



Agenda Date: 3/6/23
Agenda Item: 8A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE COMPETITIVE SOLAR)	ORDER ADDRESSING
INCENTIVE (“CSI”) PROGRAM PUSUANT TO P.L. 2021,)	PRICE CAP
C. 169)	DETERMINATION
)	
)	DOCKET NO. QO21101186

Party of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By Order dated December 7, 2022, the New Jersey Board of Public Utilities (“Board” or “BPU”) established the Competitive Solar Incentive (“CSI”) Program.¹ The CSI Program is open to qualifying grid supply solar installations and non-residential net metered solar installations with a capacity greater than five (5) megawatts (“MW”), as well as to eligible grid supply solar installations in combination with energy storage. The first solicitation of the CSI Program opened for prequalification on February 1, 2023, and closes to bids on March 31, 2023 at 11:59:59 pm EST. Through this Order, the Board establishes confidential price caps for all tranches in which projects will compete during the first CSI Program solicitation.

BACKGROUND

On June 9, 2021, Governor Murphy signed into law the Solar Act of 2021 (hereafter “Solar Act” or “Act”).² The Act directed the Board to establish a program to incent the development of 3,750 MW of solar by 2026 by establishing a new program for incentivizing solar in New Jersey through the mechanism of Solar Renewable Energy Certificates (“SREC-IIs”). SREC-IIs represent the value of the environmental attributes produced by the solar electric power generation facility. The Act directs the Board to create both a solar facilities program for smaller projects, with administratively set incentive values, and a solicitation process for awarding contracts for grid supply solar facilities and net metered solar facilities greater than five (5) MW.

¹ In re Competitive Solar Incentive (“CSI”) Program Pursuant to P.L. 2021, c.169, 2022 N.J. PUC LEXIS 367, BPU No. [QO21101186](http://www.nj.gov/bpu/), (Dec. 7, 2022).

² L. 2021, c. 169.

The Board took a major step forward to implementing the Solar Act on July 28, 2021, voting unanimously to implement the Clean Energy Act of 2018 (P.L. 2018, c. 17) and the Solar Act by creating the Successor Solar Incentive (“SuSI”) Program.³ The SuSI Program sets the State on a path to double its solar capacity by 2026. This target reflects both New Jersey’s 2019 Energy Master Plan and Governor Murphy’s goal of achieving 100% clean energy by 2050.⁴

The SuSI Program is divided into the Administratively Determined Incentive (“ADI”) and CSI Programs. The ADI Program, opened to new registrants on August 28, 2021, offers a fixed incentive in the form of New Jersey SREC-IIs for net metered residential projects, net metered non-residential solar projects of 5 megawatts (“MW”) or less, and all community solar programs. Incentive values are set administratively, following comprehensive modeling of costs and multiple rounds of stakeholder involvement. Incentive values vary by market segment; in some cases, they vary according to project size and siting.

On December 7, 2022, the Board approved the establishment of the CSI Program.⁵ The CSI Program covers all grid supply solar projects (i.e., those selling into the wholesale markets) and net metered non-residential projects above five (5) MW in size. This program will award SREC-IIs through a competitive solicitation, with separate solicitations for several selected market tranches: basic grid supply, the built environment, contaminated lands, net metered over five (5) MW, and solar plus storage. Additionally, on December 7, 2022, the Board approved for publication in the New Jersey Register one rule proposal codifying the CSI Program and a second implementing siting criteria required by the Solar Act.⁶

The CSI Program is structured into four (4) market segments, or tranches: basic grid supply; grid supply projects located on the built environment; grid supply projects on contaminated sites and landfills; and net metered non-residential projects greater than five (5) MW. An additional fifth tranche allows for storage in combination with a grid supply solar award. The total procurement for the first solicitation sums to 300MW. Megawatt allocations for the tranches are as follows:

Tranche	Target (MW)
1. Basic Grid Supply	140
2. Grid Supply on the Built Environment	80
3. Grid Supply on Contaminated Sites & Landfills	40
4. Net Metered Non-residential above 5 MW	40
TOTAL	300
5. Storage Paired with Grid Supply Solar	160 MWh

All projects seeking to compete in the CSI Program solicitation must prequalify, providing evidence that they meet specific tranche eligibility criteria and other project maturity requirements, including evidence of compliance with relevant Board approved siting criteria, a completed

³ In re A Solar Successor Incentive Program Pursuant to P.L. 2018, c.17, 2021 N.J. PUC LEXIS 300, BPU no. [QO20020184](#) (July 28, 2021).

⁴ 2019 New Jersey Energy Master Plan: Pathway to 2050, nj.gov, https://nj.gov/emp/docs/pdf/2020_NJBPU_EMP.pdf

⁵ In re Competitive Solar Incentive (“CSI”) Program Pursuant to L. 2021, c. 169, 2022 N.J. PUC LEXIS 367, BPU No. [QO21101186](#) (Dec. 7, 2022).

⁶ 55 N.J.R. 127(a) (Feb. 6, 2023); 55 N.J.R. 135(a) (Feb. 6, 2023).

Feasibility Study or executed Part 1 Interconnection agreement, and a site plan signed and sealed by a licensed professional engineer. In implementing these and other requirements, the Board seeks to balance the level of competition in the solicitation against the need to ensure that participating projects have a reasonable chance of reaching commercial operation within the timelines established by the program.

After prequalification, facilities determined to be CSI-eligible will submit a bid for an SREC-II award, specified in dollars per MWh of solar electricity production, and will compete on price only. Projects may compete in all tranches for which they are eligible, but will be awarded only once. To compete in Tranche 5, a solar plus storage project will provide a two-part bid: a solar-only SREC-II price (eligible to compete in tranches 1, 2 and 3) and a storage adder price that will be considered separately in the storage tranche for award of a storage adder. The prequalification window for the first solicitation opened February 1, 2023, and the bid submission closes on March 31, 2023 at 11:59:59 PM.

The Board also adopted Staff's recommendation to reserve the right to establish confidential, pre-determined price caps for any or all tranches prior to the solicitation. These caps would function to reduce price risk for ratepayers. If the Board determines that an award would breach a price cap, further procurement in the affected tranche or tranches will not be undertaken and procurement will cease, regardless of whether the targeted number of megawatts in that tranche or tranches has been met.

STAFF RECOMMENDATIONS

The Board's long-standing commitment to the dual goals of promoting a thriving solar industry in the State and keeping ratepayer costs as low as possible has informed the design of the CSI Program. On the one hand, the competitive solicitation process ensures that New Jersey ratepayers are incentivizing the projects that seek the lowest incentive contribution from the ratepayers. At the same time, the regular schedule of these solicitations both ensures that incentive values will reflect current market conditions and also provides a long-term, guaranteed incentive structure for developer investment. In this first solicitation in the CSI Program, there is considerable uncertainty regarding how many qualified projects will elect to participate. Therefore, Staff recommends that, to protect ratepayers against excessive awards in the event of low competition, the Board establish confidential, pre-determined price caps for all tranches before the close of the first solicitation on March 31, 2023. If the Board determines that an award would breach a price cap, further procurement in the affected tranche or tranches would cease, regardless of whether the targeted MW capacity has been met. Staff recommends the price caps be confidential in order to prevent gaming. However, Staff recommends the caps be set sufficiently high to permit normal price discovery through the solicitation process.

Staff further recommends that the price caps differentiate among and be specific to the five (5) tranches in the CSI Program. Staff recognizes that the different project types per tranche carry different cost and revenues and seeks to balance these with ratepayer protections. For example, tranche 3 represents a specific subset of grid supply projects on contaminated sites and landfills and associated disturbed areas. Projects competing in this tranche may face additional costs associated with mitigating contamination and securing permits. Competitors in tranche 4, which consists of net metered non-residential projects greater than five (5) MW face a different cost structure and already receive some degree of subsidy in the form of net metering credits. Price cap differentiation will recognize these differing cost burdens and revenue streams and, as a result, will more effectively protect both the ratepayers' dollar and the developers' ability to seek a viable incentive. By setting a price cap for each tranche independent of other competitive

tranches, Staff seeks to ensure that the CSI Program will support the development of diverse potential solar projects while limiting excessive speculation on award value in any given tranche competition. Moreover, this type of differentiation comports with the different incentive levels set for different market segments in the Transition Incentive ("TI") Program and the ADI Program

To determine the price caps, Staff and consultant Daymark Energy Advisors ("Daymark") considered a number of project and financing factors, including the following:

- Projects awarded under the CSI Program are generally larger scale, and therefore would need less incentives than provided under the ADI Program.
- Project development costs in New Jersey will follow trends of similar development in other states within PJM but are expected to be somewhat higher because of the constraints on the availability of space that can be developed for solar, and the novelty of the CSI Program.
- The need for a specific SREC-II value is governed by both the levelized cost of solar generated energy, and the expected wholesale energy and capacity revenue, both of which have increased over the last two (2) years.
- The price caps should provide sufficient room for price discovery and are therefore not based on the average estimated cost of development, but on somewhat higher costs.

To perform the incentive modeling, Daymark utilized the modeling software System Advisor Model ("SAM"), an industry-recognized and publicly accessible performance and financial model developed by the National Renewable Energy Laboratory ("NREL"). Cost data, provided by Board Staff, reflected projects participating in the legacy SREC and TI Programs.

Staff recommends that the Board establish tranche-specific caps for the CSI Program.

FINDINGS AND CONCLUSIONS

New Jersey's longstanding commitment to solar energy has resulted in one of the most vibrant solar marketplaces in the world, with over 4,200 MW installed as of December 31, 2022. To maintain the State's position as a marketplace leader, while at the same time controlling the cost to ratepayers, the Board has continually sought to improve upon existing programs and to explore new ways of incenting growth at minimum cost. Most recently, in compliance with the Solar Act of 2021, the Board launched the CSI Program. This program offers an exciting new direction for the State, providing the first incentives specifically intended to facilitate large-scale solar in the State.

The CSI Program is structured to facilitate development of large-scale solar in New Jersey at the lowest viable cost, allowing New Jersey ratepayers to realize the savings that arise from increased economies of scale. The Board anticipates that competition will arise organically and that SREC-II prices will provide the amount needed to enable development, without over-incentivization.

However, the relatively short timeframe between establishing the CSI Program and conducting the first solicitation, combined with the stringent project maturity requirements of the program, sharply curtails the number of eligible projects. Current circumstances effectively limit CSI Program eligibility to projects that were already in development before the program was established. As a result, it is unclear at this time how many projects in each tranche will be able to and will choose to participate. The Board **FINDS** that a lack of competition in one (1) or more tranches may produce excessively high bids. Therefore, the Board **FINDS** that the establishment

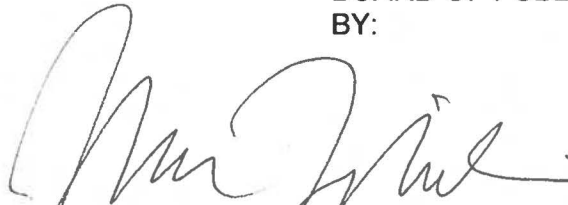
of price caps in the 2023 solicitation is needed to protect ratepayers against excessive bid prices.

The Act grants the Board power to “establish confidential high and low bid thresholds prior to conducting a competitive solicitation” if it “promotes fiscal responsibility for the State and the likelihood of successful bids.” N.J.S.A. 48:3-117(d). The Board **FINDS** that the price caps recommended by Staff promote fiscal responsibility for the State and the likelihood of successful bids. Accordingly, the Board **HEREBY APPROVES** the confidential price caps recommended by Staff and **ORDERS** these high bid thresholds to be applied in the 2023 CSI Solicitation.

The effective date of this Order is March 13, 2023.

DATED: March 6, 2023

BOARD OF PUBLIC UTILITIES
BY:



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PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



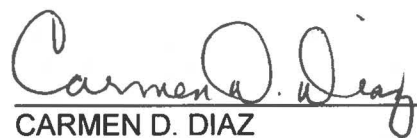
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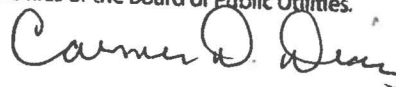


DR. ZENON CHRISTODOULOU
COMMISSIONER

ATTEST: 

CARMEN D. DIAZ
ACTING SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities.



IN THE MATTER OF THE COMPETITIVE SOLAR INCENTIVE (“CSI”) PROGRAM PUSUANT TO P.L. 2021, C. 169
– PRICE CAP DETERMINATION

DOCKET NO. QO21101186

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