

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2605**

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 2021

The Senate Budget and Appropriations Committee reports favorably the Senate Committee Substitute for Senate Bill No. 2605, with committee amendments.

This bill, as amended by the committee, 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 establish certain requirements and goals for the solicitation process, as enumerated in subsection c. of section 4 of the bill. The bill would direct the BPU, at the end of each bidding round, to rank all qualifying bids received based on the bid price, and award contracts in ranked order until the BPU reaches a procurement target determined in advance by the BPU. The bill would also authorize the BPU to rank bids within distinct bidding categories, based on the size, location, or other features of the proposed facilities, such that only projects within the same category compete with one another, and to formulate distinct procurement targets for each category.

The bill would establish various requirements for solar power facilities that participate in the SREC-II program, as enumerated in section 5 of the bill. For example, the bill would prohibit a facility from simultaneously receiving SREC-IIs and another renewable energy certificate. The bill would also 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 establish certain general goals for the siting criteria, as enumerated in subsection a. of section 6 of the bill. The bill

would also establish certain areas of the State on which grid supply solar facilities and net metered solar facilities greater than five megawatts in size are not to be constructed, unless given special authorization by the BPU, in consultation with the DEP or the Secretary of Agriculture, as appropriate. These areas – enumerated in subsections c. through e. of section 6 of the bill – would include Green Acres lands, designated forested areas and the preservation area in the pinelands area, the Highlands preservation area, wetlands, certain forested lands, and preserved farmland.

The bill would 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, which are designed to reduce stormwater runoff and erosion, and provide native perennial vegetation and foraging habitat beneficial to gamebirds, songbirds, and pollinators. Grid supply solar facilities that go through the competitive solicitation process would be required to comply with the standards.

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. Finally, the bill would modify the State's renewable portfolio standards for solar energy to allow electric power suppliers and basic generation service providers to meet the standard by selling energy from solar electric power generators that are connected to the transmission system in New Jersey.

COMMITTEE AMENDMENTS:

The committee amendments would:

(1) clarify that net metered solar facilities greater than five megawatts in size (as well as grid supply solar facilities) are not to be sited on certain sensitive lands, under the BPU's siting criteria established pursuant to the bill.

(2) revise the siting requirements in the bill to provide that grid supply solar facilities and net metered solar facilities greater than five megawatts in size may be sited on certain prime agricultural soils or soils of Statewide importance without the necessity for a waiver from the BPU, for the first 2.5 percent of such lands in the State occupied by grid supply solar facilities. After the 2.5 percent threshold is reached, a waiver would be a required for the remaining 2.5 percent of the lands with prime agricultural soils until the five percent cap on the use of lands with those soils for solar facilities is reached;

(3) require the BPU, in consultation with the Secretary of Agriculture, to track and record the amount of prime agricultural soils and soils of Statewide importance that are occupied by grid supply solar facilities and net metered solar facilities greater than five megawatts in size; and

(4) make technical changes to the bill's language.

FISCAL IMPACT:

The Office of Legislative Services (OLS) determines that this bill would result in a marginal one-time expenditure increase from the State 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 bill would also result in annual expenditure increases by the State and local government units in the form of increased electricity costs, since the costs of the solar incentives are financed through electricity rates, and the bill directs the BPU to incentivize the development of new solar facilities in the State.

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 state expenditure increases, but would likely not require additional staff.