

Transition of the New Jersey SREC Market From Clean Power Markets to PJM-GATS

Frequently Asked Questions (FAQ)

DRAFT 6/16/2008

This FAQ has been drafted to provide more information to New Jersey SREC market stakeholders on specific plans and options for transition to GATS, and to provide an opportunity for stakeholders to comment on and contribute to those plans.

The New Jersey Board of Public Utilities' Office of Clean Energy (OCE) has issued a public notice requesting comment on designating PJM-GATS as an authorized issuer of New Jersey Solar Renewable Energy Credits (SRECs). The public notice requests comments for consideration before the Board issues an Order enabling the transition of the New Jersey SREC market from the current platform operated by Clean Power Markets (CPM) to the Generation Attributes Tracking System (GATS) operated by PJM-Environmental Information Systems (PJM-EIS). PJM and the states within its territory have worked together to establish GATS, a regional and interstate system that assists in implementing RPS and environmental disclosure laws adopted in the last several years.

In sum, the OCE has been coordinating with stakeholders since January 2008 to identify options and resolve issues related to transition of the SREC trading platform to GATS. However, this work has been hampered and delayed by procedural and contractual complications. The OCE's current contract with CPM to provide a platform supporting the New Jersey SREC market expires September 30, 2008. The OCE has sought to extend the CPM contract for an additional year, through September 2009, but as of this writing the extension request has not received approval at the state level. The possibility that the contract with CPM will not be extended beyond September 2008 has required planning for either scenario.

If the contract is not extended, the OCE has developed the FAST transition plan detailed below, which would result in all SREC account holders transitioning to GATS in time to record energy production occurring on September 1, 2008, or earlier.

If the contract with CPM is extended through September 2009, the OCE has developed the SLOW transition plan detailed below, which results in all SREC account holders transitioning to GATS in time to record energy production occurring on June 1, 2009, or earlier.

Date and Criteria for Decision on FAST versus SLOW Transition

The OCE will decide on or before July 31, 2008 whether to proceed with the FAST or SLOW transition schedule. If the contract extension with CPM has not been completed by July 31, 2008, the OCE will provide authorization to proceed with the FAST transition to PJM-GATS. If the extension has been approved on or before July 31, 2008, the OCE will provide authorization to proceed with the SLOW transition.

Generating Unit Classification

Transition plans categorize all NJ generating units affected by the transition into four classes, depending on whether the generating unit is "new" or "existing," and on whether the unit is eligible to rely on "estimated" monthly production or must submit "actual" metered production for the creation of SRECs. The meaning of these classifications may be understood by the 2x2 matrix in Figure 1 below.

Categories of Projects:

	“Estimated” Generating units eligible to use estimated production for SREC creation – <10 kW solar units (except those developed under the SREC-Only Pilot Program, or those which have elected to submit “actual” production).	“Actual” Generating units required to use actual production for SREC creation – all non-solar units, solar units >10 kW, all solar units developed under the SREC-Only Pilot Program.
“Existing” Generating units placed in service prior to 6/1/08 (FAST) or when PJM-EIS has functionality for partial MWh tracking and estimating production (SLOW).	“Existing, Estimated”	“Existing, Actual”
“New” Generating units placed in service after 6/1/08 (FAST) or when PJM-EIS has functionality for partial MWh tracking and estimating production (SLOW).	“New, Estimated”	“New, Actual”

Figure 1. Generating Unit Classification

Account Holder Functions/Capabilities to be Developed by PJM-GATS

The SREC platform provided by CPM offers several capabilities aimed at the unique needs of behind-the-meter generators which currently are not present in GATS. PJM-EIS is now in the process of developing several of these capabilities, in order to promote consistency and ease-of-use for New Jersey account holders transitioning from the SREC platform provided by CPM. These include:

- **kWh entry.** CPM supports entry of monthly energy production in kilowatt-hours (kWh), while GATS only supports entry of monthly energy production in whole megawatt-hours (MWh). kWh entry is important for small generators, who often do not complete a full MWh of production in any single month. GATS is modifying its production entry screens to enable reporting of monthly production in kWh. This capability is expected to be functional by 9/2008.
- **Partial MWh carryover.** SRECs are created only when a full MWh of production is recorded. With kWh entry, any month’s production may complete a full MWh (resulting in the creation of an SREC) while leaving a remainder (partial MWh) which should be carried over to the subsequent month. GATS is working with its developers to enable partial MWh carryover. This capability is expected to be functional by 9/2008.
- **Generation of production estimates.** New Jersey allows some solar generating units of less than 10 kWdc capacity to use estimated monthly production values for the purpose of creating SRECs, rather than reading and reporting actual metered production each month. For these systems, the responsibility for generating monthly production estimates has resided with CPM. GATS is working with the Renewable Market Manager and OCE to develop a method for generating production estimates, and it is expected to be functional by 9/2008.
- **Automated entry of estimated production.** Once monthly estimated production values have been generated, those values need to be automatically entered on a monthly basis for each generating unit. Automatic entry would require and rely on the kWh entry and partial MWh carryover functions described above. For systems eligible to use production estimates, GATS will need to develop this capability, and it is expected to be functional by 9/2008.

Other Differences between CPM and GATS

- **User Fees.** The SREC platform operated by CPM has been funded by OCE contract and has therefore not required fees from users. The GATS platform operated by PJM-EIS is funded through user fees but most CPM account holders will not be subject to GATS user fees, as GATS provides a user fee exemption to account holders representing less than 1 MW (1,000 kW) of nameplate capacity. GATS also imposes small transaction fees on REC or SREC reservations to non-GATS subscribers (\$0.25/REC) or to voluntary market participants (\$0.008/REC). More information on GATS fee schedules can be found in the PJM-EIS Terms of Use document available online at <http://www.pjm-eis.com/documents/documents.html>.
- **Independent Treatment of Generating Units in Aggregation Accounts.** Under the SREC platform operated by CPM, monthly production data is maintained (either by “actual” reporting or by automatic entry of “estimated” production), and SRECs are generated, for each generating unit individually, regardless of whether that generating unit appears in an account with only one unit or in an aggregation account representing multiple units. This treatment is required by New Jersey SREC rules, and must be maintained upon transition to GATS. Currently GATS does not enforce independent treatment by aggregators, but instead allows aggregators to represent multiple generating units as a single, large generating unit. Until GATS programming is updated to enforce independent treatment, aggregators of New Jersey solar generating units need to be aware that they must maintain independent records of generating units in their aggregation accounts.
- **Transaction Pricing Data.** The SREC platform operated by CPM tracks pricing information associated with every SREC transaction, whereas the GATS platform operated by PJM-EIS only tracks pricing data on SRECs retired by load serving entities (LSEs). Another difference is that CPM’s platform gathers pricing data only from the buyer, whereas GATS requires both the buyer and seller to confirm the pricing. GATS is now looking into whether they can obtain pricing information on all SREC transactions, in order to more closely replicate the monthly pricing data reports currently produced by CPM.

FAST Transition Plan Summary

The FAST transition plan results in all SREC account holders transitioning to GATS in time to record energy production occurring on September 1, 2008, or earlier. A preliminary timetable and description of key events and dates is summarized below:

- **August 1, 2008** – Information mailed/emailed to all CPM account holders and installers, and published on NJCEP website describing transition process, their options, and instructions and dates for voluntarily transitioning to GATS prior to mandatory transition date.
- **September 1, 2008** – Last day for customers to enter production through August 2008 on CPM platform.
- **September 5, 2008** – CPM issues RECs/SRECs for August 2008.
- **September 12, 2008** – Last day for customers to trade or retire RECs/SRECs on CPM platform.
- **September 13 through September 30, 2008** – REC/SREC trading on CPM platform halted in order to facilitate transfer of data from CPM to GATS. All generator, user, and account status information including retired RECs/SRECs, REC/SREC balances, and partial MWh carryovers, are transferred to PJM-GATS. PJM-GATS loads all data into its system. PJM-GATS and CPM work together to verify account setup accuracy and to reconcile differences. Account holders submit signed user agreements to GATS to enable full account functionality on October 1.

- **September 30, 2008** – Last day CPM under contract – all generator, account, REC/SREC information has been transferred to and reconciled with PJM-GATS.
- **October 8, 2008** – PJM-GATS account holders may begin entering production data for September 2008 into PJM-GATS. PJM-GATS account holders may begin trading any RECs/SRECs carried over from their CPM account.
- **October 31, 2008** – PJM-GATS issues RECs for September 2008.

SLOW Transition Plan Summary

The SLOW transition plan results in all SREC account holders transitioning to GATS in time to record energy production occurring on June 1, 2009, or earlier. A preliminary timetable and description of key events and dates is summarized below:

- **August 1, 2008** – Information mailed/emailed to all CPM account holders and installers, and published on NJCEP website describing transition process, their options, and instructions and dates for voluntarily transitioning to GATS prior to mandatory transition date.
- **Upon PJM-GATS completion of kWh entry/partial MWh carryover capability (est. 9/2008)** – Market Manager begins referring all “new/actual” completed projects to PJM-GATS. These projects may only register to trade RECs/SRECs in PJM-GATS, and may not use the CPM platform. All “existing/actual” projects have the option of reporting remaining EY09 production to PJM-GATS or continuing to report to CPM. Once switched to PJM-GATS, projects may not switch back to CPM.
- **Upon PJM-GATS’ completion of production estimating/automatic monthly entry of estimated production capability (est. 9/2008)** – Market Manager begins referring all “new” completed projects to PJM-GATS. These projects may only register to trade RECs/SRECs in PJM-GATS, and may no longer use the CPM platform. All “existing” projects have the option of reporting remaining EY09 production to PJM-GATS or continuing to report to CPM. Once switched to PJM-GATS, projects may not switch back to CPM. At this point, no new accounts will be established on the CPM platform.

CPM begins working with PJM-GATS to facilitate transfer of remaining active account data from CPM to PJM-GATS. All remaining generator and user account information is transferred to PJM-GATS. PJM-GATS loads all data into its system. PJM-GATS and CPM work together to verify account setup accuracy and to reconcile differences. These accounts are blocked from reporting EY10 activity on CPM and must report EY10 activity to PJM-GATS. Account holders must activate PJM-GATS accounts by submitting signed user agreements to PJM-GATS by July 1, 2009 in order to submit June 2009 production data.

- **May 31, 2009** – NJ EY09 ends.
- **June 1, 2009** – NJ EY10 begins.
- **July 1, 2009** – PJM-GATS account holders begin entering production data for June 2009.
- **August 31, 2009** – End of NJ EY09 true-up period. Last day to execute NJ EY09 REC/SREC trades on either platform.