

December 15, 2017

**VIA ELECTRONIC MAIL ONLY**

Office of Clean Energy  
New Jersey Board of Public Utilities  
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***Re: I/M/O the Board of Public Utilities Initiating a Generic Proceeding on the Solar  
Market in New Jersey  
Docket No. QX17090949***

Dear Sir or Madam:

This firm is counsel to the Retail Energy Supply Association (“RESA”). Enclosed please find RESA’s responses to the Board of Public Utilities’ (the “Board’s”) proposed questions in the above-referenced matter. For ease of review, the Board’s questions have been included and are followed by RESA’s responses to those questions.

RESA appreciates the opportunity to comment in this proceeding. Please do not hesitate to contact me with any questions.

Respectfully submitted,



Murray E. Bevan

Enclosures

I/M/O the Board's Establishing a Generic Proceeding to Review the State of the Solar Market  
Comments of the Retail Energy Supply Association

**I. Policy Goals and Objectives:**

i. The Board found the following goals and objectives appropriate for evaluating various policy approaches in the "Solar Transition" Proceeding from 2006/07 (I/M/O Energy Portfolio Standards – Alternative Compliance Payments and Solar Alternative Compliance Payments, BPU Docket No. EOO6100744, Order dated September 19, 2007):

- Sustained Orderly Market Development
- Minimize Ratepayer Impact
- Minimize Transaction Costs
- Support other policy goals including environmental and public health, equity to all ratepayer classes, job growth, improved reliability and security.

Are these goals still relevant? Please explain why or why not.

**RESPONSE:**

The Retail Energy Supply Association ("RESA")<sup>1</sup> believes that the goals and objectives outlined in the "Solar Transition" proceeding are still relevant, but should be expanded and take into consideration factors beyond the solar market. Sustained orderly market development, minimizing ratepayer impact, and minimizing transaction costs are interrelated goals which are crucial to the continued orderly development of the solar market in New Jersey. However, any proposal which involves increasing renewable portfolio standards ("RPS") requirements and not exempting existing retail suppliers' customer contracts while continuing the current practice of exempting BGS contracts runs against these key goals by introducing pricing uncertainty and volatility in the retail supply market. The solar market does not operate in a vacuum, and any changes to RPS impacts ratepayers, increases transaction costs, and without exemption of retail supply contracts, unnecessarily burdens retail suppliers and their customers with these unanticipated, increased costs. RESA supports the continued development of solar in New Jersey, but urges the Board to take a cautious approach if it intends to change RPS standards without appropriate warning and signals to the retail market.

ii. The September 22, 2017 Board Order (I/M/O the Board's Establishing a Generic Proceeding To Review The State Of the Solar Market – Staff's Update, BPU Docket No. QX17090949) establishing this Generic Proceeding describes a thriving solar market in New Jersey that far exceeds what market participants had predicted. Given that a robust and diverse solar market has been established, what should be the focus of the State's solar policy?

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<sup>1</sup> The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at [www.resausa.org](http://www.resausa.org)

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**RESPONSE:**

**RESA takes no position on this item.**

iii. What is the role of solar energy in meeting the State's overall Clean Energy objectives? How important is achieving the percentage requirements set-aside for Solar Renewable Energy Certificates ("SRECs") in the Renewable Portfolio Standards ("RPS")?

**RESPONSE:**

**As far as RESA is aware, suppliers have no issue with achieving current percentage requirements for solar in New Jersey.**

iv. Are other goals more appropriate? Have low and moderate income consumers been provided sufficient access to the incentives that make solar adoption affordable in New Jersey or should the Board explore means to increase access to low and moderate income consumers? Should the Board institute consumer protection safeguards for solar consumers, for hosts of third party owned solar projects, for investors in solar projects, or for ratepayers? Should energy storage market development be linked in some way to the existing solar policies and if so, how?

**RESPONSE:**

**RESA takes no position on this item.**

**II. Solar Economics and Incentives:**

i. Are the current State/BPU policies sufficient to meet the State's solar goals. These policies include: retail net metering; streamlined interconnection of customer-sited solar; SREC eligibility for customer-sited solar connected to the distribution system serving NJ; SREC eligibility for utility-scale grid supply project; and state and local tax incentives? If not sufficient, what changes should be considered?

**RESPONSE:**

**RESA believes the current net metering policy is confusing to solar developers, retail suppliers and customers alike. The current scheme for monthly crediting at the retail rate and annual true ups at the wholesale rate coupled with customer section of the annual true-up month leads to unintended mistakes on the part of retail suppliers, and headaches for customers. RESA urges the Board to implement an easy to understand net metering policy that does not require retail suppliers to serve net metered customers that some retail suppliers are ill-equipped to serve.**

ii. If changes to the existing framework of incentives are recommended, please estimate the impact on NJ solar market economics and the cost and benefits to ratepayers.

**RESPONSE:**

**RESA believes that any changes to the existing solar framework, without sufficient lead time prior to implementation of any changes, would result in increased costs to ratepayers and increased price uncertainty for suppliers. Without knowing the types of changes proposed by the Board or the OCE, it is difficult to gauge the ultimate financial impact on customers.**

iii. Are the financial targets used to inform policy choices in the "Solar Transition" referenced above still relevant (i.e. 12% Internal Rate of Return ("IRR"), < 10 year payback)? Given the maturity of the New Jersey market, are these metrics still meaningful? If these targets are outdated, what financial targets should be used in modeling to inform policy choices?

**RESPONSE:**

**RESA takes no position on this item.**

iv. How should or can any proposed changes in the State's solar incentive policies account for changes in the future solar and electricity markets such as the federal imposition of module import tariffs, more widespread adoption of electric vehicles, or increased costs from other priorities such as offshore wind, microgrids or storm hardening?

**RESPONSE:**

**RESA believes that the Board should remove regulations which inhibit retail suppliers from passing through costs related to material changes in a contract. If market changes and volatility are indeed the new path forward for the Board, then the Board should not hinder retail suppliers from passing through changes in actual cost to customers – no different than the utilities passing through costs to its BGS customers.**

**RESA further clarifies that this question is asking about a mix of items which affect different parts of the electric and gas markets – storm hardening, for example, has been handled by the State's regulated utilities, since the utilities own the distribution mechanisms for both electric and gas delivery, whereas offshore wind, by statute, requires the purchase of offshore renewable energy credits ("ORECs") by both the electric utilities and retail suppliers. RESA would start, therefore, by ensuring that these different policy goals are appropriately allocated to the correct party and then working to ensure implementation of one item (development of offshore wind, for example) will, at a minimum, not harm the continued development of other key projects (grid hardening).**

**RESA further notes that federal changes to tariffs can be best accounted for by allowing the utilities and retail suppliers to pass through any actual cost increases to customers, rather than delaying implementation and distorting market signals to customers.**

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v. Should the Board consider providing more oversight to the market to ensure that the SREC market and the Electric Distribution Companies' ("EDCs") auction of SRECs are competitive and that no conditions could lead to market manipulation? Are the current practices for reporting installed capacity sufficient to ensure timely and accurate information in support of market transparency? If not, what improvements should be made?

**RESPONSE:**

RESA does not oppose additional oversight on the SREC market and the manner in which generators report available SRECs to the Board and to the market in general. RESA believes the Board should revisit the timing of reporting installed capacity as it has resulted in suppliers purchasing RECs and SRECs from generators who were later not deemed qualified to sell those S/RECs in New Jersey.

RESA understands that the Board already reviews the EDCs' SREC programs and takes no position on that portion of the question.

**III. RPS Design Elements & Eligibility Criteria:**

i. Should the RPS be phased out?

**RESPONSE:**

RESA understands that the current RPS is mandated by statute and is supposed to level out in Energy Year ("EY") 2021. RESA does not support any changes on top of the statutory mandate. To the extent the Board wants to make changes to the RPS, RESA encourages the Board to ensure that changes are made on a three-year forward basis so suppliers can adequately price their customer contracts.

ii. Should the RPS be restructured to set goals specific to each market segment (residential, commercial & industrial ("C&I") and grid supply connected to NJ distribution)? Can the NJ Class I provisions in the RPS be modified to enable more cost effective achievement of solar and other renewable energy goals. If so, how?

**RESPONSE:**

RESA believes that this proposed market restructuring and setting RPS goals based on customer class will introduce unnecessary confusion into the retail supply market. RESA takes no position on incentives to certain customer classes, but requiring suppliers to account for RPS on a market segment basis would make the reconciliation process much more complicated.

RESA further asserts that any changes to the Class I provisions should be implemented on a three-year forward basis to allow retail suppliers adequate lead time to incorporate RPS changes into long-term contracts. This will also allow existing Class I generators appropriate time to re-evaluate any business impacts that changes to Class I RPS may require.

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iii. Should the utility-scale, grid supply solar segment continue to get SRECs since left unfettered this segment with its economies of scale and relatively lower priced SREC requirements can crowd out residential and C&I market segments? Is the award of fractional SRECS or NJ Class I REC multipliers a feasible means to level the economic incentives needed by different scale solar generation facilities?

**RESPONSE:**

**RESA believes that grid connected projects should should be still be given SRECs. Utility scale solar projects provide the lowest cost SRECs to ratepayers while achieving the same net environmental benefit. Reducing grid supplied projects will drive up costs for TPSs and ratepayers and significantly hurts low income ratepayers.**

iv. Are the design concepts developed in the Solar Transition and modified by subsequent statutes still relevant? Should the Board consider changes to any of the following policies: the lack of a size limit on net metered project capacity; net metered "on-site generation" projects eligible for SRECs; 15-year Qualification Life; 15-year Solar Alternative Compliance Payment ("SACP") schedule; 5-year SREC vintage/bankability?

**RESPONSE:**

**RESA believes that if the Board wishes to modify any of the design concepts mentioned in the above question, these modifications should be implemented on a three-year forward basis to mitigate or eliminate adverse impacts on the retail market. In addition, reducing the SREC qualification life or vintage/bankability without adequate notice to the SREC market could introduce unnecessary volatility in an otherwise stable and functioning market. RESA urges caution in implementing changes to these policies, as many companies and customers rely on the stability and longevity of these program features, and some may not have entered into the New Jersey solar market without these different mechanisms in place.**

v. Are the EDC SREC-based Finance programs still necessary (i.e., PSE&G's Solar Loan III, PSE&G Solar for All Extension II, and the ACE, JCP&L and RECO SREC-II competitive solicitations for ten year contracts)?

**RESPONSE:**

**RESA takes no position on this item.**

vi. Has the Board's shared implementation of Subsection t of the Solar Act of 2012, N.J.S.A. 48:3-87(t), with the New Jersey Department of Environmental Protection ("NJDEP") been sufficiently effective at siting solar generating facilities on marginal lands such as landfills and brownfields? If not, how could it be improved?

**RESPONSE:**

**RESA takes no position on this item.**

**IV. Net Metering & Interconnection Design Elements & Eligibility Criteria:**

i. Are the Board's current net metering and interconnection rules consistent with the State's policy goals as expressed in the statute and RPS, objectives, design, eligibility criteria, etc.?

**RESPONSE:**

As explained above, RESA believes the current net metering rules and requirements are unnecessarily confusing for both retail suppliers and customers alike. Residential customers in particular should have access to more consumer friendly information explaining how net metering works. RESA is aware of the OCE website and information but believes the explanations provided could be better simplified for residential customers in particular.

ii. Currently, net metered installations in New Jersey are restricted in size based on historic annual electricity consumption. Should there be an overall capacity cap for net metered project sizing? If so, how should it be structured?

**RESPONSE:**

**RESA takes no position on this item.**

iii. Should larger C&I sized solar projects be treated differently than residential projects due to their ability to crowd out smaller projects from interconnecting on constrained distribution circuits and their competitive advantage in the SREC market?

**RESPONSE:**

**RESA takes no position on this item.**

iv. Currently, net metered installations in New Jersey are compensated at the full retail value of electricity, including generation, delivery and variable rate surcharges on a monthly basis over an annualized period. Is full retail net metering still required for all customer-sited solar installations? Do utility scale customer-sited and "on-site generation" facilities still require full retail net metering to be cost effective?

**RESPONSE:**

RESA notes that this question is illustrative of the general confusion surrounding net metering and customer credits. RESA agrees that net-metered customers are credited at the retail rate on a monthly basis. However, this question leaves out the second part of net metering – the annual true-up at the *wholesale* rate. RESA urges the Board to revisit net metering standards in order to make them easier to understand.

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**RESA takes no position on the need for net metering for utility scale customers.**

v. What is the impact on the distribution grid of additional installations of distributed solar facilities? If upgrades are needed beyond those required to be paid for by individual customer-generators, who should pay for them?

**RESPONSE:**

**RESA takes no position on this item.**

vi. Have the aggregated net metering rules been effective at motivating publicly sited solar generation facilities? If not, what changes could improve adoption?

**RESPONSE:**

**RESA takes no position on this item.**

**V. Land Use Implications:**

i. How can the State minimize impact of solar development on open space, wooded, and farmlands?

**RESPONSE:**

**RESA takes no position on this item.**

ii. In an effort to minimize the impact of solar development on open space, where and how should the State encourage solar development?

**RESPONSE:**

**RESA takes no position on this item.**

iii. What changes to its policies, if any, should the Board consider related to its goal of protecting open space? Can tools like the NJDEP Solar Siting Analysis be used to inform incentive approval decisions? Should a condition of SREC eligibility for ground mounted solar facilities of a certain size include compliance with industry best practices such as those specified in rules promulgated by the State Agricultural Development Committee.

**RESPONSE:**

**RESA takes no position on this item.**