

Proposed Methodology for Calculating Solar RPS Obligations; Exempt BGS Providers,  
Non-Exempt BGS Providers and Third Party Electricity Suppliers

STAFF STRAW PROPOSAL

Staff is distributing this Straw Proposal to get feedback from stakeholders and interested parties on the way in which Staff proposes to implement N.J.S.A. 48:3-87(d)(3)(c) (“Subsection (d)(3)(c)”). Staff’s proposal would bring the Board’s rules into conformance with this subsection, which increases the obligations of the Basic Generation Providers (“BGS”) and Third Party Suppliers for the solar portion of the Renewable Portfolio Standard (“RPS”) and also changes the way in which that obligation is expressed from an absolute gigawatt hour (“GWh”) requirement to a percentage of retail sales. In addition, since certain providers are exempted from the new increased obligation, though the total solar obligation must still be met, the Straw Proposal sets out a methodology for distributing that portion of the increased obligation which is not being covered by the exempt providers among the non-exempt providers.

On July 23, 2012, Governor Christie signed into law L.2012, c.24 (“Solar Act”). Among the changes instituted by the law was an increase in the solar portion of the RPS beginning in Energy Year 2014 (“EY14”), and a change in the way each BGS Provider and Third Party Supplier was to calculate its Solar Renewable Energy Credit (“SREC”) obligation from EY14 forward. Specifically, the Solar Act provides:

“[T]he board shall . . . adopt . . . renewable energy standards that shall require . . .

(3) that the board establish a multi-year schedule, applicable to each electric power supplier or basic generation service provider in this State . . . the following number or percentage, as the case may be, of kilowatt-hours sold in this State by each electric power supplier and each basic generation service provider to be from solar electric power generators connected to the distribution system in this State:

EY 2013	596 GWhrs
EY 2014	2.050%
EY 2015	2.450%
EY 2016	2.750%
EY 2017	3.000%
EY 2018	3.200%
EY 2019	3.290%
EY 2020	3.380%
EY 2021	3.470%
EY 2022	3.560%
EY 2023	3.650%
EY 2024	3.740%
EY 2025	3.830%

EY 2026 3.920%  
EY 2027 4.010%  
EY 2028 +> 4.010%  
[N.J.S.A. 48:3-87(d)(3)]

The statute further provides that:

(c) The solar renewable portfolio standards requirements in this paragraph shall exempt those existing supply contracts which are effective prior to the date of enactment of [the Solar Act] from any increase beyond the number of SRECs mandated by the solar renewable portfolio standards requirements that were in effect on the date that the providers executed their existing supply contracts. This limited exemption for providers' existing supply contracts shall not be construed to lower the Statewide solar sourcing requirements set forth in this paragraph. Such incremental requirements that would have otherwise been imposed on exempt providers shall be distributed over the providers not subject to the existing supply contract exemption[.]

[N.J.S.A. 48:87(d)(3)(c)]

Because the statute both exempts certain BGS providers from the increased solar RPS requirement and its calculation as a percentage of retail load and also requires that the new increased solar RPS requirement be met, that portion of the new solar RPS requirement which certain providers are exempt from providing must be allocated among those providers who are not exempt. In working to develop an allocation methodology, Staff's primary consideration has been ensuring fairness between and among the non-exempt providers. To that end, Staff developed and is now presenting for comment the methodology below.

#### Rule Proposal to Calculate Exempt & Non-exempt Solar RPS Obligation

Pursuant to N.J.S.A. 48:3-87(d) (3) (c)

For any exempt electricity supplied, **a BGS provider** shall calculate its solar obligation as follows:

1. Determine the solar electric generation requirement, converted from GWhs to MWhs, in effect when the BGS contract subject to N.J.A.C. 14:8-2.3 (k) was executed (Existing Table B); and
2. Determine market share of all electricity supplied Statewide during the applicable Energy Year , i.e., EY 2014 or EY2015 as follows;
  - i. Consult the Board's NJCEP website to determine the total number of MWhs of electricity supplied Statewide during the energy year by all supplier/providers subject to this subchapter;

- ii. Determine the MWhs of exempt electricity supplied during the energy year from supply contracts which were in effect prior to the date of enactment of P.L. 2012 c. 24 ;
  - iii. Divide 2ii above by 2i above to calculate market share.
3. Multiply result from 2 iii by 1 above to arrive at the solar obligation for an individual exempt electricity (BGS) provider.

For any non-exempt electricity supplied by a BGS provider, such **provider** shall calculate its solar obligation as follows:

- 4. Multiply the individual provider's total non-exempt retail electricity sales during the energy year in MWh by the applicable percentage requirement in N.J.S.A. 48:87(d)(3).
- 5. Determine the market share-based allocation of the increased obligation avoided by exempted electricity by consulting the Board's NJCEP website to determine the additional obligation amount which must be ***distributed*** from the exempted providers to the non-exempt providers (to be calculated by staff as follows);
  - i. Determine the total retail electricity sales of exempt providers Statewide;
  - ii. Determine the total retail electricity sales of non-exempt providers Statewide;
  - iii. Determine the total retail electricity sales of all providers and suppliers Statewide;
  - iv. Divide 5i by 5 iii to calculate market share of exempt providers Statewide;
  - v. Determine the total solar obligation of exempt providers Statewide during the energy year by multiplying 5 iv by 1 above;
  - vi. Multiply the applicable percentage requirement in N.J.S.A. 48:87(d)(3) by 5 i and subtract 5 v.
  - vii. Calculate the percentage share of total non-exempt electricity sold by dividing non-exempt electricity sold by the individual provider by 5 ii.
  - viii. Multiply 5 vi by 5 vii.
- 6. Add 4 above to 5. Viii to arrive at an individual non-exempt provider's obligation in MWh.

For any electricity supplied by a Third Party Electricity Supplier, such supplier shall calculate its solar obligation by multiplying its total retail sales by the applicable percentage requirement in N.J.S.A. 48:87(d)(3).

In considering the proposed methodology, Staff asks that stakeholders bear in mind the following questions:

1. Does the proposed methodology provide an equitable distribution of the exempt providers' share of the solar RPS obligation? If not, why not?
2. Do you have an alternative method you believe would provide a fairer distribution? Please specify the alterations in the proposed calculation which you would make to achieve your desired distribution.

Comments may be submitted through Friday, March 28 by email in **Microsoft Word format**, or in a format that can be easily converted to Word, to: [publiccomments@njcleanenergy.com](mailto:publiccomments@njcleanenergy.com) or on paper to:

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