



TESTIMONY OF JAY KOOPER
BEFORE THE SENATE ENVIRONMENT AND ENERGY COMMITTEE
S-2651 – AN ACT TO ESTABLISH AN ALTERNATIVE ENERGY PORTFOLIO
STANDARD AND CERTIFICATE PROGRAM

Good morning Chairman Smith and members of the Senate Environment and Energy Committee, my name is Jay Kooper, the Director of Regulatory Affairs for the Hess Corporation, and the New Jersey Chair of the Retail Energy Supply Association. Thank you for the opportunity to appear before the committee and discuss S-2651. This legislation establishes an alternative energy portfolio requirement and certificate program and provides financial incentives for standby generation. RESA, while generally supportive of renewable energy, is concerned that this new alternative energy portfolio standard does not provide the cost certainty needed for retail suppliers to adequately price their products for customers. As drafted, S-2651 contains mandates that carry with them unintended, negative consequences that will undermine customer choice and the benefits they provide to New Jersey ratepayers. RESA offers this testimony to suggest modifications to improve this legislation and address these concerns.

RESA is pleased to note that this legislation mandates a percentage requirement for suppliers to purchase alternative energy credits or provide alternative compliance payments. This percentage requirement gives retail suppliers an easy and predictable method for determining their respective alternative energy obligation. However, the timing of implementing this legislation and its new requirements is of significant concern. RESA requests that the new alternative energy portfolio standards and requirement to purchase alternative energy credits be implemented no sooner than three energy years following the passage of this legislation. Most retail energy contracts last for one to three years, therefore establishing this new requirement and creating a three year window allows retail suppliers the time needed to price their products to reflect these new requirements, and give their customers the cost certainty they need. Providing

a three year window also allows the Board of Public Utilities (“BPU” or “Board”) adequate time to establish the financing and emissions standards and mechanisms necessary to implement this legislation.

In addition to mandating that these new requirements take effect after three energy years following the passage of this legislation, RESA believes that the language should be modified to apply this same effective date requirement to any future increases in the suppliers’ percentage requirement. That is, RESA believes that any future increases to the percentage requirement should only be allowed three years after the publication of such an increase, to allow retail suppliers to adjust their pricing to reflect these new costs, for the same reasons as mentioned above.

RESA also asks that language directing the Board to establish the alternative compliance payment in a timely manner be adopted. The alternative compliance payment is the benchmark used by retail suppliers to price their customer contracts. Mandating that the Board establish the price of the alternative compliance payment within 90 days after the enactment of the legislation, coupled with the language implementing these new alternative portfolio standards three energy years after the passage of this bill, gives retail suppliers the cost certainty needed to price their contracts. RESA also believes that it is unfair to set the price of the compliance payment higher than that of the cost of the REC, as it will unfairly harm those suppliers who are unable to purchase RECs for that energy year in order to comply with the legislation.

Additionally, RESA would like to point out that, with respect to financing, the establishment of a clearinghouse mechanism may have unwanted consequences. By way of background, RESA has been actively involved in the process to establish an offshore wind financing mechanism per the 2010 offshore wind legislation. The Board and the Attorney General’s Office recently rejected the first proposal developed by stakeholders, which called for the establishment of a clearinghouse to hold all offshore wind payments, because of the fear of state diversion of those payments, as has happened every year with the Clean Energy Fund. Given this history, RESA encourages the Committee to consider an alternative financial mechanism that does not carry with it the risk of diversion.

Finally, RESA notes that S-2651 requires the Board to mandate that retail suppliers and BGS suppliers file tariffs with the Board reflecting the assessment and imposition of standby

charges. Neither retail suppliers nor BGS suppliers currently file tariffs with the Board; this is a requirement for electric distribution companies (“EDCs”). RESA respectfully requests that this language be removed.

RESA is concerned that without these suggested changes, S-2651 will have unintended and negative consequences for retail suppliers and their customers. We are circulating proposed amendments to this legislation which we believe will further the State’s goal of promoting new technology and decreased reliance on fossil fuels, while protecting retail suppliers and, most importantly, their New Jersey customers.