Mid-Atlantic Solar & Storage Association
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MSSIA 2nd Quarter Meeting

Rutgers EcoComplex
June 25, 2019

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BPU Solar Transition Straw Proposal
NJ SREC Market Closure Plan
Essential Features

1. The SREC market will be closed when the total of solar projects that have achieved PTO will generate 5.1% of the state's power.

2. When the SREC market closure occurs, the pipeline of approved projects will be considered "transitional projects" that will not be eligible for the current SREC Program.

3. The "transitional projects" will be eligible for a new program, which could be a transitional program or a new permanent program.

4. The BPU will conduct an expedited process for putting a new, permanent program in place, with a goal of producing a board order establishing the new program by September 2019.

MSSIA Motion for Reconsideration

- Main purpose was to protect projects having SRP approvals before the Board Order date (2/27/19) from having approvals rescinded retroactively.
- MSSIA members and a few others contributed data indicating that roughly $170 million worth of projects are at high risk.
- Later MSSIA added the matter of indications of intent by BPU to close market in severe oversupply.
- Repeated attempts by MSSIA attorney to schedule a meeting with BPU attorneys have been rebuffed. MSSIA filed a further motion requesting a settlement conference. It has not been answered.

SREC Market Closure: What do we know?

- BPU "Transition Principles" include "Ensure that prior investments retain value". BPU/President Fiordaliso has stated repeatedly that prior investments will not be harmed and SREC market will not be caused to crash.
- February 27 Board Order page 3 describes SREC market closure when total installed capacity is 3,132 MW. However, page 4 appears to describe a trailing 12-month calculation that would result in a much later date.
- Trailing 12-month methodology is described in the consultant's presentations. Several different dates were shown or discussed, all consistent with severe oversupply.
- BPU consultant's slides show that the "base case scenario" – and all scenarios – indicate an SREC market crash, with prices cut in half by ~2025 and down to ~5 by 2028-2030.
- BPU consultant assumes that oversupply has linear relationship with price. Rutgers Bloustein study, and market experience, says market is "inelastic"

NJ Transition Principles

BPU's SREC Transition Principles articulated in Dec. 2018 Staff Straw Proposal and April 2019 Notice

- Provide maximum benefit to ratepayers at the lowest cost
- Support the continued growth of the solar industry
- Ensure that prior investments retain value
- Meet the Governor's commitment of 50% Class I Renewable Energy Certificates ("RECs") by 2030 and 100% clean energy by 2050
- Provide insight and information to stakeholders through a transparent process for developing the Solar Transition and Successor Program
- Comply fully with the statute, including the implications of the cost cap
- Provide disclosure and notification to developers that certain projects may not be guaranteed participation in the current SREC program, and continue updates on market conditions via the New Jersey Clean Energy Program ("NJCEP") SREC Registration Program ("SRP") Solar Activity Reports

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Statistical Relationship of Banked SRECs & SREC Prices

It's Strongly Negative

Correlation Coefficients of	Total SRECs Banked (MWh)	Weighted Avg. SREC Trade Price During EY ($/MWh)	SREC Price (% of SACP)	SREC Price (% of SACP EY+1)	Banked SREC (% of EY Demand)
Total SRECs Banked (MWh)	100%				
Weighted Avg. SREC Trade Price During EY ($/MWh)	-93%	100%			
SREC Price (% of SACP)	-35%	33%	100%		
SREC Price (% of SACP EY+1)	-81%	77%	73%	100%	
Banked SREC (% of EY Demand)	70%	-60%	88%	85%	100%

Regression Statistics: Dependent Variable = Avg. SREC Price as % of SACP (n=7)

	Coefficients	Standard Error	t Stat	Interpretation
Intercept	0.792	0.050	15.695	If Banking is at 0%, then predicted Avg. SREC Price will be 79.2% of SACP
Banked SRECs (as % of EY Demand)	-0.712	0.168	-4.232	For each 1% increase in banked SRECs (as % of EY Demand), Avg. SREC Prices will drop by 0.712% of the SACP level

Regression used as basis of SREC Price Forecasts, with "in practice" model capping SREC prices: Ceiling @ SACP; Floor @ Assumed Class I REC Price (i.e., $6)

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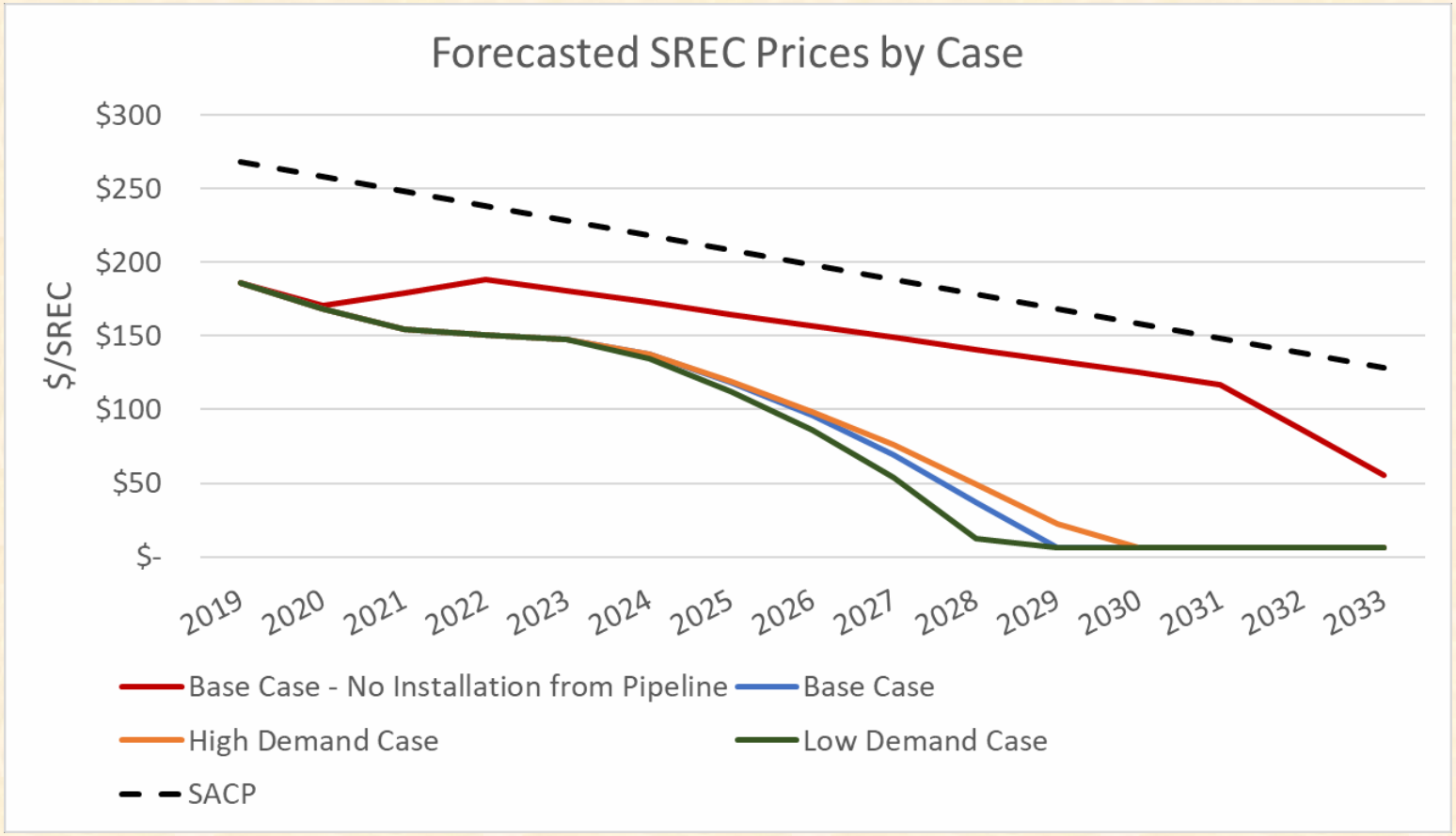
Supply / Demand Preliminary Forecast

Price Forecasts



Interim Program

- At the BPU/Consultant transition workshop on Friday June 14th, 7 Interim Program options were offered for discussion and feedback.
- 1st option was a tradable SREC as-is, except for a production factor reducing the SREC generation rate.
- Second and third options added a “soft” floor price and a “hard floor price.
- The remaining options involved fixed SREC programs

Interim Program

- At the Friday June 14th, 12 Successor Program options were offered for discussion and feedback.
- Most of the options were long-term fixed programs
- Fixed attribute payments as well as bundled energy + attribute payments (a la MA SMART) were both offered.

What Do We Do About:

- Risk of BPU closing market in oversupplied condition & potential for market crash
- Consultant conclusion htat legacy program costs are a prime problem
- General concern among ratepayer advocates (e.g., Rate Counsel) and public about solar costs
- Possible perception of solar industry as overcompensated or “greedy” (including Governor’s office, enviros advising Governor??)

SOLAR INDUSTRY COST REDUCTION PROPOSAL
INTRODUCTION AND PURPOSE

A group of solar industry trade organizations and leaders, seeking a way to satisfy the 50% by 2030 requirements of the Clean Energy Act and, at the same time, satisfy the cost cap requirements of the Act, has formulated a proposal to lower the cost of the legacy SREC program.

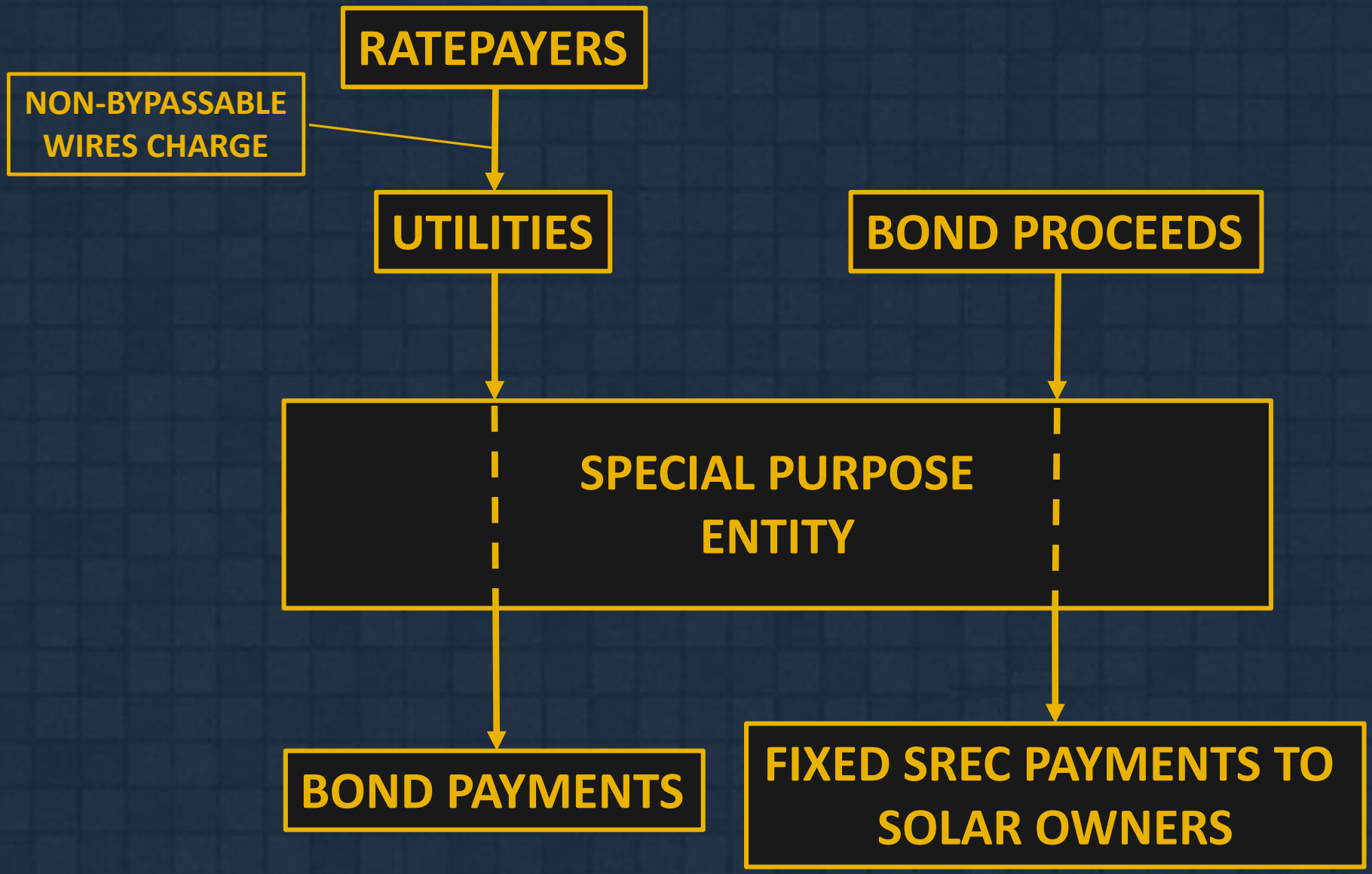
The proposal is to:

1. Establish a fixed price for legacy project SRECs for the remainder of each project's SREC generation life (~1 to 13 years). This price will be lower than the expected price of tradable SRECs, because risk premium is not needed.
2. Further reduce the cost by utilizing a bond to amortize it over 20 years (see slide 2).

Between the elimination of the risk premium and the amortization of costs, ratepayer impact is lowered to the point where cost caps can be met. At the same time, prior investments are treated fairly.

SOLAR INDUSTRY COST REDUCTION PROPOSAL

PROPOSED FUNDING MECHANISM



SOLAR INDUSTRY COST REDUCTION PROPOSAL
IMPLEMENTATION SEQUENCE

1. A law is created to establish the new legacy cost reduction program.
2. BPU determines the fixed SREC price.
3. BPU establishes a non-bypassable wires charge for the program.
4. BPU forms a Special Purpose Entity (SPE) for the program.
5. Project owners enroll in the new program.
6. Utilities begin collecting funds through the non-bypassable wires charge and remitting those funds to the SPE.
7. SPE issues bonds for year 1 of new program.
8. SPE begins using the proceeds of the bond to pay enrolled solar owners, while using the funds collected by utilities to pay the bond payments.