

# **SOLAR SUCCESSOR STAKEHOLDER WORKSHOP #5: REVIEW OF CURRENT PROPOSAL AND PROGRAM TRANSITION**

**May 14, 2021**



# **PRESIDING OFFICER: ABE SILVERMAN**

**GENERAL COUNSEL, NEW JERSEY BOARD OF PUBLIC UTILITIES**



# WELCOME AND LOGISTICS: ARIANE BENREY

OFFICE OF POLICY AND PLANNING, NJBPU



# Meeting Logistics

- All attendees will be automatically muted and will be unmuted when called upon.
- Questions? Comments? Please use the **questions** function in Zoom.
- This meeting is being recorded. A copy of the recording and slides will be made available on the NJ Clean Energy Program website:  
<https://njcleanenergy.com/renewable-energy/program-updates-and-background-information/solar-proceedings>

# Agenda

Meeting Opening: 10:00 a.m. Meeting Start; Welcome and Introduction

## Session 1: Review of the Current Proposal

- 10:10 a.m. BPU Staff Presentation
- 10:30 a.m. Stakeholder comments and discussion

## Session 2: Transitioning to the Successor Incentive

- 11:30 a.m. Staff Presentation; Closing the Transition Incentive Program and Opening the Successor Incentive Program
- 11:45 a.m. Stakeholder comments and discussion

Meeting Close: 1:00 p.m.

# Stakeholder Engagement

- Written comments: due 5:00 p.m. on **Thursday, May 27, 2021.**

Must be submitted electronically to the Board Secretary or via the Board's External Access Portal

See the Straw Proposal Notice for details:

[https://njcleanenergy.com/files/file/Solar%20Successor%20Program%20Notice%20and%20Straw%20Proposal\\_04-07-2021.pdf](https://njcleanenergy.com/files/file/Solar%20Successor%20Program%20Notice%20and%20Straw%20Proposal_04-07-2021.pdf)

- Questions? Email [solar.transitions@bpu.nj.gov](mailto:solar.transitions@bpu.nj.gov)

# POLL: SPEAKERS LIST

**Session 1: Review of Current Proposal**  
**Session 2: Transitioning to Successor Program**



# REVIEW OF CURRENT PROPOSAL: STAFF'S REFLECTIONS ON STAKEHOLDER FEEDBACK



# Projected Timeline and Process

- Staff Memo on Revised Recommendations (issued May 7)
- Workshop #5: Review of Staff Recommendations (*today*: May 14)
- Administrative Modeling for Large C&I SAM cases with 26% ITC adjustment (posted today)
- Staff Recommendation for Issuance of an RFQ for the Competitive Solicitation Design Process (*projected* May 2021)
- Deadline for Written Comments (May 27)
- Board Order Implementing Successor Administrative Program & Providing 30 days' notice of closure of TI Program (~June/July 2021)
- Design of Competitive Solicitation (late Summer/Fall 2021)
- First Competitive Solicitation (late Fall/Winter 2021- 2022)

# Preliminary Staff Reflections

- Staff has a number of preliminary reflections based on the stakeholder discussions thus far.
- Any recommendations will continue to evolve, particularly to reflect written comments.
- Staff is sharing these preliminary reflections in the interest of promoting transparency and additional dialog.
- None of Staff's thoughts or positions are binding on the Board.
- Commissioners will make their own decisions after a full review of the administrative record, including reviewing stakeholder meetings and written comments.



# Summary of Successor Straw Recommendations

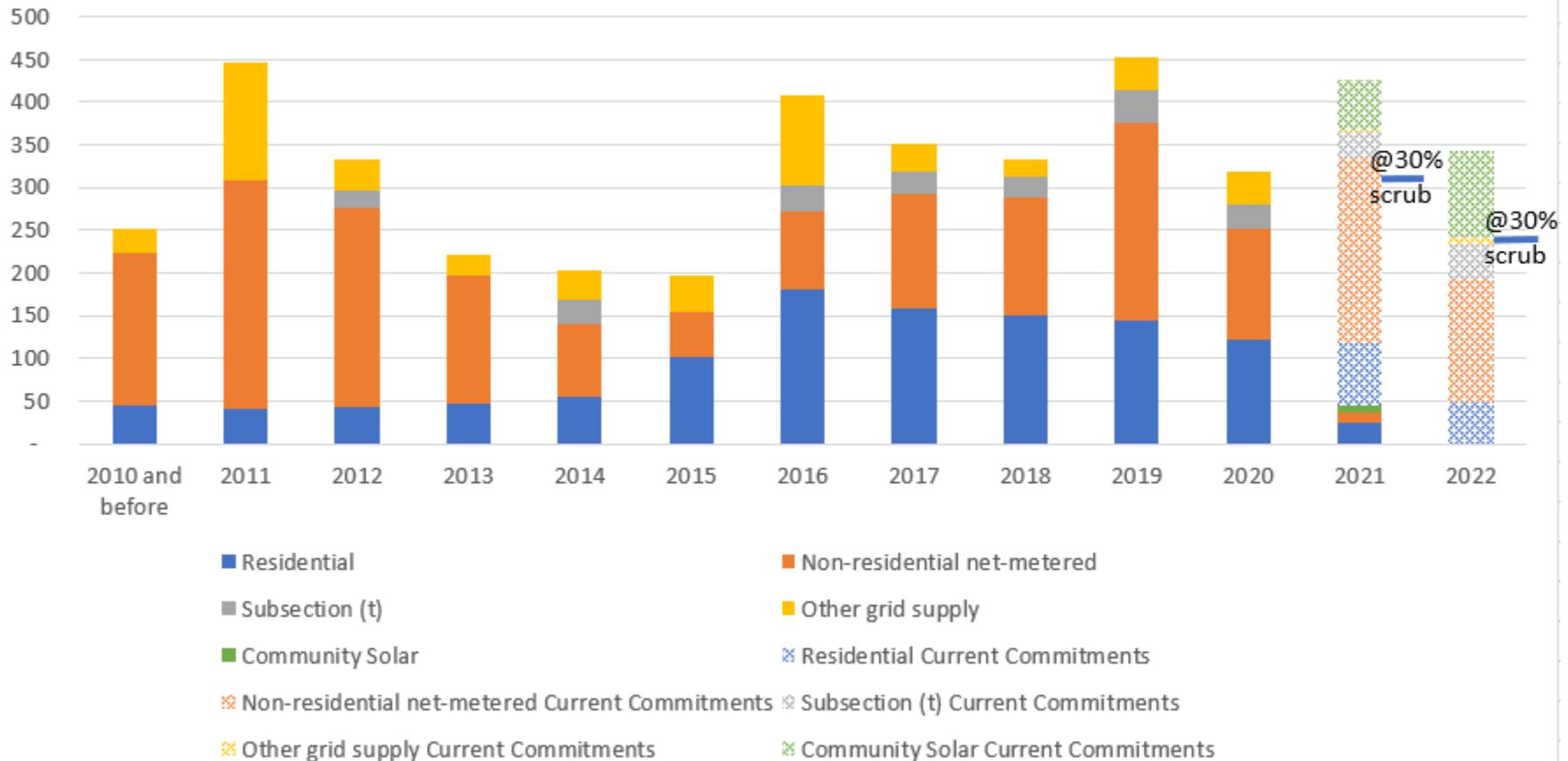
- Staff's Straw Proposal recommendations include:
  - Incentives open to new solar resources.
  - Incentives as fixed payments per MWh produced for the clean energy attribute over a predetermined period of years.
- The value of the incentive would be determined based on project type:
  - **Administratively Determined** incentives for residential projects, net metered non-residential projects of 5 MW or less, and all community solar projects; and
  - **Competitively Determined** incentives for grid supply projects and net metered non-residential projects above 5 MW.

# 1) Concerns that Proposed Incentive Levels are too Low

- What Staff has Heard:
  - Incentive levels are too low.
  - Incentives will not meet proposed MW targets.
- Staff Reflections:
  - TI program has been (in the aggregate) successful.
  - Incentive modeling was based on actual data.
  - Based on modeling and historical market performance, Staff believes that the proposed Successor Program targets are achievable.
  - **However**, Staff is actively considering revised incentive levels based on stakeholder feedback heard to date.
  - **Additionally**, Staff will be recommending a “One-Year Check-Up” to assess any issues.

# Solar Installed and Pipeline

NJ Solar Capacity Installations and Current Pipeline as of March 31 (MW)



## 2) Concerns that Proposed Incentives are “Averaged”

- What Staff has Heard:
  - Average incentive levels at \$85/MWh may not correctly reflect different needs of the market segments.
- Staff Reflections:
  - Staff is not opposed to proposing increased differentiation between market segments based on modeling conducted in the Capstone Report, so long as it does not have a significant impact on overall program cost.
  - Staff is actively considering comments received to date and may propose revised incentive values for stakeholder comment.

# 3) Reflections on the Cost Cap as it Relates to Incentive Levels

- What Staff has Heard:
  - Adding headroom in the Cost Cap will allow for proposed incentive levels to be raised.
- Staff Reflections:
  - Staff views customer affordability as a key metric of Successor Program success independent of the Cost Cap.
  - The recommended incentive levels are driven by analysis and good policy – not only by Cost Cap considerations.
  - Cost Cap limitations may affect *quantity* of solar incentives offered in future years, but not necessarily price.
  - **Key Takeaway:** *Staff would maintain its recommended incentive levels, even if the Cost Cap were not a consideration. Any changes or increased incentive recommendations will be based on market performance or further analysis showing that increased incentive levels are warranted.*

# 4) Environmental benefits and the Cost Cap calculation

- What Staff has Heard:
  - Staff should consider environmental benefits in the Cost Cap calculation.
- Staff Reflections:
  - Staff believes that the Class I Renewable Portfolio Standard as a whole, and solar in particular, produces environmental benefits.
  - An inclusion of environmental benefits in the Cost Cap calculation will require further deliberation.
  - The Clean Energy Act does not direct the Board to evaluate environmental benefits in calculating the Cost Cap, unlike other statutes.
  - Staff is monitoring legislation that would expressly incorporate environmental benefits, including (but not limited to) the social cost of carbon, into the Cost Cap calculation.

# 5) Size Threshold for Net Metered Projects

- What Staff has Heard:
  - Size threshold of 2 MW is too small for net-metered C&I projects.
  - Transaction costs for participating in a competitive solicitation are high for small projects.
  - Public entities (many 2 - 5 MW) are ill-suited to participate in a competitive solicitation.
  - **Contrary Opinion:** we should be shifting more MWs to competitive solicitation to ensure adequate competition.
- Staff Reflections:
  - Staff does not object to raising threshold to 5 MW.
  - Increasing the threshold to 5 MW should allow for lower incentive levels for larger projects, reducing weighted incentive levels.

# 5) Size Threshold for Net Metered Projects *(continued)*

- Raising the threshold will require reconsideration of the proposed incentives for NM C&I projects in the administratively-determined program.

*Modeled Year 2021; PBIs (\$/MWh)*

SAM Cases	Base Scenario		
	From Final Capstone	With 26% ITC	Reduction
Comm_DO_Ground_lg	\$ 75	\$ 65	\$ (10)
Comm_DO_Roof_lg	\$ 70	\$ 60	\$ (10)
Comm_TPO_Ground_lg	\$ 105	\$ 95	\$ (10)
Comm_TPO_Roof_lg	\$ 110	\$ 100	\$ (10)

*Modeled Year 2021; PBIs (\$/MWh)*

SAM Cases	Base Scenario		
	From Final Capstone	With 26% ITC	Reduction
Comm_DO_Ground_med	\$ 90	\$ 80	\$ (10)
Comm_DO_Roof_med	\$ 85	\$ 70	\$ (15)
Comm_DO_Roof_sm	\$ 105	\$ 95	\$ (10)
Comm_TPO_Carport	\$ 180	\$ 170	\$ (10)
Comm_TPO_Ground_med	\$ 140	\$ 135	\$ (5)
Comm_TPO_Roof_med	\$ 140	\$ 130	\$ (10)
Comm_TPO_Roof_sm	\$ 155	\$ 150	\$ (5)
Resi_DO_Roof	\$ 95	\$ 75	\$ (20)
Resi_TPO_Roof	\$ 95	\$ 80	\$ (15)
CS_Ground	\$ 55	\$ 50	\$ (5)
CS_Roof_lg	\$ 60	\$ 50	\$ (10)
CS_Roof_med	\$ 100	\$ 90	\$ (10)

## 6) Administration of Administratively-Determined Program

- What Staff has Heard:
  - No clear consensus on quarterly vs. annual open windows.
  - Questions about queuing / oversubscription.
- Staff Reflections:
  - The Successor Program will include budget and/or MW caps (both for the administratively-determined program and the competitive solicitation); unlike the SREC and TI Programs which were open ended (i.e. had no budget or MW cap).
  - Proposed megawatt targets were designed to accommodate historical demand; Staff is also aware of the need to allow for the possibility of over-subscription.
  - Staff continues to seek stakeholder feedback on this topic.

# 7) Concerns Over Differences in EDC Service Territory Costs and Revenues

- What Staff has Heard:
  - Some support for differentiating incentive levels by utility service territory.
- Staff Reflections:
  - Staff is not opposed to considering incentives differentiated by EDC service territory if cost savings are born out and the benefits outweigh the additional administrative complexity.
  - Staff is willing to continue reviewing the issue and may recommending further differentiation as part of the proposed “One-Year Check-Up” process.

# 8) Concerns Over Proposed Incentives for Carports and Canopies

- What Staff has Heard:
  - Carport/canopy projects will struggle under Staff's preliminary proposed incentive levels.
  - Higher costs are largely attributable to complexity and additional steel required to raise panels.
  - In the TI Program, the higher cost of carports can be offset by a ground mount or rooftop segment, allowing larger “combo” projects.
- Staff Reflections:
  - Carports/Canopies represented approximately 4.5% of the total capacity studied in the Capstone Report.
  - Carports/Canopies provide value to local constituents (e.g., those parking under them), but higher costs are socialized across all ratepayers.
  - Rooftop or other projects also deliver environmental benefits to ratepayers, and may do so at a lower cost per dollar of ratepayer capital invested.



# 9) Concerns Over Projects Sited on Contaminated Lands

- What Staff has Heard:
  - Contaminated land projects will have trouble competing head-to-head with other “preferred” siting projects (e.g., rooftop).
  - Contaminated land projects have multi-year development cycles that require significant upfront financial outlays.
  - The competitive solicitation risks making projects sited on contaminated lands unattractive unless incentives are assigned early in the development process.
- Staff Reflections:
  - Staff agrees that contaminated land projects should:
    1. Have their own market segment (i.e., compete against other contaminated sites);
    2. Be assigned an incentive level early on in the development process; and
    3. That it is unnecessary to assign extensive maturity requirements, given the unique development cycle.

# 10) Concerns Over Competitive Solicitation Process

- What Staff has Heard:
  - The competitive solicitation as laid out in Straw is too cumbersome.
  - The competitive solicitation does not account for smaller projects typical of New Jersey, due to siting and other considerations.
  - Lack of experience with a competitive solicitation structure introduces too much risk.
  - Maturity requirements, as proposed, are too stringent.
- Staff Reflections:
  - Staff always intended to establish an additional stakeholder process to further refine the competitive solicitation design.
  - Staff will recommend issuing a solicitation for a market design consultant.
  - Discussions will continue through the summer/fall, with the aim of holding the first competitive solicitation late 2021/early 2022.

# 10) Concerns Over Competitive Solicitation Process (continued)

- Collaborative design process will address:
  - When in the development process incentives are assigned;
  - Project maturity requirements;
  - Market segment size targets to ensure the addressable market is sufficient or whether to seek fewer megawatts in early years;
  - Whether to utilize a declining block, paid-as-bid, or single-clearing price market design to encourage price competition and build investor confidence;
  - How energy storage + solar hybrid projects should be evaluated, including the format of bids, standard block sizes, and performance/availability requirements; and
  - Whether the Board should consider “pricing guardrails” in early years to minimize the risks associated with a new market design.

# 11) Concerns Over Public Entity Projects

- What Staff has Heard:
  - Public entity projects involve bidding processes that are more complicated than other types of projects.
  - Public entity projects require higher levels of guaranteed savings.
  - Solar savings can be used to finance additional building infrastructure costs that would otherwise be borne by taxpayers.
- Staff Reflections:
  - These projects provide value to local constituents, but higher costs are socialized across all ratepayers.
  - Shift to 5MW threshold likely puts many public entity projects into the administrative program. For larger projects, Staff commits to ensuring that the Successor Program process fits public bidding requirements.
  - Staff has questions about cross-subsidization between solar and other public infrastructure projects.
  - Staff believes that customer savings assumptions should be uniform across host facilities.
  - Staff encourages stakeholders to provide additional feedback on this issue.

# QUESTION & ANSWER



# STAKEHOLDER COMMENTS



# TRANSITIONING TO THE SUCCESSOR INCENTIVE PROGRAM



# Addressed in the Straw

Section VI a. (pg. 37-38):

- Staff is engaging with Stakeholders and taking feedback on the Straw to provide recommendations to the Board;
- Staff will recommend that the Board issue an Order directing Staff close of the TI Program with 30 days' notice;
- The Board will issue an Order establishing the incentives and other program criteria to initiate the Successor Program; and
- The Board will propose rules for the Successor Program.

# Closure of the TI Program

1. Staff will close the Transition Incentive Program to new registrations following directive by the Board. Staff will recommend that the Board give 30 days' notice of the close of the program.
  - No new TI registrations will be accepted after the 30<sup>th</sup> day (i.e. new registrations will be accepted until midnight of the 30<sup>th</sup> day).

# Projects Registered in the TI

Projects will remain eligible for the TI Program if they meet one of the following criteria:

- Projects with existing registrations;
- Projects registered before the date of the TI Program closure;
- Subsection (t) projects with applications submitted before the date of the TI Program closure; or
- PY1 and PY2 Community Solar projects.

Projects will remain eligible so long as they remain in compliance with their TI registration, i.e. that their registration period has not expired. If a project misses its TI registration deadline, it will be eligible to apply for the Successor Program – see next slide about extensions.



# Projects Registered in the TI

- Extension Requests:
  - Staff has heard concerns about PTO deadlines for projects currently registered in the TI Program.
  - Generally, Staff is hesitant to endorse extensions because the program was always intended to be temporary and because of fairness considerations. However, Staff is also sensitive to the need for regulatory certainty for projects currently under development.
- Failure to Meet TI Dates:
  - Regardless of extensions, TI projects that fail to meet in-service date requirements:
    - Would not forfeit the right to incentives, but transition into a comparable segment in the Successor Program.
    - These projects should be given priority or automatic entry in the Successor Program.

# Small Successor Incentive

2. The administratively-determined program will open immediately upon the close of the TI Program:
  - A Successor Incentive program registration portal will open on Day 31;
  - The registration portal will require all project maturity requirements identified in the Board Order establishing the Successor Program; and
  - A program administrator similar to the TREC program will be procured by the EDCs on a similar timeframe to manage incentive payments.

# Temporary Small Successor Incentive for ex-subsection t

2a. Staff recognizes that Subsection (t) projects have no Successor Incentive until Competitive Solicitation is Finalized.

Staff recommends that a **temporary** administratively-determined program be made available for projects located on contaminated lands (projects previously eligible for subsection (t)), to be open approximately 3 months from the day of the close of the TI Program.

The proposed incentive value for this interim program is intended to be lower than what is currently available in the TI Program.

# Temporary Small Successor Incentive for ex-subsection t

## Proposed Timing:

- A new segment would be opened as part of the Successor Incentive program registration portal on Day 31;
- Projects that submit a complete subsection (t) application package to the Board pre-Day 30 will be eligible for the TI Program;
- Projects that submit a complete application to the Board post-Day 30 would be in the temporary Successor Market Segment, until the temporary segment is closed.
- Projects wishing to apply after the temporary segment is closed would be required to enter the dedicated competitive solicitation segment.

# Competitive Solicitation

## 3. The competitive solicitation design work will commence summer-fall 2021.

- Staff will recommend that the Board procure the services of a competitive solicitation consultant and administrator;
- Staff and the consultant will convene a stakeholder process to further develop the program design and stakeholder feedback received to date;
- Once the design process is finalized, Staff will recommend that the Board issue an Order announcing the creation of the competitive solicitation;
- Projects selected in the solicitation would be issued a SREC-II contract with SREC-IIs redeemed through the program administrator.

# Summary of Proposed New Eligibility in Successor Program

## Market Segment

Net Metered (resi. and non-resi under 5MW)  
Community Solar, Year 3+  
(Year 1 and Year 2 projects remain in TI)

Subsection (t)

Net Metered (non-resi over 5MW)

All other grid supply

## Successor Program

Administratively-Determined Program  
=> Open from Day 31

TEMPORARY Administratively-Determined Program  
=> Open ~3 months from Day 31

Competitive Solicitation Program

# QUESTION & ANSWER



# STAKEHOLDER COMMENTS



# NEXT STEPS



# Next Steps

- Written comments are due Thursday, May 27 at 5:00 p.m.
- Questions? Please email [solar.transitions@bpu.nj.gov](mailto:solar.transitions@bpu.nj.gov)

# MEETING CLOSE

