

LEGISLATIVE FISCAL ESTIMATE
[First Reprint]
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 2605
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 29, 2021

SUMMARY

Synopsis: Establishes successor program to solar renewable energy certificate program in BPU, including solicitation process for certain solar power generation facilities.

Type of Impact: Annual State expenditure increase from General Fund, annual State revenue increase to "Preserve New Jersey Fund Account" of General Fund, annual expenditure increase by local government units.

Agencies Affected: Board of Public Utilities, Department of Environmental Protection.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
State Revenue Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) determines that this bill would result in a marginal one-time expenditure increase from the General Fund by the BPU to implement the successor solar incentive program, as required by the bill. The program is substantively similar to a program already under development by the BPU under its existing statutory authority, so it is likely that the bill's enactment would not necessitate hiring additional staff.
- The OLS determines that the bill would also result in annual expenditure increases by the State and local government units in the form of increased electricity costs, as the costs of the solar incentives are to be financed through electricity rates, and the bill directs the BPU to incentivize the development of new solar facilities in the State.
- In addition, the bill would result in an indeterminate revenue increase to the "Preserve New Jersey Fund Account" in the General Fund, as it requires facilities that go through the competitive solicitation process to remunerate one percent of the renewable energy incentive

payments they receive to that account. The OLS cannot quantify the amount of this increase because it will depend on the bids received by the BPU during the competitive solicitation process.

BILL DESCRIPTION

This bill would establish, in the Board of Public Utilities (BPU), the "SREC-II" program, which would: (1) distribute solar renewable energy certificates (SRECs) to solar power facilities that qualify for the program; and (2) include a competitive solicitation process for certain large solar power facilities. The SREC-II program would serve as a successor program to the SREC program, which is currently in the process of being discontinued by the BPU. The bill would also direct the BPU to establish siting criteria for certain solar power facilities.

Specifically, the bill would direct the BPU to establish the "SREC-II" program no later than 12 months after the bill's enactment. The goal of the SREC-II program would be to incentivize the development of at least 3.75 gigawatts of new solar power generation by 2026. The bill would direct the BPU to establish a system for distributing renewable energy certificates, to be known as "SREC-IIs," for each megawatt-hour of solar energy produced by a qualifying solar power facility for a duration established by the board. The SREC-IIs would be accompanied by a renewable energy incentive payment of fixed value and would be capable of counting towards the State's renewable portfolio standards. The bill would also authorize the BPU to assign a different monetary value to the SREC-IIs it distributes to different facilities, which could include the environmental and other benefits provided to the State by the facility. The bill would direct the BPU to apportion the costs of SREC-IIs to ratepayers in a similar manner to the manner by which it apportions the costs of other renewable energy certificates.

Under the bill, one part of the SREC-II program would be a "small solar facilities incentive program." This part of the program would award SREC-IIs to community solar facilities and net metered solar facilities less than five megawatts in size. The goal of this part of the program would be to incentivize the development of at least 1,500 megawatts of net-metered solar facilities and 750 megawatts of community solar facilities by 2026. Only solar facilities that are connected to an electric distribution or transmission system owned or operated by a New Jersey public utility or local government, and which receive permission to operate after the enactment of the bill, would be eligible to receive SREC-IIs. The bill authorizes the BPU to develop additional qualification criteria and directs the BPU to develop an application process for this part of the program.

The second part of the SREC-II program would be a competitive solicitation process for the award of SREC-IIs to net metered solar facilities greater than five megawatts in size, and to "grid supply solar facilities," which the bill defines as a solar electric power generation facilities that are connected to the State's electric distribution or transmission systems and that sell electricity at wholesale. The goal of the competitive solicitation process would be to incentivize the construction of at least 1,500 megawatts of these types of solar facilities by 2026. The bill would direct the BPU to conduct a solicitation round at least every 18 months, starting at the bill's enactment, and continuing until at least January 1, 2026.

The bill would require facilities that go through the competitive solicitation process to remunerate one percent of the renewable energy incentive payments they receive to the "Preserve New Jersey Fund Account," established pursuant to section 4 of P.L.2016, c.12 (C.13:8C-46). The bill would amend the statute establishing that account to provide that the money would be used to acquire and maintain lands for recreation and conservation purposes, preserve farmland, or preserve historic properties.

Under the bill, the BPU, in consultation with the Department of Environmental Protection (DEP) and the Secretary of Agriculture, would be required to develop siting criteria for grid supply solar facilities and net metered solar facilities greater than five megawatts in size. The bill would also require the DEP to establish, 12 months after the bill's enactment, standards for the use of pollinator-friendly native plant species and seed mixes in grid supply solar facilities. Grid supply solar facilities that go through the competitive solicitation process would be required to comply with the standards.

Finally, the bill would exempt the costs of SREC-IIs that result from the competitive solicitation portion of the SREC-II program from the Class I renewable energy requirement cost cap established by paragraph (2) of subsection d. of section 38 of P.L.1999, c.23 (C.48:3-87). The bill would also modify the requirements concerning how BPU calculates the cost cap to provide that the BPU's calculation must reflect any energy and environmental savings attributable to the Class I program including, but not be limited to, the social cost of carbon dioxide emissions.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that this bill would result in a marginal one-time expenditure increase from the General Fund by the BPU to implement the successor solar incentive program, as required by the bill. The program is substantively similar to a program already under development by the BPU under its existing statutory authority, so it is likely that the bill's enactment would not necessitate hiring additional staff. The OLS notes that the BPU will hire an outside consultant to assist with the competitive solicitation element of the new solar incentive program. The BPU's plans to hire a consultant are understood by the OLS to be independent of the passage of the bill, so it is likely that this can be accomplished using already available funds.

The OLS determines that the bill would also result in annual expenditure increases by the State and local government units in the form of increased electricity costs, as the costs of the solar incentives are to be financed through electricity rates, and the bill directs the BPU to incentivize the development of new solar facilities in the State. Other than the competitive solicitation element, the new program is substantively similar to the Transition Renewable Energy Certificate (TREC) program already being implemented by the BPU. However, the bill also exempts the incentives to be paid under the competitive solicitation element of the program from an existing statutory cost cap. In addition, the bill modifies the provisions regarding the statutory cost cap in such a way that the BPU may raise the overall amount authorized to be paid by ratepayers to subsidize the State's renewable portfolio standards. Thus, the bill may result in indeterminate increases to electricity costs for State agencies and local government units.

The OLS also notes that the bill would require the DEP and the Secretary of Agriculture to assist the BPU in developing siting criteria for certain solar facilities, and reviewing certain waiver applications. These provisions would likely lead to marginal annual expenditure increases from the General Fund, but would likely not require additional staff. The bill requires the DEP to develop certain horticultural standards for certain large solar facilities. Again, this can likely be subsumed within existing staff duties.

Finally, the bill would result in an indeterminate revenue increase to the "Preserve New Jersey Fund Account" in the General Fund, as it requires facilities that go through the competitive solicitation process to remunerate one percent of the renewable energy incentive payments they receive to that account. The OLS cannot quantify the amount of this increase because it will depend on the bids received by the BPU during the competitive solicitation process.

Section: Environment, Agriculture, Energy, and Natural Resources

*Analyst: Eric Hansen
Associate Research Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).