



**Monday, June 20, 2022**

via email: [board.secretary@bpu.nj.gov](mailto:board.secretary@bpu.nj.gov)

**Secretary of the Board**

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**Re: BPU Docket Number QO21101186**

Dear Secretary of the Board –

NJR Clean Energy Ventures Corporation (“NJRCEV”) appreciates the opportunity to submit the following comments on BPU Docket Number QO21101186, pertaining to the Competitive Solicitation Incentive (CSI) program design.

NJRCEV is among the leaders in the New Jersey solar market. Since 2010, we have invested more than \$1 billion in over 370MW 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.

The CSI program is tasked with 300MW per year of solar development and needs to be structured in such a way that fosters the greatest number of projects possible. Please find below NJRCEV’s responses to Staff questions on the CSI program development:

**Bid Tranches**

- NJRCEV supports the proposal to reopen development of “basic grid” projects. It has been 3 years since the state’s Subsection-R projects were approved and 8 years since the Subsection-Q market was last open for application.
- NJRCEV supports the proposal to allow projects on the “built environment” (Tranche 2) and former-Subsection-T projects (Tranche 3) to compete in their own tranches, against other projects with similar cost structures, design hurdles, permitting and environmental concerns, etc.
- NJRCEV advocates for removing net metered (NEM) projects from the solicitation process all together, in favor of providing this category a fixed, administratively

determined incentive, as the energy price for a net metered project cannot be agreed upon with a customer until the associated project subsidy is defined.

- Grid connected floating solar projects are currently contemplated to be included in Tranche 1 and will struggle to compete against the other projects qualified for that tranche. Given their unique nature and beneficial use, we recommend they be included in Tranches 2 or 3.

### **Storage**

- NJRCEV agrees with the current approach to storage incentives (Tranche 5) and looks forward to revisiting the topic should subsequent legislation related to energy storage be adopted. We also recommend that net metered projects (Tranche 4) be allowed to compete for a storage incentive.

### **Project Qualification & Maturity**

- NJRCEV recommends that pre-qualification be limited to those projects with a completed PJM System Impact Study. The current timeline for a completed PJM facility study and issuance of the final Interconnection Agreement (3-4 years) makes it unreasonable to impose as a pre-qualification requirement for the CSI program. Should the impending PJM queue reform significantly improve the speed and efficiency of the process, NJRCEV would agree that an executed interconnection agreement would be an appropriate threshold for bidding into the CSI.
- Staff has proposed that any project which exceeds 300kW/acre must be verified by a certified engineer. This policy does not provide for future efficiencies in panel technology or the like; and therefore, is inappropriate for long-term program design. We suggest that this qualification requirement be removed.

### **Auction Procedure**

- Staff's current proposal debates whether Tranche 1 or Tranches 2/3 should go first in the order of solicitation. By allowing Tranche 1 to bid first, they explain that the least expensive projects also eligible for Tranches 2 and 3 could potentially win awards in Tranche 1 – the result being more awards going to projects on the built environment and landfills/brownfields. NJRCEV agrees, that the CSI program should favor capacity coming from Tranches 2 and 3, or the “preferred siting” tranches. While the spirit of the tranche order [so that more preferred siting projects have a chance at being selected] is appreciated, they will likely not be able to compete with the less expensive basic grid projects competing in Tranche 1. We therefore recommend that the preferred siting projects of Tranches 2 and 3 be allowed to bid in Tranche 1 and that 40MW of capacity from Tranche 1 be shifted equally to Tranches 2 and 3 – to ensure that more projects from those categories are selected.

### **Auction Price Result & SREC-II Payment Structure**

- NJRCEV supports the pay-as-bid structure. A pay-as-bid award coupled with strong project maturity requirements will ensure that all projects are compensated adequately for their given situations and minimize project attrition, ensuring that projects reach completion.
- NJRCEV supports the continuation of the 15-year qualification; however, would also support extending the term to 20-25 years in line with the useful life of the solar asset.
- Staff has proposed a 3-year qualification from CSI award to project completion. 3 years may not be enough time under the current PJM/EDC processes to complete PJM facility study and execute interconnection agreements, construct the project, and secure a PTO from the EDCs. NJRCEV recommends that a project should be eligible for an extension, from the date the final interconnection agreement is executed.

### **Indexed vs. Fixed REC**

- NJRCEV strongly recommends the traditional fixed-REC mechanism, as opposed to the concept of indexed RECs at this time– for the following reasons:
  - Indexed RECs don't reduce risk, they simply transfer energy and capacity market risks from developers to ratepayers. Ratepayers should not be forced to subsidize variable risks associated with wholesale energy and ancillary markets.
  - State policy should strive to preserve distinct attributes for the time, locational, environmental, and resiliency value of energy resources, not bundled values. These discrete price signals can help guide future development. The REC value should reward the environmental and societal benefit externalities associated with renewable projects and these values should be transparent and fixed, not solved-for based on values in other markets.
  - Energy prices are currently near all-time highs it is possible that incentive levels on indexed values will need to increase over their 15-year eligibility periods, to subsidize falling energy prices. The state seeks to drive renewable subsidies lower over time and not be forced to increase them because of an indexed product.
  - The administrative burden associated with an indexed REC should be contemplated by the state, as well as the frequency to which the revenue stack will be actualized with current energy and capacity prices. Managing hundreds, if not thousands, of unique projects with individualized revenue streams will be extremely burdensome.

- We are concerned that New Jersey subsidizing energy and capacity market values could have unintended jurisdictional consequences with FERC and PJM market rules which could add instability to New Jersey’s clean energy programs and goals:
  - In the 2020 PJM State of the Market Report, it is stated “Environmental requirements and renewable energy mandates at both the federal and state levels have a significant impact on the cost of energy and capacity in PJM markets. Renewable energy credit (REC) markets are markets related to the production and purchase of wholesale power, but FERC has determined that RECs are not regulated under the Federal Power Act unless the REC is sold as part of a transaction that also includes a wholesale sale of electric energy in a bundled transaction.<sup>1</sup>
  - In its 2021 State of the Market Report, it is stated that “renewable energy credit markets based on state renewable portfolio standards be brought into PJM markets as they are an increasingly important component of the wholesale energy market. The Market Monitor Unit recommends that there be a single PJM operated forward market for RECs, for a single product based on a common set of state definitions of renewable technologies, with a single clearing price, trued up to real time delivery.”

We have already witnessed how PJM modified its capacity market rule to limit participation from subsidized State renewable resources - which has significantly reduced solar market participation in the capacity markets. State policies like indexed RECs - where the State underwrites risks in PJM markets - only increase the potential for these kind of adverse rule changes.

### **Procurement Frequency**

- Staff recommends in this proposal a procurement scheduled every 12 months, for a total of 300MW per year. NJRCEV strongly supports a more robust program [in terms of total capacity] with more frequent solicitations. These procurements should be monitored, and the size and frequency adjusted based on installation trends and reevaluated on an annual basis - similar to the Administratively Determined Incentive (ADI) program.

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<sup>1</sup> This conclusion references (Sec 139 FERC ¶ 61,061 at PP 18, 22 (2012) (“[W]e conclude that unbundled REC transactions fall outside of the Commission’s jurisdiction under sections 201, 205 and 206 of the FPA. We further conclude that bundled REC transactions fall within the Commission’s jurisdiction under sections 201, 205 and 206 of the FPA...”).

We appreciate the opportunity to comment on this proceeding. 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.

Sincerely,

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