Rockland Electric Company Comments on
New Jersey Competitive Solar Incentive ("CSI") Straw Proposal
Docket No. QO21101186

Rockland Electric Company (RECO or the Company) submits these comments in response to the Board of Public Utilities' (Board) Notice dated April 26, 2022, in the above-referenced docket. RECO applauds the Board's continued efforts in developing a long-term, sustainable solar incentive program to assist in achieving the State's solar goals. The Successor Solar Incentive (SuSI) Program is designed to implement the Clean Energy Act of 2018 (P.L. 2018, c. 17) and the Solar Act of 2021 (P.L. 2021 c. 169). The SuSI Program contains two components: the Administratively Determined Incentive Program and the Competitive Solar Incentive (CSI) Program, the latter of which targets an average of 300MW of new solar projects each year.

In order to achieve this rapid expansion of solar cost-effectively, RECO supports the Board in developing incentives that are flexible enough to reflect declining costs, provide clear and transparent price signals to developers, and consider cost-effectiveness in prioritizing solar developments. RECO's comments focus on the structure of SREC-II payments and the immediate need for holistic storage rules.

SREC-II Payment Structure

The Solar Act of 2021 specifies that projects selected under the CSI program have the "right to receive a renewable energy incentive payment, in the form of SREC-II value per megawatt-hour established by the Board." The two options presented are Fixed SREC-IIs and Indexed SREC-IIs. Fixed SREC-IIs award a constant Renewable Energy Certificate (REC) payment for each MWh generated, while allocating capacity and market risks to developers. Indexed SREC-IIs award a variable REC payment as a function of the bid strike price and indices linked to the energy and capacity markets.[1] The Indexed SREC-II arrangement is similar to the New York State Energy Research Development Authority's (NYSERDA) large scale renewable procurement pricing structure. Fixed SREC-II provides more certainty to ratepayers as developers take on capacity and market risks. Indexed SREC-II is the preferred option for developers, as it shifts market risks to ratepayers and generally enables more favorable financing terms.

RECO's main concern with Indexed SREC-IIs is the risk shift from developers to ratepayers. While Indexed SREC-II offers great revenue certainty and thus enhances the economic viability of projects for renewable energy developers, the Board should guard against any unnecessary cost shifting from developers to ratepayers. There's reasonable confidence in Daymark's Monte

[1] Function used in analysis: SREC-II price paid = Strike price – Monthly average on-peak Zonal Day Ahead LMBPs ($/MWh) + Capacity prices ($/MWh)

Carlo analysis that Indexed REC payments were lower than estimated Fixed REC payments in most cases. However, the evolving regulatory landscape would present volatility in wholesale energy markets. RECO recommends that the Board impose a price ceiling to the bid strike price to limit market risks borne by ratepayers. The Board should be cognizant of rare cases, which the New York Public Service Commission noted in a recent Order,[2] where monthly zonal Locational Based Marginal Prices (LBMP) are negative. In those cases, the relatively high Indexed REC price would be inappropriate to compensate for the shortfall, particularly during times when generation is unnecessary.[3] RECO also recommends more frequent review by the Board whether Indexed SREC-II pricing is providing financial benefits to ratepayers.

Moreover, RECO supports the practice of providing subsidies such as SREC-IIs through administrative rules (similar to the administration of the Transition Incentive program[4]) 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. Such transparency will be useful to both the Board and Board Staff when reviewing the impact of the program on developers, ratepayers, and the achievement of the State's clean energy goals. In addition, requiring contracts between individual projects and an EDC will result in additional administrative costs for both parties, may result in one EDC procuring more than its proportionate share of SREC-IIs, and migrates away from a market-based approach that attempts to allocate risks equitably between developers and ratepayers.

Storage

Storage is an important asset with the potential to transform the electric system and provide multiple benefits to the grid and customers. The Clean Energy Act sets forth goals for energy storage deployment[5] and the Energy Master Plan recommends that a storage proceeding be initiated to meet these goals.[6] RECO supports the initiation of such a generic statewide proceeding and strongly recommends that the Board take a holistic approach to energy storage. An energy storage proceeding will serve to avoid the confusion and potential inconsistencies inherent in addressing storage on an *ad hoc* basis in multiple proceedings. This generic statewide approach will produce consistent requirements for energy storage regardless of the incentive program or clean energy initiative. Prior to authorizing storage as part of the SuSI Program or any other clean energy program, the Board should develop fundamental rules applicable to the widescale deployment of these assets. For example, the Board should establish

[2] *See* Order Modifying Tier 1 Renewable Procurements, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard,* pp. 23-25, Case 15-E-0302 (NYPSC January 16, 2020). Available at https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={1F9CA0EB-3968-41DB-BBE0-C251A3FE52DE}
[3] *Id.*
[4] *In the Matter of a New Jersey Solar Transition Pursuant to P.L. 2018, C.17*, Docket No. QO19010068 (issued December 6, 2019)
[5] *See N.J.S.A*. 48-87.8(d).
[6] *See* 2019 New Jersey Energy Master Plan, page 134.

the appropriate metering configuration and compensation methodology. This will allow storage assets to be fairly compensated for the benefits they provide, taking into account whether the storage asset is stand-alone or paired with a renewable asset.

Conclusion

RECO appreciates the opportunity to comment on the Straw Proposal and continues to support the Board in establishing a long-term, sustainable Competitive Solar Incentive program that puts the State on a path toward meeting its goal of 100 percent clean energy by 2050. RECO looks forward to continuing to work with the Board, Board Staff, and other stakeholders in the further development of clean energy programs to meet the State's clean energy goals.