

NEW JERSEY RENEWABLE PORTFOLIO STANDARD

Energy Year 2021 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

October 30, 2021

Re: Calculating the Energy Year 2021 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 2021 (“EY21”).

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

At the July 21, 2021 NJRPS Coordination Meeting, Staff reviewed the EY21 RPS Compliance Time Line and Retail Sales Adjustment Procedure. Beginning on August 17, 2021, TPS/BGS Providers were given the opportunity to adjust their EY21 retail sales figures contained in their GATS “My RPS Compliance Reports.” A three-week period was provided to submit revisions to load served to arrive at retail sales subject to the EY21 RPS requirements. Supporting documentation was due at close of business Friday, September 10, 2021. DCE received adjusted retail sales data from 64 out of 94 TPS.

The DCE compiled EY21 retail sales figures based upon the GATS data and retail sales adjustment process. TPS provided **30,730,287** MWhs of retail sales during the EY21 compliance period. BGS providers sold **41,733,293** MWhs as reported by the EDCs. Therefore, total retail sales subject to the NJ RPS for EY21 is **72,463,580** 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, SRECs retired by TPS/BGS providers to meet the RPS requirements for retail sales that were not provided exemption from the increase, count towards achievement of the Class I requirements. Solar obligations based on non-exempt electricity will be deducted from the total Class I obligation for BGS Providers.

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 procured and retired on behalf of the Electric Distribution Companies allocated by Staff to TPS/BGS Providers. The TREC obligation, 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.

Pursuant to subchapter 2.3 (d), beginning in EY20, SREC obligations along with TREC obligations are components of Class I renewable energy requirements, and satisfaction of SREC and TREC obligations shall be counted toward Class I renewable energy requirements.

3. Calculating Total Statewide TRECs, SRECs, Class I and Class II Obligations for EY21

Total Statewide SREC, Class I, Class II, and TREC Obligations for EY21:

EY21: June 1, 2020 through May 31, 2021
 EY21 TRECs, SRECs, Class I, and Class II RPS Requirements

Energy Year 2021	TRECs	SRECs	Class I	Class II	Total
June 1, 2020 - May 31, 2021	based on retail sales**	5.10%	21.0%	2.50%	23.50%
June 1, 2020 - May 31, 2021*	based on retail sales**	3.47%*	21.0%*	2.50%*	26.97%*

*BGS Providers with existing contracts (entered into prior to effective day of Clean Energy Act May 23, 2018)

**The TREC Obligation 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. Allocation of the Statewide obligation to individual Third Party Supplier and BGS Providers (“TPS/BGS providers”) will follow the method described in the RPS rules at N.J.A.C. 14:8-2.3 (r) and (t).

Each TPS calculates their SREC obligation based solely upon the percentage requirement from Table A (N.J.A.C 14:8-3), e.g., 5.10% multiplied by their retail sales during EY21.

Total EY21 SREC Requirement for TPS:

$$30,730,287 \times 5.10\% = 1,567,245 \text{ MWh (SRECs or SACP)}$$

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.

The Act provides exemption to existing BGS supply contracts (“exempt electricity”) from the

increase in the solar RPS during EY19, 20, and 21. Exempt electricity is subject to the SREC percentage requirements in effect prior to enactment since this requirement was known at the time of the BGS Auction; e.g., 3.47% for EY21. BGS providers with pre-existing supply contracts calculate their SREC obligation by multiplying their exempt retail sales by the 3.47% requirement, as indicated in Table A with an asterisk. Total BGS exempt electricity retail sales were **13,377,140** MWhs.

Total EY21 SREC Requirement for BGS Providers with Exempt Electricity:

$$13,377,140 \times 3.47\% = 460,717 \text{ MWh (SRECs or SACP)}$$

SREC obligations associated with BGS exempt electricity are not subject to carve out provisions in the RPS. **SRECs retired or SACP payments made for compliance with the RPS by BGS Providers with exempt electricity do not reduce their Class I obligation.**

Non-Exempt electricity is subject to the SREC percentage requirements provided in the Act; i.e., 5.10% for EY21. Therefore, BGS Providers with non-exempt electricity calculate their SREC obligation by multiplying their non-exempt retail sales by the 5.10% requirement, as indicated in Table A. Total BGS non-exempt retail sales were **28,456,154** MWhs.

Total EY21 SREC Requirement for Non-Exempt Electricity BGS:

$$28,456,154 \times 5.10\% = 1,451,264 \text{ MWh (SRECs or SACP)}$$

SREC obligations associated with a BGS Provider's non-exempt electricity are subject to carve out provisions in the RPS. SRECs retired or SACP payments made for compliance by BGS Providers with non-exempt electricity reduces their Class I obligation MWh for MWh. These SRECs/SACP payments are subtracted from the total BGS Class I obligation.

4. The Avoided Increase in the SREC Requirement from exempt BGS Supply in EY19 & EY20

(BGS Providers with exempt retail sales only)

To implement the Act, the Board issued an Order and approved a rule amendment with a new method for calculating the SREC requirements for entities with retail sales of "non-exempt electricity" during EY19, 20, 21, 22, and 23. 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 non-exempt market.

The Act's exemption of contracted supply established an avoided SREC increase for EY19 and a future requirement for the SRECS whose collection was avoided in the amount of 409,772 SRECs (or SACPs).

The obligation to procure 409,772 SRECs will be allocated among the BGS Providers' non-exempt electricity supplied over the next two energy years (204,886 in EY20 and EY21) based upon each BGS Provider's share of the non-exempt market in those energy years.

The avoided SREC increase for EY20 produced a future requirement for 363,732 SRECs.

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 in those energy years.

Therefore, the Total BGS Provider EY21 avoided SREC increase totals:

$$204,886 \text{ plus } 181,866 = 386,752 \text{ SRECs}$$

To calculate each individual BGS Provider's avoided SREC increase total:

$$(\text{A BGS Provider's Non-Exempt Sales} / 28,458,154) \times 386,752$$

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 **2,298,733 MWhs (Exempt + Non-Exempt + Deferred SRECs)**

5. Method for TREC Allocation in EY21

The allocation of TRECs procured and retired Statewide among individual TPS/BGS Providers follows the method set forth at N.J.A.C. 14:8-2.3 (r) and (t). Each megawatt-hour (MWh) of retail electricity supplied by a TPS/BGS Providers carries with it an accompanying TREC obligation. Such obligation is based upon the total number of TRECs procured and retired by the TREC Administrator (<https://trecsnj.com>) within the applicable energy year and the market share of retail electricity sold by the TPS/BGS Providers within the energy year.

All TRECs are created within the PJM-EIS Generation Attribute Tracking System ("GATS") and procured by a TREC Administrator under contract with the State's electric distribution companies. The TREC Administrator will purchase the TRECs from eligible system owners on a periodic basis and will retire all TREC certificates invoiced through September 1, 2021. They reported 128,356 TREC certificates were retired into the TREC Program Administrator - EDC joint GATS subaccount(s) (TREC - Joint NJ EDC Account) for EY21. The EY21 TREC TPS/BGS Provider market share allocations will be calculated when using the BGS/EDC and TPS RPS Recording Spreadsheets.

$$\text{Total \# of TRECs Retired for EY 2021} = 128,356$$

$$\text{Total Statewide Retail Sales} = 72,463,580 \text{ MWhs}$$

To calculate each individual TPS/BGS Provider's TREC Allocation:

$$\text{TPS/BGS Provider's Retail Sales} / 72,463,580$$

$$\text{Times } 128,356 = \text{TREC Allocation}$$

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 EY 21 SREC requirement 5.10% minus the EY 21 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 EY21 increased obligation to non-exempt supply from one half of the EY20 & EY21 exempt supply and one half of the EY21 exempt supply is;

181,866 plus 108,209 = 290,075 MWh (SRECs or SACP)

These 290,075 SRECs will be allocated among the BGS non-exempt electricity supplied based upon each BGS provider's share of the non-exempt market in EY22.

Conclusion

TPS/BGS Providers will retire Class I RECs or make ACP payments in the aggregated estimated equivalent amount of **11,683,735 MWhs** (Based on 21.00% of retail sales), and retire Class II RECs or make ACP payments in the aggregated, equivalent amount of **1,811,590 MWhs** (2.50% of total retail sales).

Report Filing Instructions

SREC, TREC, Class I and Class II RPS reports are due by **December 1, 2021**.

For the first time with EY21 compliance, all compliance reports must now 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 report.

Please reference Docket # QO21091125 - IN THE MATTER OF CLEAN ENERGY NON DOCKETED MATTERS FOR ENERGY YEAR 2021 RPS REPORTS when filing the report.

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