

Renewable Energy Committee Meeting Notes - 5/13/2008

Agenda

Maureen Quaid convened the meeting at 1 pm.

1. Discussion Items:

1.a. ACP level for EY2010; SACP level for EY2017

Scott Hunter provided an overview of the process for setting the ACP and SACP. Process normally occurs in the fall, but it was deferred last year. OCE is now in the process of convening ACP committee for EY2010, and EY2017 for SACP. OCE is soliciting interest in committee makeup for this process, plans to make a recommendation to the Board by July. Typically committee consists of 6-10 people representing different market perspectives, including EDC, 3rd party supplier, rate counsel, solar wind and biomass representatives. If anyone is interested, please email Scott Hunter by the end of the week. Representatives of organizations may be considered more favorably than individuals. Hunter will report back at the next REC meeting.

1.b. SRECs trading platform transition to PJM-GATS

Steve Wiese provided comments on a presentation on GATS transition.

The current and future planning activities were presented. The stakeholder process began in January 2008 with weekly meeting being conducted since March. Several proposals have been developed that are being evaluated by Treasury. Primarily, there has been a request for a waiver from Treasury to extend CPM's contract until 9/30/09. The original scope of work was removed by Treasury last year. The new Scope of Work includes more hand holding through the process and an increased emphasis on training. A parallel track is being followed to provide program updates and issues to the Board in June to allow time to react if Treasury does not extend the CPM's contract.

A matrix has been developed that illustrates the classes of generating units between new vs. existing and estimated vs. actual production reporting. This is designed to clarify the distinction between residential and commercial applications that self report/data log reporting vs. engineering evaluations used to determine system production for smaller (LTE 10kW) systems.

The options available to the GATS transition depend on the contract extension to CPM. If the contract is extended all projects must transition to GATS by June 1, 2009. However, new, actual production reporting systems are encouraged to establish accounts by 6/1/08. If the CPM extension is not granted then all projects must transition to GATS by 9/1/08 to allow 30 day overlap between CPM and GATS to allow reconciliation while CPM is still staffed..

Account holder responsibilities were discussed as well as some shortcomings within the GATS system. Some participants asked the following questions:

- The primary challenge is that GATS does not allow reporting of partial RECs, which is a challenge for residential customers.
 - GATS will consider this option
- The estimated production currently used in CPM must be carried over to GATS as well as for new estimated production projects, which is currently not available in GATS. SREC pricing is also not available in GATS, but these may be able to be added fairly easily.
 - GATS is considering the auto populate option
- GATS user fees for smaller systems (<10MW)
 - There is no fee for projects <10 MW

- What happens if CPM contract is not extended and GATS does not transition to auto populate production for smaller systems?
 - Users must register with GATS and report only full RECs

Training for PJM-GATS will be held on June 5.

1.c. 2009 Renewable Energy Program Planning

Overview

Process and timeline

Maureen Quaid discussed preliminary 2009 program planning and timeline. Noted this discussion is very high level at this stage. Planning starts with CRA budget assumptions of \$64-\$68 million for solar, wind, biopower/fuel cells, and clean energy technologies. Ambrosio notes there will also be some carry-forward from 2008 added to these totals, recommends Market Managers make an estimate of these funds and add to assumed budget by next meeting.

Quaid said current Market Manager services include operating the CORE, REC, SREC Pilot, and CleanPower Choice programs. She showed a conceptual map of how programs and technologies intersect currently. Another slide split out market segments by technology and by whether projects are behind-the-meter or grid supply. Noted Market Managers would continue providing similar market support services for behind-the-meter projects. For solar, incentives would be available for projects up to 20 kW, while for wind and biomass incentives would be available for projects up to 2 MW.

Quaid said a conceptual 2009 plan would:

- Consolidate CORE, Pilot, REC facilitation program management activities;
- Add new upstream activities in market development (e.g., integration with EE programs, development of market operational tools; staffing workshops and working groups; collaboration/outreach to local governments, state, schools, communities);
- Continue management of the CleanPower Choice program.

Ambrosio asked PSEG whether PSEG needs inspections or production verification.

Lynk asks where impact evaluation of programs is considered. Ambrosio responded that PVWatts is used. KEMA has been engaged to conduct an impact evaluation of the CORE program – will look at billing data and customer surveys, and will be looking at actual systems and metering pending contract modification.

Quaid notes that Clean Power Markets and the Market Manager team also produce a verification of energy production. Hunter replies that CPM reports have not been publicly released. Quaid notes that contract modifications pending consider integration of Clean Power Estimator with Market Manager processing functions.

Question asked whether Market Manager functions include economic development activities such as coordination of state agencies such as EDA. Quaid replied that Market Manager has and will continue to participate in such activities, and such functions are included in the 2009 conceptual program plan presented.

Quaid provided an overview of the program planning timeline. Designs will have more 2 opportunities to be vetted before the REC during next two meetings, with final plans and budgets completed by September 12.

Ambrosio said OCE will present budget planning options for discussion to the Board on June 11 to present recommendations and pose questions prior to making final recommendation at next agenda meeting on July 8 or 9.

Lyle Rawlings expressed concern about budget and program planning processes over the next year. Encouraged by PSEG program coming along, but also depending on 0-20 kW CORE rebates. Would like to see those CORE rebates ready to go by fall 2008 if possible and not have to wait until 2009 plans are complete and approved. Ambrosio said one option is to pre-approve CORE budget in advance – did so this year, but unlikely it will happen again due to reservations about doing that. Second issue is whether Market Manager has the contract modifications they need to perform new functions.

Question regarding how changes in federal investment tax credit would affect incentive levels. David Hill responded that 2009 program planning reflects current intent which states intention to adapt rebate level to account for changes in FITC and encourage maximum leveraging of New Jersey funding.

Scott from EVCO and Lyle Rawlings expressed concern about economic effects on industry of start/stop program decision making.

David Hill presented options for discussion on design criteria, incentive levels, options for queue transition, and timeline for 09-12 planning. He said the fundamental objective is to support sustained market growth towards the solar RPS goal. He estimated that the rebated systems component would be enough to represent about 15% of the incremental capacity for the 2012 RPS target for solar. He would also like to avoid creating over-subscribed queues, and to pace incentive reductions to the growth of installed capacity.

Other objectives include integration with EE programs, tie incentives to expected system performance, and encourage development in specific market segments (e.g. low income or public) through tiers and/or budget category set-asides.

Hill presented four queue transition options, titled “fresh start”, “legacy rollover”, “first refusal”, and “first refusal – legacy” and described how each would work. All would be tied to new incentive levels.

Hill said incentive block step-downs could commence immediately, at end of first refusal period, or at the end of the legacy block. The timeline is consistent with that presented by Quaid earlier.

Comments and discussion:

Scott Schultz asked clarifying question about block step-down. Hill responded it could be designed in a number of ways, and at this point we are soliciting feedback. Rawlings said this program started with block based incentive and this made it hard to sell contracts when the incentive level is not known ahead of time; he would prefer annual or time-based model. Quaid notes that with advent of Market Manager team there is more transparency to time-sensitive information, industry could have a basis for knowing what funds are available. Rawlings said he would prefer that program stop accepting applications when budget is allocated, and expressed reservations about rebate block structure. Rawlings overall comment is to keep it simple and stop accepting applications when the funding is allocated.

Schultz said he would be concerned about a flood of applications whenever a time-based step down takes effect. Ambrosio said these were considered during the previous round of program planning and these issues have been discussed before. Hunter described a different approach, an ascending block structure as a possible alternative.

Another commenter expressed strong support for higher budgets overall for RE and EE given higher energy costs. Quaid noted those comments are best suited to the CRA proceedings, and asked for feedback specifically on queue transition options.

Hill said about 8 MW would be rolled over in legacy rollover option, approximately using up the entire first year budget (assuming about \$3/watt incentive level). But a lower incentive level could create some headroom in the budget. MASEIA (Rawlings) said it would discuss these options internally and provide feedback to market manager.

Bill Condit from Trinity suggests throwing out legacy rollover option, some agreement from around the room. Pam from SunFarm Network suggests throwing out the “fresh start” option, several others express opposition to that idea.

Quaid asks for views on “first refusal” versus “first refusal-legacy”. One phone commenter expressed support for first refusal legacy. Another commenter suggested taking \$21 million and cleaning out the queue at past incentive levels.

1.d. CORE program issues:

Bypassing incomplete applications – process & deadline for cancellation

Quaid said market managers have \$1.7 million in bypasses where the market manager has been unable to get a response. Plan to send certified letter to customer with cc: to installer that project will be removed from queue with 30 days for response.

SREC eligibility for projects completed before 2007

Question concerns how to get older projects which never signed up for SREC account into the SREC market. Discussion centered around whether this was merely an administrative issue, and if so, how best the market manager team can provide necessary services to the system owner and OCE, or whether there were rule-based or eligibility concerns which needed to be addressed.

Eligibility criteria for fuel cell projects

Did not discuss.

2. Program Updates:

- CORE (approvals, payments)
- SREC-only Pilot
- CPC
- Grants & Financing (OCE/EDA)

Did not discuss.

3. Working Group Updates:

- Solar
- Wind
- Biopower

Did not discuss.

4. Proceedings Updates:

- CRA
- RGGI
- EMP
- Net Metering

Did not discuss.

5. Other Business:

Next meeting – June 17 (Municipal training is June 10)

Renewable Energy Committee Meeting Attendees

Tuesday, May 13, 2008

1:00PM - 3:30PM

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