the most value in terms of preventing projects dropping out of the queue?**
- **What would the impact of other project maturity evidence requirements be (e.g. site control, evidence of ROW control, evidence of community engagement)?**
- **NYSERDA requires bid participation fees ranging from \$5,000 to \$100,000 depending on the size of the project. What is the right level for a 5 MW project versus a 20 MW project?**

Dakota agrees with Board Staff that there should be pre-qualification requirements related to project maturity that must be met by a solar developer in order to be eligible to bid into the

competitive solicitation. Each project that is being bid into the competitive solicitation should already have a System Impact Study and an executed Facility Study agreement with PJM completed. In addition, each project should demonstrate site control, right of way (“ROW”) control, and evidence of community engagement prior to bidding into the competitive solicitation.

BPU Stakeholder Notice Question 5

New Jersey’s current practice is to provide subsidies such as SREC-IIs through administrative rules developed pursuant to statute, not through contracts. Staff requests input from developers about whether there are any implications on project cost, risk premium or other aspects of project financing purposes to providing incentives through administrative rules versus developing a standard contract.

The CSI program should be designed to identify the most cost effective in-state utility-scale solar resources. The solar projects whose bids are selected in the competitive solicitation should be eligible for long-term power purchase agreements (“PPAs”), which would enable them to obtain least-cost financing, thereby creating savings for New Jersey consumers. Long-term contracting programs have been implemented with great success as a means of encouraging development of utility-scale solar in many states throughout the United States, including New York, the New England states, and California.

Dakota recommends that the Board require utilities to negotiate 20-year bundled PPAs with solar developers whose bids are selected in the competitive solicitation. Each PPA executed between the utility and the solar developer should address the energy, capacity, and SREC-IIs produced by the qualifying projects. The PPAs should also include: a requirement to pay the State’s prevailing wage for labor; an annual remuneration to the utility of up to 2.5% of the annual payments under the PPA to compensate it for accepting the financial obligation of the long-term contract; and, as mentioned above, an annual remuneration of 1% of the annual payments under the PPA to the Garden State Preservation Trust to mitigate any land use concerns by funding permanent land preservation, development of recreational resources, and the preservation of crucial historic sites in New Jersey.

Dakota further recommends that the Board use an Indexed REC approach for the incentive rather than a fixed as-bid REC price (Fixed REC) approach. An Indexed REC will provide greater revenue certainty to solar developers and will enable the BPU to manage wholesale market fluctuations in a way that protects ratepayers, resulting in lower cost RECs overall. Under the Indexed REC approach each solar developer bids an “all in” strike price that consists of three revenue components – energy, capacity, and REC. The strike price will be locked in throughout the 20 year term of the indexed

REC PPA. When the energy revenue and/or capacity revenue from the wholesale market increases, the REC price decreases, and when the energy and/or capacity revenue decreases, the REC price increases. In other words, the REC costs are equal to the strike price minus the total of the energy price and capacity price. If energy and capacity revenue combined are higher than the strike price, the solar developer will owe excess revenues via a negative REC price. The negative REC balance can be rolled over from one month to the next and settled on an annual basis. Without the Indexed REC solar development would be stunted. Investors need the predictability of an Indexed REC. Similar indexed REC systems have been approved in New York and Illinois.

BPU Stakeholder Notice Question 6

Staff invites stakeholder comments on how the qualifying life for receiving SREC-IIs impacts project financeability, total cost, and ratepayer risk.

Dakota recommends a longer term qualifying life, such as 15 or 20 years, which will keep down costs and reduce the price impact on consumers. New York began providing 10-year REC contracts to utility-scale wind and solar over 15 years ago. As New York gained experience with annual procurements it eventually increased the term to 15 years, and finally to 20 years. The detailed analysis that the New York State Energy Research and Development Authority (“NYSERDA”) conducted in coordination with the Department of Public Service concluded that it was in the best interest of rate payers to provide 20-year REC contract terms.

Respectfully submitted,

Timothy Daniels
Dakota Power Partners

A handwritten signature in black ink that reads "Timothy Daniels". The signature is written in a cursive, flowing style.

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