

NEW JERSEY RENEWABLE PORTFOLIO STANDARD

Energy Year 2022 Compliance Instruction Memo

To: Retail Electric Third Party Suppliers, Electric Distribution Companies and BGS Providers

From: NJBPU DCE Staff via Email and post to www.NJCleanenergy.com/rps

November 7, 2022

Re: Calculating the Energy Year 2022 RPS Compliance Obligations

The Division of Clean Energy (“DCE” or “Staff”) in the New Jersey Board of Public Utilities has facilitated compliance by Third Party Suppliers (“TPS”) and Basic Generation Service Providers (“BGS Providers”) with their annual Renewable Portfolio Standard (“RPS”) requirements since 2002. The following document provides final, aggregated retail electric sales figures for TPS/BGS Providers in Energy Year 2022 (“EY22”).

1. The Retail Sales Adjustment Process and Final Retail Sales Figures

At the July 20, 2022 NJRPS Coordination Meeting, Staff reviewed the EY22 RPS Compliance Time Line and Retail Sales Adjustment Procedure. Beginning on August 17, 2022, TPS/BGS Providers were given the opportunity to adjust their EY22 retail sales figures contained in their GATS “My RPS Compliance Reports.” A four-week period was provided to submit revisions to load served to arrive at retail sales subject to the EY22 RPS requirements. Supporting documentation was due at close of business Friday, September 12, 2022. DCE received adjusted retail sales data from 70 out of 96 TPS.

On September 15, 2022, the Governor signed into law P.L. 2022, c.110, “an Act concerning electricity sold to recycled material manufacturing facilities and supplementing P.L.1999, c.23 (C.48:3-49 et seq.)” (“the Act”). N.J.S.A. 48:3-87.14.

The Act provides that an electric power supplier or basic generation service provider would be exempt from all current and future renewable energy portfolio standards obligations, including Class I RECs, Class II RECs, SRECs, ORECs, or any other RECs, established pursuant to section of P.L.1999, c.23 (C.48:3-87) or any other subsequent law, and any rule, regulation, or board order adopted pursuant thereto, for the amount of kilowatt hours of electricity supplied by that electric power supplier or basic generation service provider to a recycled materials manufacturing facility.

On October 18, 2022, Board Staff provided instructions regarding the recently enacted law potentially affecting certain Recycled Material Manufacturing Facilities (“the Act”). As of October 31, 2022, Staff has received one TPS request for retail sales adjustments due to the Act.

The DCE compiled EY22 retail sales figures based upon the GATS data and retail sales adjustment process. TPS provided **30,335,939** MWhs of retail sales during the EY22 compliance period. BGS providers sold **42,714,333** MWhs as reported by the EDCs. Therefore, total retail sales subject to the NJ RPS for EY22 is **73,050,272** MWhs.

2. Implementing Changes from the Clean Energy Act of 2018

The Clean Energy Act of 2018 (“The Act”) amended the RPS by increasing the solar requirements in the near term, providing an exemption from this increase to BGS supply under contract at the time of enactment, and requiring the avoided increase from the exemption be made up in later years. To address the change in law, the Board amended the RPS rules revising the process used to calculate the RPS solar obligation. BGS Providers with supply exempt from the increased solar requirements follow a different procedure for calculating their RPS obligation than BGS Providers with supply contracts entered after enactment of the law.

In addition, the Act changed the Class I requirement to 21.00% for TPS/BGS Providers. To address the anticipated increase in compliance costs and the cost cap provisions within the law, the Board made the solar requirement a true “carve-out” of the Class I requirements for the retail sales not subject to the BGS supply exemption described above. To implement the carve-out, the Board amended the RPS rules at N.J.A.C. 14:8-2.3.

Beginning in EY20, SREC obligations and TREC obligations are a component of class I renewable energy requirements, and satisfaction of SREC and TREC obligations shall be counted toward class I renewable energy requirements. Beginning in EY22, NJ SREC-II obligations are a component of class I renewable energy requirements, and satisfaction of NJ SREC-II obligations shall be counted toward class I renewable energy requirements.

Finally, N.J.A.C. 14:8-2.3 establishes the amount of renewable energy certificates or Alternative Compliance Payments required to be procured by TPS/BGS Providers to satisfy the RPS. TRECs and SREC-IIs are procured and retired on behalf of the Electric Distribution Companies and allocated by Staff to TPS/BGS Providers. The TREC and SREC-II obligations, which will ultimately be expressed as a percentage of retail sales in a given energy year, will not be known until the conclusion of each energy year when the volume of retail sales subject to the RPS has been determined.

3. Calculating Total Statewide TRECs, SRECs, Class I and Class II Obligations for EY22

EY22: June 1, 2021 through May 31, 2022

EY22 SREC-II, TRECs, SRECs, Class I, and Class II RPS Requirements

<u>Energy Year</u>	<u>SREC-IIs</u>	<u>TRECs</u>	<u>SRECs</u>	<u>Class I</u>	<u>Class II</u>	<u>Total</u>
	***	**				
June 1, 2021 - May 31, 2022	based on retail sales	based on retail sales	5.10%	21.0%	2.50%	23.50%

**The TREC Obligation expressed as a percentage of retail sales in a given energy year will not be known until each energy year when the volume of retail sales subject to the RPS has been determined. Allocation of the Statewide obligation to individual TPS/BGS providers will follow the method set forth at N.J.A.C. 14:8-2.3 (r) and (t).

***The SREC-II Obligation expressed as a percentage of retail sales in a given energy year will not be known until each energy year has concluded and the volume of retail sales subject to the RPS has been determined. Allocation of the

Statewide obligation to the individual TPS/BGS providers will follow the method set forth at N.J.A.C. 14:8-2.3 (r) and (t).

Calculating SREC Obligations for EY22

In aggregate, TPS are required to retire SRECs or make SACP payments in the equivalent amount of **1,567,245 MWhs** (5.10% of total retail electricity sales). These SRECs/SACPs (MWhs) will be subtracted from the total Class I requirement.

Total EY22 SREC Requirement for TPS:

$$30,335,939 \times 5.10\% = 1,547,133 \text{ (SRECs or SACP)}$$

In aggregate, BGS Providers are required to retire SRECs or make SACP payments in the equivalent amount of **2,178,431 MWhs** (5.10% of total retail electricity sales). These SRECs/SACPs (MWhs) will also be subtracted from the total Class I requirement.

Total EY22 SREC Requirement for BGS:

$$42,714,333 \times 5.10\% = 2,178,431 \text{ (SRECs or SACP)}$$

4. The Avoided Increase in the SREC Requirement from exempt BGS Supply in EY20 & EY21

Calculating the BGS Provider Share Avoided Solar Increase for EY21 to implement the Act, the Board issued an Order and approved a rule amendment with a new method for calculating the solar RPS requirements for entities with retail sales of “non-exempt electricity” during EY19, EY20, EY21, EY22, and EY23. The amount of avoided increase from the exemption for previously contracted BGS supply is allocated among the non-exempt electricity supplied over the next two energy years based upon a BGS provider’s share of the banked avoided Solar RPS increase for EY20 established a future requirement for 363,732 SRECs (or SACPs).

The 363,732 SRECs will be allocated among the BGS providers’ non-exempt electricity supplied over the next two energy years (181,866 in EY21 and EY22) based upon a BGS Provider’s share of the non-exempt market.

The banked avoided Solar RPS increase for EY21 established a future requirement for 216,417 SRECs. It will be allocated among the BGS providers’ non-exempt electricity supplied over the next two energy years (108,209 in EY22 and EY23) based upon a BGS Provider’s share of the non-exempt market. Therefore, the Total BGS Provider EY22 deferred Solar RPS increase totals: 181,866 Plus 108,209 = 290,075 SRECs BGS EY22 Solar Obligation Calculation

Therefore, the Total BGS Provider EY22 deferred Solar RPS increase totals: 181,866 Plus 108,209 = 290,075 SRECs SREC increase total:

$$\text{(A BGS Provider's Retail Sales / 42,714,333) X 290,075}$$

These deferred SRECs can also be subtracted from the total Class I obligation.

BGS providers are required to retire SRECs or make SACP payments in the aggregated, equivalent amount of **2,468,506 MWhs (SRECs + Deferred SRECs)**

5. Method for TREC and SREC-II Allocations in EY22

InClimate Inc., the TREC and SREC-II Program Administrator ([FAQ – Solar Incentives NJ](#)) will purchase TRECs and SREC-IIs from eligible system owners with accounts on the PJM-EIS Generation Attribute Tracking System (“GATS”) on a monthly basis. The Program Administrator will then retire the TRECs and SREC-IIs in their Solar Incentives NJ GATS account and Board Staff will allocate them to the TPS/BGS providers annually based on each entity’s market share of retail electricity sold during EY22.

TRECs and SREC-IIs, like SRECs, are now a true “carve-out” of the NJ Class I RPS requirement with each TREC and SREC-II allocated to and retired on behalf of the TPS/BGS providers reducing the Class I requirement by one REC as set forth at N.J.A.C. 14:8-2.3(d) and (r).

To calculate each individual TPS/BGS Provider’s TREC and SREC-II Allocation:

TPS/BGS Provider’s Retail Sales / Total Statewide Retail Sales

Times Total Retired TRECs (469,621) = TREC Allocation

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TPS/BGS Provider’s Retail Sales / Total Statewide Retail Sales

Times Total Retired SREC-IIs (2910) = SREC-II Allocation

6. Treatment of the EY21 Avoided Increase in the SREC Requirement

(BGS Providers Only)

As described in Section 4 above, the amount of avoided increase from the exemption for previously contracted BGS supply is banked in each energy year and allocated among the non-exempt electricity supplied over the following two energy years based upon a BGS provider’s share of the non-exempt market.

The EY21 avoided SREC increase is calculated as;

Total BGS retail sales times the increased EY21 SREC requirement 5.10% minus the EY21 exempt SREC BGS requirement of 3.47%

13,277,140 x 5.10% minus 13,277,140 x 3.47% = 216,417 MWh (SRECs or SACP)

The 216,417 MWh obligation will be allocated among the BGS non-exempt electricity supplied

over the next two energy years (**108,209 in EY22 and 108,209 in EY23**) based upon a BGS provider's share of the non-exempt market.

Finally, the total EY22 increased obligation to non-exempt supply from one half of the EY20 & EY21 exempt supply and one half of the EY21 exempt supply is;

108,209 SRECs

These 108,209 SRECs will be allocated among the BGS non-exempt electricity supplied based upon each BGS provider's share of the non-exempt market in **EY23**.

Conclusion

TPS/BGS Providers will retire Class I RECs or make ACP payments in the aggregated estimated equivalent amount of **10,853,596 MWhs** (21.00% of retail sales minus solar carve-out), and retire Class II RECs or make ACP payments in the aggregated, equivalent amount of **1,826,257 MWhs** (2.50% of total retail sales).

Report Filing Instructions

SREC, TREC, SREC-II, Class I and Class II RPS reports are due by December 1, 2022.

For EY22, all compliance reports must be submitted through the NJBPU e-Filing system. See the link below which will lead to directions on how to use the e-Filing system to file the compliance reports.

<https://www.nj.gov/bpu/agenda/efiling/>

When filing the report, please provide a cover letter explaining what is being e-Filed and reference:

Docket # QO22010006 - IN THE MATTER OF CLEAN ENERGY NON DOCKETED MATTERS FOR EY2022 RPS REPORTS.

If you have any questions or comments, feel free to contact Ronald Jackson at 1-609-913-6348 or ronald.jackson@bpu.nj.gov.