Comments of Consolidated Edison Solutions, Inc. and
Consolidated Edison Development, Inc. on
NJBPU Staff September 9, 2011 white paper Next Steps in the Solar Transition

Consolidated Edison Solutions, Inc. ("CES") and Consolidated Edison Development, Inc. ("CED") appreciate the opportunity to comment on the September 9, 2011 white paper issued by Staff. Both CES and CED are active in all facets of the competitive energy market throughout the region and in New Jersey in particular. CES is a Third Party Supplier providing electricity and energy-related services to retail customers in New Jersey and CED has constructed and is continuing to develop a number of ground-mounted solar generating facilities in the JCP&L and ACE service territories.

As indicated by the large turn-out and diverse comments offered at the September 15, 2011 stakeholder meeting in Trenton, there is no shortage of suggestions for how to modify New Jersey's existing solar procurement rules. However, the reduction in SREC prices should not be viewed as a problem that needs to be fixed by imposing a new regulatory construct. Rather, it should be viewed as a natural and healthy market response to the current level of solar development activity in the state. As indicated by several parties at the September 15, 2011 meeting, a stable regulatory environment is essential to attract capital and ensure efficient market outcomes for both solar developers and retail and wholesale marketers. Therefore, CES and CED would caution against any sudden or near-term policy changes. However, we do offer the following comments and suggestions for the Board as they consider new solar policies:

The existing utility solar load programs should be extended and made more standard across the four EDCs. Specifically, the Board should allow PSEG's existing Solar 4 All and Solar Loan programs to sunset and direct that utility to adopt an SREC-based financing program consistent with the procurement plans administered by the other three EDCs. Because PSEG's Solar 4 All program does not factor in price signals from the SREC market, continuation of that program is likely to contribute to the current oversupply of SRECs and result in additional installations that would otherwise be unwarranted based on current SREC prices. In contrast, the existing SREC-based financing program allows potential developers to compete on the basis of SREC prices and results in investments based on economic signals and competitive market forces, not a given utility's desire to earn a guaranteed return on solar investments.

At the September 15, 2011 stakeholder meeting, some parties suggested that the solar market should be bifurcated with the existing SREC market limited to generation from rooftop and/or behind the meter solar installation. Such a bifurcation would be both inappropriate and inefficient, ultimately driving up the cost of RPS compliance for retail customers. From a policy perspective, there already are additional incentives for behind the meter installations due to net metering rules which values the power output at the customer's the retail rate which is typically twice the wholesale rate. Bifurcation of the market would also make compliance cost higher, increase market power concerns and raise compliance costs. At the end of the day, customers should get benefit of the most cost-effective solar projects, whether brownfield solar, landfill development or rooftop installations.

Another issue raised at the stakeholder meeting was how the decline in SREC prices has adversely impacted some of the smaller solar projects. This suggests a need for consumer education to inform property owners about the market risk of SREC prices rather than a structural change to the market.

Finally, CES and CED would also like to take this opportunity to remind Staff of the importance in ensuring that any new solar policies be implemented in a competitively neutral manner that does not adversely impact the competitive retail electricity market. Unanticipated regulatory changes in solar policies can have a disruptive impact on both developers and suppliers who participate on both ends of the SREC market. Any changes to the Solar ACP or SREC purchase requirements must apply to both retail Third Party Suppliers and wholesale BGS Suppliers equally and be implemented on a forward basis to avoid or minimize the disruption to existing contracts.

Respectfully Submitted,

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