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New Jersey BPU Adopts SREC Transition Program; Estimates That Renewable Energy Certificate Eligibility May End by April 2020

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On December 6, 2019, the New Jersey Board of Public Utilities (BPU) approved a new solar energy Transition Incentive Program that will transition New Jersey's highly successful Solar Renewable Energy Certificate (SREC) program to a less costly program that remains under development.

Under the current BPU solar incentive program, solar providers are eligible to earn one SREC for each megawatt hour (MWh) of solar energy produced. However, the Clean Energy Act of 2018 provides that eligibility for the current SREC program will end when 5.1% of the energy consumed in New Jersey is supplied by solar generation. The Transition Incentive Program will apply to solar projects that have completed the SREC registration process under the current program but have not achieved commercial operation when that 5.1% threshold is realized.

Under the Transition program, solar projects will be eligible to receive one Transition Renewable Energy Certificate (TREC) for each MWh of energy produced for a 15-year period. The BPU intends to conduct a 'cost-cap' proceeding to determine whether the annual value of the TREC should be a flat 15-year price of \$152.00, or a price of \$65.00 for the first three years and \$189.00 for the remaining 12 years. Regardless, the BPU has determined that over the 15-year period of TREC eligibility, the total project incentive will be the same under both scenarios.

TRECs will also be subject to a "factorization" process that may reduce the value of each TREC earned based upon the particular type of solar project. For example, residential rooftop projects will be subject to a .6 factor and commercial rooftop projects will be subject to a 1.0 factor. This means that each residential TREC will earn 60% of the fixed value of a

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TREC, while commercial rooftop projects will earn 100% of the fixed TREC value. The BPU is implementing this factorization process to better align the TREC incentive with the other incentives (e.g., new metering) and costs associated with different project types.

The window for eligibility in the TREC program is narrow. Significantly, in the order approving the program, the BPU announced that its staff estimates that the 5.1% threshold may be achieved as early as April 2020. A previous estimate by BPU consultants working on the transition had been as late as September 2020. While it remains unknown when the 5.1% will actually be achieved, it is clear that projects eligible for TRECs must be in the 'pipeline' and in good standing when the threshold is achieved.

In the meantime, the BPU remains engaged in a public stakeholder process to develop a long-term 'successor' program that will balance the need to promote solar development against the costs borne by energy customers to support incentive programs. We will continue to monitor that process and will provide additional updates accordingly.

Please contact the author of this Alert, **Barbara J. Koonz**, to learn more about New Jersey's solar energy program and related incentives.