



Renewable Energy Committee Meeting

July 9, 2013

BPU 1st Floor Meeting Room - Trenton, NJ

1:00 pm to 3:45 pm

I. OCE Updates (B. Ackerman, S. Hunter, M. Ambrosio)

a. CRA 2014-2017 (Order 8A)

1. **Mike Ambrosio, AEG:**

- **Regulatory:** At the last Board Agenda meeting, the Board approved two major items. In the CRA they set the funding level in FY 14 and they deferred a decision on the FY's 15-17. For next year, the staff straw proposal called for the establishment of two working groups. One is a utility working group that will look at big picture issues and the relationship between the Utility Programs and the Clean Energy Programs and looking for better coordination. The other one is an evaluation workgroup that will put together an evaluation plan and identify the key evaluation paths for the next three years.
- **Contracts:** A third related item is the contract for Honeywell, TRC and AEG has been extended for four months. The intent is that the protest of the award of the new program coordinator would be resolved at that point, after which, there would be a 90 day transition period. Depending on the timing, one of the tasks for the Program Administrator will be to prepare a multiyear strategic plan for funding levels. The straw proposal for the 2015-2017 CRA funding levels should be out in early 2014 and will include the 3 year plan funding level

b. FY14 Budget (Order 8B)

1. **Mike Ambrosio:** There were no radical changes on the renewable energy budget order. These were approved and the programs are up and running.

c. Regulatory / Legislation Update

1. **Scott Hunter, BPU:** At last month's Board Agenda meeting there was one renewable energy related item regarding the Clean Energy Program, which was for approval thresholds for incentives. The Board previously increased the approval threshold for Energy Efficiency, and we now asked to raise the RE approval threshold from \$300,000 to \$500,000 because we expect a greater demand from the Energy Storage Program, along with the Biopower Program. There was also an item regarding the Solar Act Subsection Q. The item was an amendment to the Escrow agreement that provided for project developers to get back their Escrow before they are designated. BPU staff also received Board approval to post a list of the 28 Subsection Q projects and the state of

the notices. These results were reviewed with the Board at the June meeting and staff will make recommendations to the Board on these projects at the August 19th Board Agenda Meeting.

- **Mark Bailey, Cooper Levinson:** Are there any plans to open up for more applications to be submitted for subsection q, as there is still 120 MW left of 240 MW (80 MW per year)?
 - a. **Scott Hunter** There are no plans at this time to accept more applications.

d. Board Orders and Proceedings

1. **Scott Hunter:** There will be separate Biopower and Energy Storage working group meetings, as well as plans to undertake the Subsection r rulemaking process as well as other RPS rule changes that are directed by last year's Solar Act. More on this later in the meeting.

II. Discussion of the Solar Act (S. Hunter/R. Boylan)

a. Status of proceedings; q., r., s., t.

1. **Scott Hunter:**

- **Q:** The list of 28 projects was circulated and presented to the Board and we plan to make a recommendation to the Board in August. There are no plans on re-opening the application window.
- **R:** A more involved approval process is needed for grid supply projects, which will require staff to put together a rule making process. Staff may develop a separate workgroup, but this section of the Solar Act doesn't kick in until Energy Year 2017, so there is plenty of time to work on the process and rules.
- **S:** There were a number of motions of reconsideration and appeals sent to the Board on their decisions. The motions of reconsideration have to be heard by the Board at the Agenda meeting on the 19th. The appeals do not need to be handled by the Board at the Agenda meeting.
- **T:** BPU has received 7 projects, 5 had the DEP recommendations and those will go to the Board in July for the decisions.

2. **Larry Barth, NJR:** Looking at the list of the subsection q projects, I see that some of them were submitted before the 4pm time, do you care to comment on that?

- **Scott Hunter:** The 4 pm time made no difference, as even if you moved those earlier projects to the end of the line they would have still been accepted.

3. **Question:** You had mentioned the possibility of guidance on deferred SREC projects, can you elaborate on that?

- **Scott Hunter:** We have not gotten an opportunity to put together a straw proposal on the additional criteria milestones that the Board directed us to develop with stakeholders. The first step is a straw proposal, then to circulate it for comment and then discuss in this forum.

4. **Question:** Some of the Q projects are highlighted in orange or red, which seems like they are the ones that have some type of issue. is there any discussion for providing a period of time to correct those deficiencies?

- **Scott Hunter:** Many of those listed in red have major issues. Small issues like escrow amount discrepancies are not mentioned.

- b. Investigating Approaches to Mitigate Solar Volatility (S. Hunter /C. Garrison)
1. **Scott Hunter:** This proceeding started off with the Board Order from October 4th. We began that with a public meeting on November 9th. Comments were submitted until November 23rd. This proceeding we knew would be more involved. Our first step was to define solar development volatility, before solutions. We are now collecting comments on the approaches to mitigating solar volatility, and presenting them. Today there are three presenters.
 2. Presentation of comments
 - **Rate Counsel (D. Dismukes) – Full presentation found on NJCEP Website:**
http://www.njcleanenergy.com/files/file/Renewable_Programs/Meeting%20Notes/RATECOUNSELREPRESENTATION.pdf
 - a. Position Summary
 - i. The Board should differentiate between “SREC price” volatility and “solar development” (installations) volatility. The Solar Energy Act addresses development volatility, not SREC prices.
 - ii. Solar development trends do not reflect an unusual degree of volatility when examined within the context of objective measures. SREC prices are also no more volatility than any other energy commodity.
 - iii. The Board has already taken steps over the past several years to stabilize solar energy markets. No additional steps are needed at this time.
 - iv. The Board should not actively manage markets. To do so could undermine two important Board policies including (1) the goal of facilitation competitive renewable energy markets and (2) reducing regulatory uncertainty.
 - b. **John Jenks:** Doesn't the Solar Act instruct the Board to manage the markets?
 - i. **D. Dismukes:** Can be verified by a lawyer, but the Solar Energy Act does provide that the Board must actively manage markets.
 - c. **Question:** On slide 12, vertical demand curve – we are under the impression that a vertical demand curve causes more volatility and we are getting the impression that you feel it will work itself out- is that true?
 - i. **D. Dismukes:** Yes, we feel that micromanaging the market is going to make it worse , not better.
 - d. **Kevin Quilliam, SREC Trade:** Co-efficient of variant is very high if you use one. Our firm uses .5 as variability.
 - i. **D. Dismukes:** For real volatility, 1 is the correct co-efficient.
 - e. **Garden Solar Caller:** It seems you have merged all of the types of installations, residential and commercial, and I think there would be a lot of explanatory aspects if you parsed them.
 - i. **D. Dismukes:** I will look into this further as well.

- **SEIA (K. Bolcar) – Full presentation found on NJCEP Website:**
http://www.njcleanenergy.com/files/file/Renewable_Programs/Meeting%20Notes/Overview%20SEIA%20comments%20-%20volatility.pdf
 - a. Two Categories of approaches to mitigating volatility
 - i. Targeted Support to stabilize SREC revenues
 - 1. Transferring SRPS obligation to EDCs
 - 2. Continuing and expanding EDC SREC programs
 - 3. Implementing SREC tranche in BGS auction
 - ii. Broader support to the SREC market
 - 1. Market-response solar requirements
 - 2. Establish SREC floor price
 - 3. Establish an entry cap or ‘gatekeeper’
 - iii. Transparency is critical to a well-functioning market, but not sufficient to reduce solar development volatility.
 - b. **Audience Member Question:** The less interference there is in the market, the less volatility that is likely to occur. However SEIA has laid out options that require the BPU to intervene.
 - i. **Katie Bolcar Rever:** The legislature has already shown they will intervene in the market, we advocate for intervention only when there’s a market failure, when there’s a severe and persistent under or oversupply in the market, and when there’s a clear policy directive that’s not being met by the competitive market. With that caveat of those criteria of intervention, there are certainly some of those options that would create more regulatory uncertainty risk than others. The “continuing and expanding the EDC programs” would have the fewest transition issues.
 - c. **Audience Member Question:** If you allow the market to operate freely, there’s plenty of development activity, isn’t that the idea to drive the SREC prices to where the ratepayer has the least amount of cost?
 - i. **Katie Bolcar Rever:** I would advocate for options in the targeted support to stabilizing SREC revenues as opposed to the broader support of the spot market. If the market is overly dependent on short term and spot market prices, can result in not being able to accurately predict SREC prices in the long term.
 - d. **Audience Member Question:** Of the three caveats you mentioned earlier, do you see any of those conditions existing today?
 - i. **Katie Bolcar Rever:** Yes, the fact that we have not seen a robust long term contract market develop is a market failure. In the beginning you saw more suppliers offering long term contracts, but as the market evolved and there was regulatory uncertainty they’re not doing that as much anymore. There already is regulatory uncertainty and I’m not saying there should be a whole redesign in the market, but we’re trying to create a robust development market that can persist beyond the RPS. Stabilizing revenue stream will help develop projects at the least cost.

- e. **Mike Ambrosio:** I keep hearing of the need for long term contracts, but later on Charlie will show me a chart that another 30 megawatts got build last month. It's happening without long term contracts. The smaller market does need support, like the EDC programs.
 - f. **Scott Hunter:** Katie, how do you know if long term contracts do not exist?
 - i. **Katie Bolcar Rever:** I gathered this information from speaking with developers who said they could not get a contract longer than 3 years.
 - g. **Scott Hunter:** Thanks Katie. More numbers around this would be helpful.
 - h. **Mike Ambrosio:** I would argue that it might be the lowest cost to the developer because you're shifting the risk to the ratepayer.
- **SREC Trade Comments – Kevin Quillaim**
 - a. The overarching theme of our comments is that SREC markets are a market based mechanism, and are inherently volatile. There are two choices when you design an incentive program, you can have an administratively set feed-in tariff or you can have market based system like SRECs which will have volatilities.
 - b. We think the damage is when the cycle gets too long it causes damage to the industry and will cost the ratepayers. Our comments are to embrace the volatility, but to make the cycles shorter.
 - c. **Suggestions**
 - i. **Reduce the time it takes for price signals to reach the market.** Implement a quarterly compliance requirement.
 - ii. **Cut the unnecessary one month lag from when electricity is generated and SRECs are created by GATS.** BPU should tell them how they want it done and that's how they should do it.
 - iii. **Have a responsive compliance obligation.**
 - iv. **Have some recognition of the monetary benefits of solar which are currently not paid to solar generators.** Specifically, capacity payments.
 - d. **Scott Hunter:** For any written comments on these presentations, please submit them to OCE@bpu.state.nj.us
 - e. **Charlie Garrison:** This discussion will also continue at the next RE Committee meeting in August.
 - **Solar Market Volatility (C. Garrison)**
 - a. The installed solar capacity as of 6/30/13 is approximately 1,094 MW.
 - i. Approximately 15.7 MW installed in current month
 - b. The preliminary solar capacity project pipeline as of 6/30/13 is approximately 582 MW.
 - i. The project pipeline decreased approximately 95 MW in the current month due mostly to deactivation of expired grid supply projects.

- c. For More Information- If anyone was accidentally kicked off of the RE Listserve you can re-subscribe with the following link:
 - i. <http://mail.njcleanenergy.com/mailman/listinfo/Renewables>

III. Program Updates

a. FY14 Renewable Energy Program Approved Plan (C. Garrison)

1. FY14 Renewable Energy Program Summary of Proposed Changes
 - New incentive program for energy storage technology
 - a. Board Staff and Market Manager will hold discussions with interested stakeholders to develop program guidelines, incentive structure and target market
 - b. Findings will be used to develop a competitive solicitation process.
 - Biopower program changes
 - a. Incentive structure changing from incentive schedule to a competitive solicitation administered by the Market Manager
 - b. Board Staff and Market Manager will hold discussions with interested stakeholders to develop the solicitation process and solicitation schedule for FY14
 - c. The REIP financial incentive for sustainable biopower feasibility studies and wind feasibility studies will be eliminated for FY14.
 - Biopower Program Update
 - a. Three feasibility studies were approved with rebate commitments totaling \$69,274. All three studies were completed, but only two will proceed as one was not feasible.
2. Formation of Energy Storage & Biopower workgroup
 - Individuals interested in participating in one or both working groups need to send an e-mail to njreinfo@njcleanenergy.com with your contact information and the working group name in the subject line.
 - First meeting for both groups will be held the week of July 22nd
 - Both working groups will look into program development issues including, but not limited to:
 - a. Eligible technologies, incentive structure, solicitation structure and timing, application criteria and process
 - Additional announcements will be sent to the NJCEP email distribution lists
3. To subscribe to NJ Biopower Technical Working Group notification list:
 - <http://mail.njcleanenergy.com/mailman/listinfo/biopower>

b. Operations Update (J. Bachmann)

1. 737 SRP Registrations received in June 2013.
 - 549 Registration Acceptance letters issued for 12 MW
2. 796 Final As-Built Paperwork packages received in June 2013
 - 527 SRP Completions for 26.5 MW
 - Includes 1 Grid Supply project completed under subsection s at 6.7 MW.
3. Question: When in the process do people register for the SREC Registration Program?
 - Joanne Bachmann: It must be registered within ten business days of the execution date of the contract, otherwise it is deemed non-compliant.

IV. RPS issues (R. Jackson)

a. Update on SREC Metering for PSE&G Pole Attached Solar

1. Solar4All Monthly Activity Report for May can be found on NJCEP Website: http://mail.njcleanenergy.com/files/file/Renewable_Programs/Meeting%20Notes/2013-06-21%20-%20S4A%20Program%20MonthlyActivity%20Report%20-%20May%202013%20-%20REDACTED.pdf

2. Other PSE&G Solar Program Documents can be found on NJCEP Website: <http://mail.njcleanenergy.com/renewable-energy/programs/utility-financing-programs/utility-financing-programs/pseg>

3. **Audience Member Question:** I'm still looking for the answer to my question which is how does PSE&G get their credit for the amount of production they produce?

- **Scott Hunter:** They do it the way they proposed to do it, and they presented it to the same committee in 2010. They have 50 aggregators that are metered, that provide information for a sub-array of the 173k projects. So they're sampled, and the meter data is provided to PJM, where the energy and capacity sales are made. PJM in turn provides the data to PJM-GATS, where the SRECs are created. So for every mWh that is produced, and SREC is created, just as every other grid supply project operating in PJM-GATS territory.

4. **Audience Member:** I appreciate that you are providing the information and documents you're giving me. There are some deficiencies in that process you gave me though. In 2009-2011, they held back and then flooded the market.

- **Scott Hunter:** That was capacity, this is MWh. That was capacity that came online in the whole sum of pipeline.

5. **Audience Member:** I understand, but the point is that they showed they had 32,000 MWh of power they put on in 2011, from the past three years. That was 116% efficiency of the panels. I'd like to see the Energy and Network Managing system data reports.

- **Scott Hunter:** You can send me the reports you have. PJM gets their data from PSE&G, which they get from the aggregators.

6. **Audience Member:** Do you know which of the pole mounted projects are actually aggregated? Is it just a verbal affirmation from PSE&G?

- **Scott Hunter:** We do not know which ones are metered. It goes to PJM. Do not confuse PJM with PJM-GATS. PJM approves the metering protocol for the energy and capacity payments. PJM provides the energy data to PJM-GATS who creates the SRECs. That energy data would be associated with the aggregator. That aggregator account at PJM-GATS has capacity readings. So if the MWh were outside of the boundaries of what the capacity could produce, PJM-GATS would raise a red flag and we would have our contractors go out and perform a verification on it, but no such red flags have been raised on this.

7. **Audience Member:** My point is that I think they're reporting what they should be producing, but they're not actually producing that amount. I would like a copy of the actual production from the aggregators.

V. Other Topics / New Business

a. The next Renewable Energy Committee Meeting will be held in Trenton on Tuesday, August 13, 2013 from 1:00 – 3:30 pm.

Renewable Energy Committee Meeting**Attendees**

Tuesday, July 9, 2013
Board of Public Utilities

1:00pm - 3:30pm

Initial	Name	Company	Phone	E-mail
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	Bolcar, Kate	SEIA		
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