September 24, 2024

Via E-file

Sherri L. Golden
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Ave., 1st Floor
PO Box 350
Trenton, NJ 08625-0350

RE: IN THE MATTER OF COMPETITIVE SOLAR INCENTIVE PROGRAM PURSUANT TO P.L. 2021, C.169. Docket No. QO21101186

Dear Secretary Golden:

The New Jersey Solar Energy Coalition ("NJSEC") and Solar Energy Industries Association ("SEIA") are pleased to respond to the stakeholder questions posed by the Board of Public Utilities ("BPU" or "the Board") pertaining to New Jersey's competitive solar incentive ("CSI") program. The CSI program aims to provide incentives in the form of solar renewable energy certificates ("SREC-IIs") for 300 megawatts ("MW") of new solar generation annually through a competitive solicitation process. Expanding the deployment of gird scale solar energy resources in New Jersey is a critical part of the state's effort to combat climate change and create family-sustaining green economy jobs by reducing greenhouse gas emissions 80% by 2050 and ensuring that all electricity consumed in the state comes from clean energy sources by 2035. SEIA and NJSEC (together "we" for the purposes of these comments) appreciate the Board's interest in gathering stakeholder input on the obstacles to participation and success of the CSI program, particularly for those tranches which have been undersubscribed. We are pleased to provide the following responses to the stakeholder questions found in this docket.

Respectfully submitted,

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NJSEC and SEIA Background

NJSEC was formed to create public policy support for New Jersey's solar industry. NJSEC works in legislative outreach, education, and the development of realistic public policy alternatives that align with the fiscal and social circumstances that are unique to New Jersey. NJSEC members include local and national developers, renewable energy credit market traders and analysts, engineers, and legal and accounting professionals supporting all phases of New Jersey's solar industry.

SEIA is the national trade association for the United States solar industry. As the voice of the industry, SEIA works to support solar as it becomes a mainstream and significant energy source by expanding markets, reducing costs, increasing reliability, removing market barriers, and providing education on the benefits of solar energy and energy storage. SEIA works with its 1,200 member companies and other strategic partners to advocate for policies that create jobs and shape fair market rules that promote competition and the growth of reliable, low-cost solar power. SEIA's member companies range from manufacturers, residential, community solar, commercial, and utility-scale solar developers, installers, construction firms, investment firms, and service providers. SEIA has 50 member companies located in New Jersey with several more national firms also conducting business in the state.

NJSEC and SEIA Responses to Board Questions

1. Solicitation Process

A. Were there specific aspects of the pre-qualification or solicitation process that you consider overly burdensome? How would you propose alleviating the burden? Are there any ways in which the existing solicitation process could be modified that you believe would encourage more participation?

As noted in our previous comments on the design of the CSI program filed to this docket, we believe that the CSI program should include maturity requirements that strike a balance between reducing speculative bids from developers and recognizing that competitive solicitations are inherently riskier to developers since not all projects will be awarded incentives.[1] In striking this balance, we recommend that maturity requirements should be different for Tranche 1 (Basic Grid Supply) and Tranche 3 (Grid Supply on Contaminated Sites and Landfills). Tranche 3 projects typically require additional agency approvals, and the amount of investment required to control, test, and evaluate contaminated sites and landfills will deter developers from additional investment in the

[1] See "Joint SEIA, NJSEC, MAREC Comments." Docket No. QO21101186. https://publicaccess.bpu.state.nj.us/DocumentHandler.ashx?document_id=1251596. 14 December 2021.

PJM interconnection process prior to knowing whether the proposed project has a path to SREC-IIs. For this reason, we propose that our general suggestion of a pre-qualification requirement of having commenced a Systems Impact Study from PJM or the equivalent of an impact study analysis under PJM's queue reform be waived for projects in Tranche 3. We also recommend that the BPU review the requirements limiting development to 5% of eligible sites on a county-by-county basis. This limitation, which we do not believe is a requirement of law, significantly hampers development in counties possessing the greatest opportunities for grid scale projects.

B. Does the timing of the solicitation cycle work for you? If not, why not, and what changes would you suggest? If you recommend making solicitations more frequent, do you have any recommendations for ensuring more frequent solicitations remain competitive?

We recommend that New Jersey continue the practice of holding at least one annual solicitation for large scale projects for an established number of MW per year. We would, however, recommend that the forward schedule for such solicitations be made public well in advance to permit developers time to plan for their active participation. Consideration should also be given to staggering the solicitations for each of the four tranches over a six-month period because solar developers may be involved in participating in more than one tranche, and this would make for a smoother process.

2. Project Maturity Requirements

A. What are your concerns associated with the PJM queue process and its ongoing reform? Would you suggest any potential alternatives to current PJM queue position requirements, such as a project security deposit or escrow?

As an alternative to the current PJM queue position requirement, we would support the BPU implementing a financial deposit requirement at an amount that is high enough to discourage bids from projects that are unable to materialize. We recommend that such a deposit be capped at $40,000 for any project irrespective of size in accordance with the current statutory limitation. We also support Senate Bill 3308 which provides that under certain circumstances, PJM queue position requirements and prior approval not be required.[2]

3. Tranche-specific Considerations

A. Please describe ways in which you think the current tranche structure could be changed that would encourage additional participation, such as

[2] New Jersey Legislature. Bill S3308. Session 2024- 2025. https://www.njleg.state.nj.us/bill-search/2024/S3308.

changing tranche definitions, consideration of project types like floating solar, or capacity allocation changes.

We support the BPU's model of having separate solicitation tranches to allow like projects to compete against like projects. We also believe that the full 300 MW associated with the total solicitation be utilized to the maximum extent by freely moving any unused capacity to other tranches in order to obtain the maximum utilization of the program. We recommend that the BPU evaluate bids against pre-established criteria, with price being the major driver for project selection, but also taking into consideration the in-state economic development impacts of the projects, the proposing firms experience in building similar projects, and whether the project has reached major development milestones.

B. Please describe any specific barriers to participation in the market tranches and any suggested modifications for future solicitations.

i. Please provide feedback on how the Board could expand the definition of Tranche 2 to include other preferred siting types.

We have no formal recommendations to expand the definition of Tranche 2 to include other preferred siting types that would be competitively neutral.

ii. Tranche 3, Grid Supply on Contaminated Sites or Landfills

We recommend that this tranche be expanded to include floating solar proposals in as much as the financial cost associated with these projects are more closely aligned with the development of landfill and brownfield sites. We also suggest broadening the definition of floating solar to include projects on storm water retention ponds in industrial plants, irrigation reservoirs, canals, mines, quarries and storage ponds of pumped hydro facilities, which in many cases do not have an alternative public use and do not compromise New Jersey's commitment to preserving its open spaces and farmland.

iii. Tranche 4, Net Metered Non-Residential Projects Greater than 5 MW. In what ways do the rules raise obstacles to participation for this project type?

Net metered nonresidential projects over 5 MW rely upon the underlying economics associated with the project's negotiations with the roof owner in negotiating a long-term lease, and power off taker in a similar negotiation resulting in a long-term power purchase agreement ("PPA"). These negotiations are both extensive and expensive since they result in unique legal documents. Due to economies of scale, it is unsurprising that a competitive process would result in bids lower than the administratively determined incentives for smaller rooftop projects. Needing to devote

considerable time, effort, and financial investment in advance of entering a competitive solicitation process does not attract development nor would many customers be interested in entering into prolonged and expensive PPA negotiations for a project that is subject to a competitive bid. It is likely that the only modification that would expand the universe of eligible projects in Tranche 4 would be to reduce the 5 MW threshold to 2.5 or 3 MWs.

4. Siting Accessibility

A. What challenges do you experience with finding available preferred sites, particularly on built environments? What additional support or guidance, including siting tools, would assist you?

We believe support from electric distribution companies ("EDCs") in providing general guidance on order of magnitude interconnection cost estimating would be beneficial to the deployment of CSI projects on preferred sites. A pre-application process for large grid scale projects can increase the approval rate of applications. We strongly encourage EDC involvement for high level "pre-application" input at the earliest stage in the development process as possible.

5. Project Funding

A. What cost-related obstacles prevent or hinder your participation in the CSI Program?

We believe that the recent price spike associated with the PJM Base Residual Capacity Auction is further evidence of the need for the BPU to reconsider price indexing as a mechanism to assist in reducing project financing costs to help mitigate financing risks associated with higher energy costs and high volatility.

In addition, public entities interested in participating in the CSI program should be permitted to use an RFQ process in the selection of their development team. This would allow the public entity to evaluate permit price and other factors to make the final selection so that they would not be constrained solely to the level of discounting offered to their residents. Additionally, we support exempting public entities from the proposed bid fee of $1,000 per MW and recommend that the BPU consider additional extensions to the proposed 3-year commercial operations date requirement.

B. Please describe specific cost-related obstacles related to Tranche 3 (Grid Supply on a Contaminated Site or Landfill). Are you aware of additional sources of funding? Can you comment on whether any other sources of funding for landfill closure are available to support landfill projects in addition to solar incentive funds?

Costs associated with grid supply projects sited on landfills or contaminated sites can vary greatly due to the specific circumstances involved with each site. This creates difficulties in developing estimates that will stand up to a competitive process. Recently, however, Governor Murphy's execution of A4619/ S3479 will provide additional tax incentives to assist solar developers in undertaking both landfill closing costs and brownfield remediation costs, significantly expand solar opportunities for these distressed properties.

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Thank you for the opportunity to provide input on the successes and obstacles of the most recent CSI program solicitation with the ultimate goal to improve the process for upcoming solicitations. We are grateful for the BPU's continuing leadership and recognition of the value of expanding grid scale solar deployment and hope that the Board will implement the recommended adjustments to the CSI program solicitation process, tranches, and capacity allocations to permit the benefits of this program to flow at its earliest opportunity. NJSEC and SEIA look forward to continuing our involvement in this and other important New Jersey proceedings.