

2009 Innovations Awards Program APPLICATION

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ID # (assigned by CSG): 09-E-06NJ

Please provide the following information, adding space as necessary:

State: New Jersey

Assign Program Category (applicant): Natural Resources (Use list at end of application)

1. **Program Name:** Solar Renewable Energy Certificate (SREC) Program
2. **Administering Agency:** New Jersey Board of Public Utilities (NJBPU)
3. **Contact Person (Name and Title):** Sherri Jones, Clean Energy Program Marketing Administrator

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9. **Please provide a two-sentence description of the program.**

The Solar Renewable Energy Certificate (SREC) program is an efficient, market- and performance-based approach to providing solar developers and building owners with long-term financial justification for installing solar electricity systems. Since the introduction of SRECs to the New Jersey solar marketplace in 2004, the NJBPU has engaged in a number of activities to support a vibrant, transparent, accessible, secure and efficient SREC market in the State; these efforts have enabled successful transformation of much of New Jersey's leading solar market away from costly up-front rebates and toward SREC-based project financing.

10. **How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 2, 2009 to be considered.**

SRECs have been a part of the regulatory landscape in New Jersey since 2004, when the New Jersey Board of Public Utilities established the State's renewable portfolio standard (RPS) with specific requirements for solar generation. SRECs represent the renewable attributes (clean energy benefits) of energy generated from solar electric systems, and they can be bought or sold separately from the electricity, thus providing the system owner with an additional source of revenue to help offset the cost of the system. Since 2004, New Jersey's SREC Program has evolved through a variety of programs, policies and activities to meet the requirements of the RPS (see question 12 for details).

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

New Jersey wanted to grow a local solar industry and become a national leader in implementing solar energy. The State's Renewable Portfolio Standard requires that 2.12 percent of the State's electricity come from solar by 2021. Because the State recognized that solar electric systems are currently more expensive per installed kilowatt than some other clean energy technologies, the NJBPU and *New Jersey's Clean Energy Program*TM began to look for a more efficient, more sustainable method than a conventional rebate program to incentivize electricity customers to install solar power systems.

12. Describe the specific activities and operations of the program in chronological order.

When the New Jersey's RPS was expanded in 2006, it included a 2.12-percent solar set aside as part of the required 21.5 percent of the State's electricity coming from renewable sources by 2020. In order to meet these goals, the NJBPU has taken several steps to establish and grow the solar market in New Jersey, as follows:

- August 2004 The BPU established New Jersey SREC trading platform becomes operational
- 2006-2007 The NJBPU holds several stakeholder proceedings for input on transitioning New Jersey's solar market from rebates to SRECs
- April 2007 The NJBPU formally establishes the SREC-Only Pilot Program
- September 2007 The NJBPU approves a solar market transition plan to phase out rebates and create a secure market for the purchase and sale of SRECs at prices set by the open market (Executive Order No. 06100744).
- 2008-2009 The NJBPU holds SREC securitization proceedings with utilities
- 2008 PSEG begins solar loan program securitization pilot
- 2008-2009 SREC Only Pilot program closes with 10 MW completed and 30 MW in the development pipeline

13. Why is the program a new and creative approach or method?

New Jersey's SREC Program is the first in the nation to successfully begin transition away from reliance on rebates to a market-based system. By avoiding upfront rebates and instead spreading out the public subsidy of solar systems over time, the SREC Program lowers the annual financial impact on ratepayers of installing large quantities of solar electricity. As the cost of solar technologies declines, the workings of the marketplace will ensure that SREC values (and public subsidies) will also decline. A structure that allows incentive levels to adjust quickly to changes in the market helps to ensure that the cost of the incentive is close to the minimum needed.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

New Jersey has initiated the transition from rebates to SRECs with a variety of programs, policies and activities to meet the requirements of the RPS over the last five years. The start up costs of each of the program elements are not available since there were different starting years for each element. Instead these costs are reported within the annual operational costs below.

15. What are the program's annual operational costs?

The operational costs for all SREC-related programs and activities in 2008 have not yet been calculated and are due in the 2nd quarter of calendar year 2009

16. How is the program funded?

SRECs are required to be retired by each Board-regulated entity serving retail electric load in New Jersey or if sufficient SRECs are not available, entities must purchase Solar Alternative Compliance Payments. The cost of SRECs and SACPs are accounted for in the generation costs passed on to ratepayers in electricity bills. The administration of NJ's SREC Program is funded *New Jersey's Clean Energy Program*, which was created as required by the Electric Discount and Energy Competition Act with the objective of transforming the energy marketplace in New Jersey in support of energy efficiency and renewable energy technologies. The NJBPU, the regulatory agency responsible for the provision of safe, adequate and proper utility services, administers *New Jersey's Clean Energy Program* and oversees the regulatory process governing the program.

The administrative program costs are funded through the Societal Benefits Charge (SBC) included in the rates of natural gas and electric customers. The funds are collected by the utilities and, after netting their program expenses, sent to the New Jersey Clean Energy Trust Fund held by the New Jersey Department of the Treasury.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

This pioneering program followed an in-depth stakeholder process involving representatives of electric utilities, the solar energy industry, wholesale energy companies, environmental advocates, consumer advocates, and commercial and industrial energy users, thus ensuring market acceptance and broad public benefit. The program was passed by the NJBPU's Order in Docket No. 06100744.

18. What equipment, technology and software are used to operate and administer this program?

The program uses a set of relational databases to track incoming SREC eligible projects and has been using a platform since 2004 to issue SRECs and facilitate trading. The program is moving to the PJM-EIS Generation Attributes Tracking System (GATS) regional platform in summer 2009.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

No.

20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

New Jersey's SREC Program is the first in the nation to successfully transition away from reliance on rebates to a market-based system relying on SRECs. Other states including Maryland, Pennsylvania and Delaware, are closely monitoring New Jersey's program.

21. Has the program been fully implemented?

The SREC Program represents a multi-year transition away from rebates/direct incentives and toward market-and performance-based SREC financing. Major steps were the introduction of

SRECs in the State's RPS, the September 2007 Board Order stating a future direction for the SREC market, and a series of Board Orders changing the RPS and providing for long-term securitization of SRECs through utility contracts.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

The program has about 61 megawatts of solar capacity in the pipeline, demonstrating the effectiveness of this approach. To date, about 15 MW have been completed through the program.

23. How has the program grown and/or changed since its inception?

SRECs were originally a supplement to solar project economics driven primarily by up-front rebates. But over time the SREC-Only Pilot Program has been used to reduce upfront rebates or incentives for all but the smallest capacity projects in New Jersey. The State invested in development and implementation of a very successful SREC tracking/trading platform, which has been running for about four years. That platform will be migrated to a regional platform operated by PJM-Environmental Information Systems in the coming months. The transition to GATS will bring more consistency to the REC market in New Jersey and throughout the mid-Atlantic region, enabling inter-state trading of RECs.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

To the extent that solar energy systems are small, distributed and often owned by residents or businesses who are not energy professionals, providing effective mechanisms for these customers to begin and continue participating in REC markets is essential. In addition, lending practices that would provide up-front financing for solar projects based on future sales of SRECs are not well-developed, so financing small solar projects can be quite challenging. The NJBPU is working with regulated utilities to provide long term contracts necessary for lenders to provide capital for solar projects on a limited basis; as the market matures and becomes more comfortable with SREC-based financing we anticipate these securitization efforts will diminish.