

Request for Comments on Proposed Criteria for a Community Renewable Pilot Program

REQUEST FOR COMMENTS on Proposed Criteria for a Community Renewable Pilot Program.....	1-3
DESCRIPTIONS of Proposed Community Renewable Platforms	2
BOARD STAFF RECOMMENDATIONS on Development of a Community Renewables Pilot Program	4
PROPOSED CRITERIA for Community Renewables Pilot Projects	5
Project Goals and Objectives:.....	5
Eligible Technologies and Projects:.....	5
Eligible Customers & Customer Classes	5
Community Definition & Boundaries.....	6
Financial Incentives & Tariffs	6
Utility Compensation (Billing & User Fees)	6
Project Qualifications & Registration.....	6

The New Jersey Board of Public Utilities (Board or BPU) has directed Board staff to explore the feasibility of establishing a Community Renewable Program as a means to offer residents and businesses expanded access to renewable energy technologies and provide improved project financials that will benefit both consumers and ratepayers. The program would cover electricity generated through class I renewable energy technologies.

A stakeholder proceeding was initiated in July 2008 in conjunction with the Net Metering and Interconnection Standards Working Group. Stakeholder meetings were held July 23, September 11 and November 10, 2008, and a request for comments was issued in connection with the November 10th meeting. All parties were afforded a public comment period on the proposed program concept to ensure that the Board may consider all viewpoints and relevant information regarding whether and how best to implement such a program prior to final Board action. A report entitled *Community Renewable Program: Summary of Findings, Stakeholder Input & Board Staff Recommendations* (May 12, 2009) summarizes the findings from the stakeholder process, identifies key factors to be considered and provides recommendations for next steps should the Board decide to develop a community-based renewable energy program.

Following is an overview of Staff’s recommendations on the establishment of a Community Renewable Pilot Program and proposed Criteria by which pilot projects may be considered. Board staff’s primary recommendation is to support **multiple platforms** in fostering community renewables including:

- Third Party Supplier with Power Purchase Agreement;
- Community Choice Aggregation;
- Community Net Metering;
- Clean Power Choice; and
- Utility RGGI Program.

Following is a brief description of each of the platforms that could be used in support of Community Renewables:

Competitive / Third Party Supplier (TPS) model is well suited to providing power from a renewable energy generator to serve a community of residential and commercial customers. Third party suppliers have responsibilities for serving load, providing ancillary services, participating in PJM as members, purchasing capacity, etc. Through a TPS, a municipality or a community of residents and/or small businesses could enter into a *Power Purchase Agreement* thereby pooling their efforts and/or investment so as to cooperate in installing and operating a renewable energy generating system within their community. The local utility would continue to provide transmission and distribution services for which they are compensated while the third party supplier would provide alternative generation.

Community Choice Aggregation (CCA) allows municipalities to aggregate their residential load and purchase energy supplied by a third party and own all or some of the assets that produce that energy. Municipalities would interconnect directly with PJM without a net metering arrangement. The Community Choice Aggregation (CCA) law which was enacted in 2002 as a middle ground solution between full municipal utility control and full investor-owned utility control, enables local governments to make decisions about electric services on a community scale which can lead to reduced rates. Under CCA as seen in California and Massachusetts, cities and counties can choose to buy or build renewable energy facilities on behalf of their residents. The investor-owned utility district still ships the power over their own transmission lines and still bills the customers. The primary benefit of CCA is that it provides a choice over what types of power a given region or community receives.

Community Net Metering which is not currently allowed under New Jersey's current Net Metering rules, is envisioned to allow a group of customers or accounts within an EDC service territory to jointly participate in a solar or other renewable energy project and net out their total electric use against the total output of an off-site solar electric system (s). For example, a municipality or a group of businesses within a business park could net out electricity usage at multiple facilities against a single off site generator. To be consistent with existing net metering capacity limits, the amount of renewable energy generated on a net annual basis would not exceed the net consumption by the renewable community as a whole.

Clean Power Choice Program (CPC) which is currently serving over 14,000 customers in New Jersey, offers an option for broad community participation and support of renewable energy projects. CPC currently enjoys the cooperation of the state's four EDC in providing consolidated billing for third party clean power marketers. While the majority of the CPC products utilize the least expensive out-of-state RECs, CPC has provided a platform for state residents to support local projects through the purchase of RECs such as Community Energy's 7.5 MW Jersey Atlantic Wind (JAW) Project in Atlantic City. The JAW farm is unique among all of the state's installed renewable energy projects as it is the only facility to enjoy each of the subsidies available through the New Jersey Clean Energy Program. The JAW project owners received a CORE rebate and net meters one part of the wind farm against onsite consumption of the wastewater treatment plant. The project also received a Grid Supply grant for the remainder of the project that markets energy via PJM as a merchant

power facility. Under existing program design, the financial benefits of being served by renewable energy currently do not accrue to the customer unless there is a credit for “fuel charges”.³

Regional Greenhouse Gas Initiative (RGGI) legislation provides a viable framework for community renewables. The legislation, signed into law on January 13, 2008, encourages utilities to invest in energy efficiency programs and renewables as part of its regulated business. Pursuant to Section 13 of the RGGI legislation, an electric or gas public utility may, among other things, provide and invest in energy efficiency and renewable energy programs in its service territory on a regulated basis.³ See *N.J.S.A. 48:3-98.1(a)(1)*. The RGGI legislation also states that electric and gas public utility investment in energy efficiency and renewable energy programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. See *N.J.S.A.48:3-98.1(b)*. In a recent RGGI filing with the state's [Board of Public Utilities](#), [PSE&G](#) proposed a **Solar 4 All Program** which includes a community and municipal segment and is designed “to ensure that everyone has access to the benefits of solar energy.” Under the program, PSE&G plans to invest in, own and operate the grid-connected solar energy systems and will collaborate with experienced solar developers, installers and manufacturers to develop projects.

In this request for comments, Staff is soliciting further public input on its recommendation to support **multiple platforms** to advance community renewables as well input on the proposed criteria. Specifically staff would appreciate input on the following questions:

1. Should the Board select one program platform over the other to advance the Community Renewable Pilot Program, or allow for multiple platforms?
2. Which program platform is the best suited for demonstrating the potential advantages and challenges of Community Renewables?
3. Should the Board solicit pilot projects for each program platform in each service territory, so as to gather data on a variety of situations?
4. Should the Board solicit pilot projects for one program platform per service territory, so as to narrow the focus of the program pending additional experience and information?
5. Are the proposed criteria for a Community Renewable Pilot Program adequate and relevant?

Comments are due by July 14, 2009 to oce@bpu.state.nj.us.

³ Some utility check-off programs are provide participating customers a credit for “fuel charges” or allow the customers purchasing wind or some other form of renewable energy the option to bypass the fuel charges thus passing along any savings. Austin Energy, a Texan municipal utility does this as a way to provide broad access to the renewable market while allowing customers to share in the economic benefits.

BOARD STAFF RECOMMENDATIONS ON DEVELOPMENT OF A COMMUNITY RENEWABLE PILOT PROGRAM

- Board staff recommends the establishment a **Community Renewable Pilot Program** to be approved by the Board and launched by year end 2009 consistent with the Energy Master Plan. A two year pilot program will provide valuable data and input on appropriate platforms; billing systems modifications, metering requirements, user right fees and rule changes necessary to implement Community Renewables on a system wide scale. Projects authorized through in the pilot program would receive assistance from the BPU, Office of Clean Energy staff, in coordinating with all interested parties to facilitate a Community Renewable Pilot Project..
- Board staff recommends that **multiple platforms** be considered in fostering community renewables including: Third Party supplier with Power Purchase Agreement; Community Choice Aggregation; Net Metering; Clean Power Choice, or Utility RGGI Program.
- Board staff recommends that the Community Renewable Pilot Program be open to all **Class I renewable energy technologies and customer groups** within each of the utility territories so as to explore the value of community renewables across the State of New Jersey.
- Board staff recommends **legal review of issues that would be implicated in an expanded community net metering** platform where program participants would net out their energy usage against an off-site community renewable generator and would be compensated at the full retail rate.
- Board staff recommends that the **utilities be compensated at a reasonable rate for distribution and transmission costs and ancillary services** such as billing for virtual net metering.
- Board staff recommends that **community cooperatives, third party suppliers and / or EDCs** be eligible to serve as project owners /developers and project partners.
- Board staff will work with utilities and stakeholders to develop a final scope for the Pilot Program and a set of **project qualifications/criteria by which to solicit project proposals** for consideration by the Board.
- Board staff recommends that the Board require **additional input from stakeholders on issues** including: input from utilities on estimated costs for aggregated net metering which should include ancillary services (to be defined) and additional project financing data from project developers to determine appropriate incentives and compensation levels necessary to ensure customer participation.

PROPOSED CRITERIA FOR A COMMUNITY RENEWABLES PILOT PROJECTS

Staff recommends the following criteria for use in a **Community Renewable Pilot Program** to determine which projects that meet the following criteria could apply to participate in a 2 two- year pilot program within a specified utility service territory:

Project Goals and Objectives:

1. Projects should demonstrate the value of Community Renewables to the State of New Jersey in meeting the goals of the Energy Master Plan in terms of improved reliability and/or the use of distributed generation to reduce stress on the transmission system.
2. Projects should demonstrate a clear 'benefit' relative to expanding access to renewable energy to underserved customers while providing improved project financials for both participants and New Jersey ratepayers.

Eligible Technologies and Projects:

3. Eligible systems would include those that generate electricity using solar, wind, or sustainable biomass resources (Class I renewable resources);
4. The maximum individual or combined system capacity would be consistent with existing Net Metering and Interconnection rules;
5. Projects may encompass a single generator serving contiguous sites/users or non contiguous sites/users. However, all generator sites and all users but must be within a single utility service territory;
6. Projects may be developed using one or multiple 'platforms' including Third Party supplier with Power Purchase Agreement; Community Choice Aggregation; Net Metering; Clean Power Choice, or Utility RGGI Program.
7. All customer-generator facilities used for community renewables must be equipped with bi-directional meters that can measure and record the flow of electricity in both directions at the same rate.
8. Pilot project should have the support of the local utility, the community to be served, and developer or third party responsible for project planning and implementation.
9. Pilot projects would be required to provide detailed project descriptions on the proposed installation, interconnection and project financials similar in scope to the information required for the SREC Pilot Program (see <http://www.njcleanenergy.com/files/file/SRECPilotRegistration20071019.pdf>)

Eligible Customers & Customer Classes

10. The Pilot Program would be open to all residential, commercial and municipal customers of the state's investor-owned utilities.
11. Projects could be owned and/or operated by a third party supplier, utility, community cooperative or some other third party.
12. Projects within the Pilot Program would initially be limited to a single municipality or a community of 5 to 50 customers or individual account holders to minimize billing complexity. If the pilot demonstrates the feasibility of

community renewables, larger communities and customer groups may be considered.

Community Definition & Boundaries

13. Each project should serve a well defined and recognized community bounded by a common set of interests and obligations beyond the individual financial benefits derived from the project.
14. Project and participants must be located within a single utility territory.

Financial Incentives & Tariffs

15. Participants would be compensated according to current rules and rates.
16. Net metered projects would receive the full retail credit in order to provide adequate incentive to community projects. However, Project Owners would be required to offset the utility's cost of distribution, transmission and ancillary services with a user fee, the exact amount to be determined.
17. Customers would retain rights to renewable energy certificates (RECs) unless otherwise stipulated in a contract with a third party or within a third party Power Purchase Agreement (PPA).
18. Projects must be eligible for federal tax credits and incentives.

Utility Compensation (Billing & User Fees)

19. Utilities should be asked to estimate the cost of providing 'virtual net metering' within the scope of the proposed pilot program. In virtual net metering program participants net out their energy usage against a central community renewable generator. Estimated costs should include transmission, distribution and ancillary services.

Project Qualifications & Registration

20. If the Board approves a Community Renewable Pilot Program, a request for qualifications for proposed projects will be issued and a registration process established similar to the process used to initiate the SREC Pilot Program authorized under Board order docket number DOCKET NO. EOO6100744, signed January 19, 2007.