



December 14, 2021

Via email: solar.transitions@bpu.nj.gov

Aida Camacho-Welch
Secretary of the Board
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, NJ 08625-0350

Re: BPU Docket Number QO21101186

Dear Ms. Camacho-Welch:

NJR Clean Energy Ventures Corporation (“NJRCEV”) is submitting the following comments on BPU Docket Number QO21101186, pertaining to the Competitive Solicitation Incentive program.

NJRCEV is among the leaders in the New Jersey solar market. Since 2010, we have invested more than \$980 million in 365MW of solar projects across all market segments and counties in New Jersey, comprising about 10 percent of solar installed in the State. This investment has supported more than 1,000 local jobs constructed with union labor, helped our customers save on energy costs, and reduced 330,000 tons of greenhouse gas emissions. Our installed solar projects generate approximately 400,000 SRECs annually, which will continue well into the next decade as part of the legacy solar market.

NJRCEV appreciates the opportunity to provide its attached responses to Staff’s questions on the competitive solicitation program design. While we do offer responses to Staff’s specific questions, we continue to have concerns about the suitability of the solicitation approach for landfills and customer sited projects which are highlighted below:

- Limited track record of sufficient volume of projects necessary to stimulate a robust competitive process and which will dilute administrative resources in designing, conducting, and managing auctions for these niche markets;
- For landfills, uncertainties on incentive levels compound an already challenging development process with long lead-times, high costs, and risks of delays/cost increases;
- For customer-sited projects, developing the commercial terms and executing agreements (PPAs/site leases) are difficult without fixed incentives;

- For municipalities, universities and other governmental entities that participate in solar through RFP processes, unknown incentive levels will make it difficult, if not impossible, for the solar development community to bid large projects; and
- Development cycles are not well suited to auctions held every 18 months

We look forward to working with Staff and stakeholders to ensure a successful program that will facilitate the solar growth goals in the State's Energy Master Plan.

Respectfully submitted,

Larry Barth
Director of Corporate Strategy

cc: Steve Osborne Jr. - Sr. Corporate Strategy Analyst
Chris Savastano - Managing Director of Development
Garrett Lerner - Manager Business Development
Mark F. Valori - VP Clean Energy Ventures
Robert Pohlman - VP Strategy, Communications, Government Relations, and Policy

CSI Input Requested

Staff is seeking input from stakeholders on the following topics:

1. The Solar Act of 2021 stipulates that “[t]he development of grid supply solar should be directed toward marginal land and the built environment and away from open space, floodzones, and other areas especially vulnerable to climate change.” Staff proposes to implement this requirement mainly through some form of incentive or segmented procurement targeting development on the built environment as well as on contaminated land or landfills. Staff is looking for input on the following questions:
 - 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?

Solar development on landfills and brownfields is unique, and subject to additional risks and longer development cycles as compared to a “traditional” solar facility, while also meeting rigorous standards set by the NJDEP to ensure it does not pose any environmental concerns.

Per the NJDEP’s “Guidance for the Permitting of Solar Energy Systems on New Jersey Landfills” (Feb 2020) the NJDEP is supportive of landfill solar, citing its benefits not only as “providing a source of renewable energy, [but also] the installation of solar energy projects on landfills can offset the costs of closure and post-closure care and provide long-term revenues for landfill owners.”

Before those benefits can be realized, a project must go through a rigorous development and approval process, which includes completing pre-application checklists, meetings with NJDEP and other regional environmental stakeholders, investigations/assessments of the site if the landfill has not already been deemed “properly closed,” and a litany of other permitting requirements (as applicable) related to wetlands approval, air pollution, well drilling, groundwater, wastewater, fish and wildlife, and other regulatory requirements.

To be eligible to participate in a Competitive Solicitation, NJR Clean Energy Ventures Corporation (NJRCEV) recommends that a project must have gained site control, have proof of filing for its Phase I Feasibility Study with PJM, and applied to the NJDEP for conditional approval.

The costs of these steps, depending on the project, could require tens or even hundreds of thousands of dollars, with the entirety of these funds at-risk of delays or cost increases associated with NJDEP approvals, PJM interconnection, and obtaining the required site permits.

Costs of additional steps to develop a site plan to support final permit applications and to apply for PJM’s System Impact and Facility Studies, could involve additional costs in the range of hundreds of thousands of dollars – beyond the capital most developers would be willing to put at risk without knowing the available incentive.

NJRCEV recommends that once awarded an incentive, landfills be given up to 48 months to complete. The critical path for project completion is defined by the PJM interconnection study processes. Our best estimate today is that given PJM’s current issues and the interconnection reform process, interconnection studies can take up to three years to complete, with project construction taking up to a year thereafter. PJM interconnection review processes are being revised and are under review. If the

study timeframes could be reduced in the future the completion times could also be reduced accordingly.

Because risks around timing are outside a developer's control, projects should be eligible for extensions. To expedite the extension process, Staff should be empowered to grant extensions up to six months, with Board approval required for extension requests beyond six months.

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

Detailed above, there are several unique costs associated with developing a landfill/brownfield project, given the extra steps and studies required by the NJDEP.

These include, but are not limited to:

- Higher land lease or acquisition costs
- Higher insurance requirements and costs
- The costs of developing an NJDEP application for pre-approval
- If applicable, the costs associated with properly closing a landfill
- The pre/post-closure assessments done by the NJDEP
- Site remediation costs for brownfields projects
- Added costs of permitting related to solid waste, wetlands, air quality, and other regulatory requirements
- Higher construction costs due to racking that avoids ground disturbance

These costs will vary greatly on a project-by-project basis.

- 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 othersiting options, besides the built environment, contaminated land and landfills, that ~~shd~~ be given preference?

Outside of "traditional" projects on the open space, the built environment, and landfills/brownfields – floating solar, agrivoltaics, and grid rooftops should be incentivized for future solar development.

NJRCEV recommends that new technologies or siting applications should be given prescriptive, administratively determined incentives to ensure these projects do not face undue risk when developing their use-case.

The Competitive Solicitation program is best suited when there is a critical mass of projects necessary to stimulate competition and provide transparency on incentive cost requirements to guide market expectations. Too many niche solicitations, each with very small project volumes, are not likely to be sufficiently competitive nor justify the administrative effort to design and manage.

2. The Solar Act of 2021 stipulates that larger net metered non-residential projects (over 5 MW) be eligible to participate in the CSI Program:
- a. Does net metered status provide a benefit that is likely to be reflected in lower-costbids in response to a competitive SREC solicitation?

Whether net metered status will result in lower bids largely depends on the project. Net metered PPA prices, discounted off retail rates, should be higher than wholesale energy prices; therefore, supporting lower incentive requirements. Net metered projects are likely to be smaller than wholesale projects, with potentially higher installation costs driven by the size as well as the project specifics (rooftop, ground mount, etc.), and could require greater incentives than wholesale projects.

- b. What kind of project maturity requirements would be appropriate for net metered projects?

In general, overall development and construction costs and risks are lower for net metered projects and are not subject to PJM's interconnection timeframes, costs, and risks.

NJRCEV recommends that for submission in the Competitive Solicitation Incentive program, a project must gain site control, have a signed letter of intent, or similar instrument, from the host customer and/or a conditional award from a public entity, and obtain its Phase 1 electric distribution company (EDC) approvals.

Once awarded an incentive, projects should be required to post escrow and complete within twelve months, with Staff empowered to grant six-month extensions.

3. To maximize the competitiveness of the solicitation process, and also to capture additional potential benefits to the public, it is Staff's intention to propose a CSI Program design that facilitates public entities' participation:

- a. Are there special barriers public entities might face in participating in competitive SREC solicitations? If so, what are they? Are there ways NJBPU could help eliminate barriers?

Public entities seeking to develop solar projects require that projects go through a competitive procurement process.

Developers cannot contractually obligate themselves to a price via Request for Quotation/Request for Proposal, without knowing what the incentive will be.

To date, there have only been four "public entity" projects across the SREC and TREC programs greater than 5MW. Of those, two are at public universities (2012/19), one with a municipality (2014), and one project with a government facility (2018).

NJRCEV believes that because this universe of projects is so small, Staff should not dedicate time and effort to designing accommodative provisions for this segment.

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:

- a. Should Staff consider recommending a requirement that projects have completed a Facilities Study?

PJM has a significant backlog of projects in the queue process and notified developers in the most recent (September 2021) application process that the Feasibility Study results would be delayed until March 2023. Given current timelines it could take three to four years to get a project through the three process phases and get the final Facility Study completed. Unless NJCEP is aware that sufficient projects exist today with completed Facility Studies and executed interconnection and construction agreements, it is not likely any projects would be eligible to participate in a solicitation until 2025 or 2026 if completed Facility Studies were required.

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- b. What about having a requirement for a completed or draft System Impact Study?

PJM has delayed review of all interconnection requests until March 2023. As stated above, current timelines on System Impact studies (while shorter than Facility Studies) would significantly delay participation in the CSI.

- c. Are there other PJM queue position requirements that should be considered?

NJRCEV believes that a project should be required to apply for its Phase 1 PJM Feasibility Study to apply for the CSI. After a project receives its Feasibility Study, developers are unlikely to commit additional development capital unless the incentive level is known.

- d. 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?

To ensure development in the CSI, a project should receive its conditional approval for an SREC-II award after it presents proof of Phase 1 applications and studies, yet before it is required to complete the substantially more capital-intensive Phase 2 site plans, PJM System Impact study, etc.

- e. What would the impact of other project maturity evidence requirements be (e.g. site control, evidence of ROW control, evidence of community engagement)?

All Projects should be required to show proof of site control and Phase 1 application completion.

For net metered projects, NJRCEV recommends that a project must also have a customer letter of intent or conditional award from the public entity and obtained its Phase 1 EDC approvals.

For projects on contaminated land, projects should be required to show proof of pre-approval application with the NJDEP.

- f. NYSEERDA 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?

NJRCEV supports standardized application fees, as opposed to variable fees based on project size. The State's goals of 750MW per year and 100% Clean Energy by 2050 require that we maximize every available site. There is not a substantial increase

in administrative time and resources to evaluate a 5MW project versus a 20MW project to justify such a large discrepancy in fees.

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.

NJRCEV believes that administrative rules are sufficient. New Jersey has demonstrated a history of success using administrative rules to set incentives; and with large near-term goals to hit, consistency is key in maintaining investor confidence. From a ratepayer perspective, there would be no substantial cost savings from utility contracting, and any savings would likely be offset utility cost.

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

NJRCEV recommends longer tenure incentives (20-25 years) that approximate the useful life of the asset. Longer term incentives would ensure that that projects are properly maintained throughout their useful life and have cash flows sufficient after the 15th year of project life when major equipment replacement and maintenance costs ramp up.

This point was brought up throughout the TREC and SREC-II program development workshops by Staff's consultant (Cadmus), during which they highlighted the disconnect between Operation and Maintenance (O&M) costs beyond a project's SREC eligibility and the revenues they would receive from energy and Class 1 RECs alone.