

NEW JERSEY RENEWABLE PORTFOLIO STANDARD

Energy Year 2020 Compliance Instruction Memo

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

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

September 30, 2020

Re: Calculating the EY 20 RPS Compliance Obligations

The Office of Clean Energy (“OCE” 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 2020 (“EY 20”).

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

At the July 21, 2020 NJRPS Coordination Meeting, Staff reviewed the EY 20 RPS Compliance Time Line and Retail Sales Adjustment Procedure. Beginning on August 17, 2020, TPS/BGS Providers were given the opportunity to adjust their EY 20 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 along with supporting documentation with a deadline at close of business Friday, September 4, 2020. OCE received adjusted retail sales data from 67 out of 96 TPS.

The OCE compiled EY 20 retail sales figures based upon the GATS data and retail sales adjustment process. TPSs provided **32,550,670** MWhs of retail sales during the EY 20 compliance period. BGS providers sold **39,142,801** MWhs as reported by the EDCs. Therefore, total retail sales subject to the NJ RPS for EY20 is **71,693,471** MWhs.

2. Implementing Changes from the Clean Energy Act

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 from 16.029% of retail sales from June - Dec 2019 to 21.00% of retail sales from January – May 2020 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 accomplish the carve-out, the Board amended the RPS rules at N.J.A.C. 14:8-2.3 necessitating TPS/BGS Providers make two calculations to

determine their total Class I REC obligations for EY 20.

Beginning in EY 20, for TPS/BGS provider supply that was not exempted by the Act, the solar obligation is considered as a subset of and counting 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. The solar obligation is calculated separately from the Class I obligation.

3. Calculating Total Statewide Solar, Class I and Class II Obligations for EY 2020

EY 20 Solar, Class I, and Class II RPS Requirements
June 1, 2019 through May 31, 2020

Excerpted from Table A (N.J.A.C. 14:8-2.3)

Energy Year 2020	Solar	Class I	Class II	Total
June 1, 2019 - Dec. 31, 2019	4.90%	16.029%	2.50%	18.529%
June 1, 2019 - Dec. 31, 2019*	3.38%*	16.029%*	2.50%*	21.909%*
January 1, 2020 - May 31, 2020	4.90%	21.0%	2.50%	23.50%
January 1, 2020 - May 31, 2020*	3.38%*	21.0%*	2.50%*	26.88%*

(*BGS Providers with existing contracts)

Each TPS calculates their solar obligation based solely upon the percentage requirement from Table A (N.J.A.C 14:8-x), i.e., 4.90% multiplied by their retail sales during EY20.

Total EY 20 Solar Requirement for TPS:

$$32,550,670 \times 4.90\% = 1,594,983 \text{ SRECs}$$

In aggregate, TPS are required to retire SRECs or make SACP payments in the equivalent amount of **1,594,983 MWhs** (4.90% of total retail electricity sales). These SRECs/SACPs (MWhs) can 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 EY 19, 20, and 21. Exempt electricity is subject to the solar percentage requirements in effect prior to enactment because this is the requirement that was calculated into the contracts for this electricity; i.e., 3.38% for EY 20. BGS providers with pre-existing supply contracts calculate their solar RPS obligation by multiplying their exempt retail sales by the 3.38% requirement, as indicated in Table A with an asterisk. Total BGS exempt electricity retail sales were **23,929,731 MWhs**.

Total EY 20 Solar Requirement for BGS Providers with Exempt Electricity:

$$23,929,731 \times 3.38\% = 808,825 \text{ MWh (SRECs or SACP)}$$

Solar 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 solar percentage requirements provided in the Act; i.e., 4.90% for EY 20. Therefore, BGS Providers with non-exempt electricity calculate their solar RPS obligation by multiplying their non-exempt retail sales by the 4.90% requirement, as indicated in Table A. Total BGS non-exempt retail sales were **15,213,070 MWh**.

Total EY 20 Solar Requirement for Non-Exempt Electricity BGS:

$$15,213,070 \times 4.90\% = 745,440 \text{ SRECs}$$

Solar 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 Solar Requirement from exempt BGS Supply in EY 19

(BGS Providers Only)

The amended RPS rules implementing the Act provides a calculation methodology for the solar obligation of entities with retail sales classified as "non-exempt electricity" during EY 19, 20, 21, 22, and 23. The amount of avoided increase from the exemption for BGS supply in an energy year is allocated to BGS Providers with non-exempt electricity supplied over the following two energy years based upon each BGS provider's share of the non-exempt market.

The EY19 avoided solar increase is calculated as;

Total BGS retail sales times the increased EY 19 Solar requirement of 4.30% minus the EY 19 exempt Solar BGS requirement.

$$40,571,479 \times 4.30\% \text{ minus } 40,571,479 \times 3.29\% = 409,772 \text{ MWh (SRECs or SACP)}$$

The 409,772 MWh obligation shall be allocated among the BGS Provider's non-exempt electricity supplied over the next two energy years (**204,886 in EY 20 and 204,886 in EY21**) based upon each BGS provider's share of the non-exempt market.

To calculate each BGS Provider's share of the EY 19 deferred solar obligation for EY 20, the BGS Provider calculates its market share by dividing its non-exempt sales during EY 20 by the total amount of BGS non-exempt sales of 15,213,070 MWh and multiplying the resulting fraction by one half of the avoided increase from EY19.

$$(\text{A BGS Provider's Non-Exempt Sales}/15,213,070) \times 204,886 =$$

A BGS Provider's share of the avoided increase from EY 19's exemption

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 **1,759,151 MWhs (Exempt + Non-Exempt + Deferred SRECs)**

5. Treatment of the EY 20 Avoided Increase in the Solar 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 EY 20 avoided solar increase is calculated as;

Total BGS retail sales times the increased EY 20 solar requirement 4.90% minus the EY 20 exempt Solar BGS requirement of 3.38%

23,929,731 x 4.90% minus 23,929,731 x 3.38% = 363,732 MWh (SRECs or SACP)

The 363,696 MWh obligation will be allocated among the BGS non-exempt electricity supplied over the next two energy years (**181,866 in EY 21 and 181,866 in EY 22**) based upon a BGS provider's share of the non-exempt market.

Finally, the total EY 21 increased obligation to non-exempt supply from one half of the EY 19 exempt supply and one half of the EY 20 exempt supply is;

204,886 plus 181,866 = 386,752 SRECs

These 386,752 SRECs will be allocated among the BGS non-exempt electricity supplied based upon each BGS provider's share of the non-exempt market in EY 21.

Conclusion

TPS/BGS Providers will retire Class I RECs or make ACP payments in the aggregated estimated equivalent amount of **10,314,773 MWhs** (Based on 16.029% of total retail electricity sales from June – Dec. 2019 and 21.00% of retail sales from Jan. – May 2020), and retire Class II RECs or make ACP payments in the aggregated, equivalent amount of **1,792,337 MWhs** (2.50% of total retail electricity sales).

Solar, Class I and Class II RPS reports are due by December 1, 2020.

If you have any questions or comments, feel free to contact Ronald Jackson at 1-609-633-9868 or ronald.jackson@bpu.nj.gov.