



New Jersey SREC Market Update

December 2, 2019

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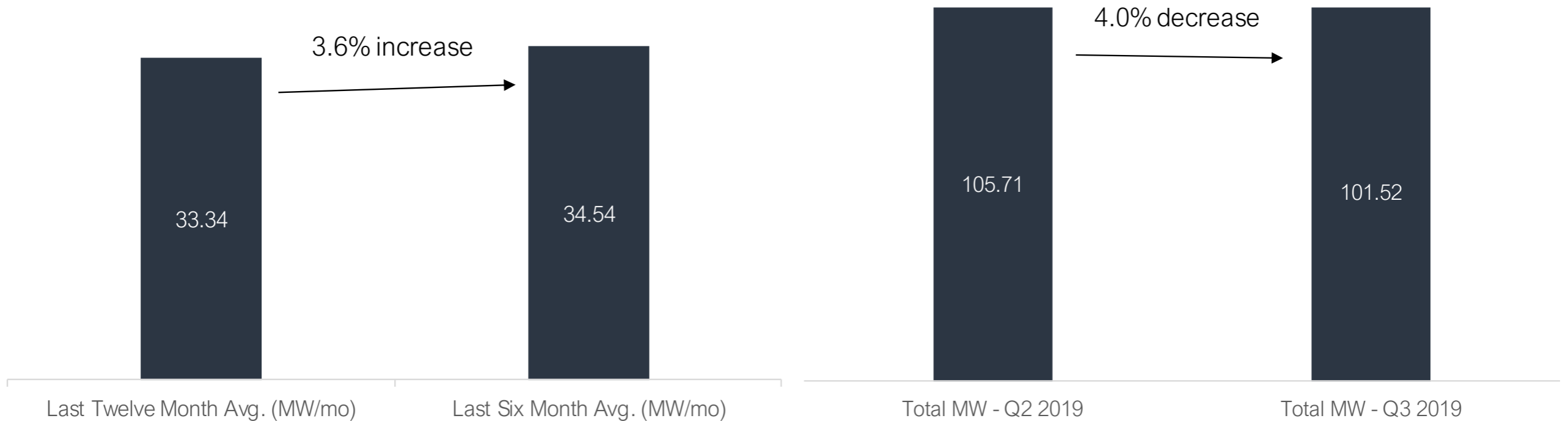
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- The Clean Energy Act, signed by New Jersey Governor Phil Murphy in May 2018 states that *“the [New Jersey Board of Public Utilities] shall adopt rules and regulations to close the SREC program to new applications upon the attainment of 5.1 percent of the kilowatt-hours sold in the State by each electric power supplier and each basic generation provider from solar electric power generators”*
- At current solar build rates, the 5.1% target is expected to be hit in mid-2020; market to close no later than June 1, 2021
- New Jersey BPU released a straw proposal on market closure methodology and strategy in late 2018, but has not yet confirmed how they will calculate this 5.1% attainment
- Currently, proceedings are being held to decide when and how to close the current SREC program; the final structure of a transition program and subsequent successor program have not yet been decided upon

NJ SOLAR BUILD RATES



Total installed capacity as of September 30, 2019 is 3,056 MW. Monthly build over the last six months has remained relatively stable, increasing to 34.54 MW/month as compared to 33.34 MW/month over the last twelve-month (LTM) average. Total quarterly MW build for Q3 2019 was 4.0% lower than Q2 2019.



SUPPLY AND DEMAND ASSUMPTIONS



The following analysis assumes:

- Electric load growth remains flat at EY2019 MWh sold – 74.63 million MWh per year through 2022 (Source: NJ Office of Clean Energy)
- Capacity data sourced from New Jersey Office of Clean Energy Solar Activity Report released on Nov 20, 2019. Data is only utilized through September 2019 due to systems receiving interconnection approval after Sept, but not yet being registered with the program.
- Scenarios presented are derived from Last Twelve Month (LTM) average build rates per month (Oct 2018 – Sept 2019). Due to the variability of build rates, three scenarios are presented representing different rates of new capacity acceleration – 50%/100%/150% of current LTM build rates per month.
- The analysis uses a capacity factor of 12.56%, which is an approximation derived from the running average capacity factor across NJ certified solar facilities since 2012. This capacity factor is monthly-weighted and applied to each month of projected cumulative capacity in the NJ SREC market to determine future SREC supply.
- The market will close to new capacity when the estimated SREC production in the market (using cumulative capacity and a capacity factor of 12.56%) reaches 5.1% of retail electricity sales OR on June 1, 2021, whichever happens first.*

**Market closes at the end of the month in which the calculated 'closure capacity' is met or exceeded. As such, each build rate scenario may close at a marginally different capacity.*

BGS EXEMPT LOAD ASSUMPTIONS & IMPLICATIONS



- BGS Exempt Load:** *As described in the [NJ RPS Energy Year 2019 Compliance Instructions Memo](#), BGS load beginning in 2019 was exempt from the current solar RPS requirements and subject to the old requirements. The “avoided increase from the exemption” in 2019, 2020, and 2021, respectively, will be allocated evenly across the non-exempt electricity requirement over the following two energy years. Estimated exempt BGS load in 2019 is 40,571,479 MWh or 54.36% of total load.*
- This grandfathering dynamic segments load into two buckets.

Exempt BGS Load		
Energy Year	Solar RPS	ACP
2019	3.29%	\$300
2020	3.38%	\$293
2021	3.47%	\$286

Non-Exempt Load		
Energy Year	Solar RPS	ACP
2019	4.30%	\$268
2020	4.90%	\$258
2021	5.10%	\$248

- Assumption:** These load contracts will roll off in equal increments over the 2019-2021 window, reducing the amount of grandfathered load each subsequent year by 1/3.

NJ EY2020 SREC MARKET DYNAMIC



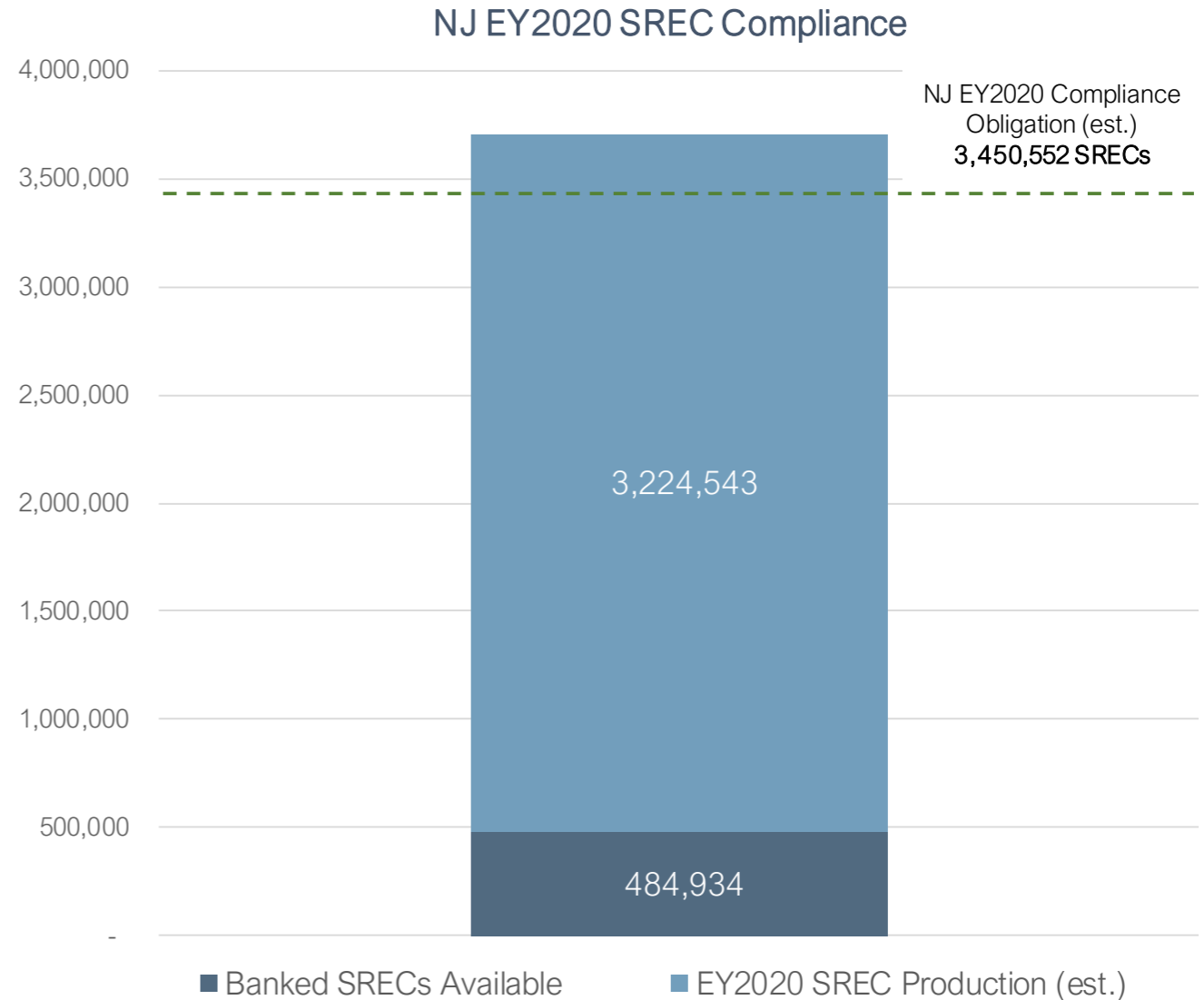
Using GATS recent issuance data as of December 2019 and LTM average build rates.

EY2020 Supply and Demand Summary

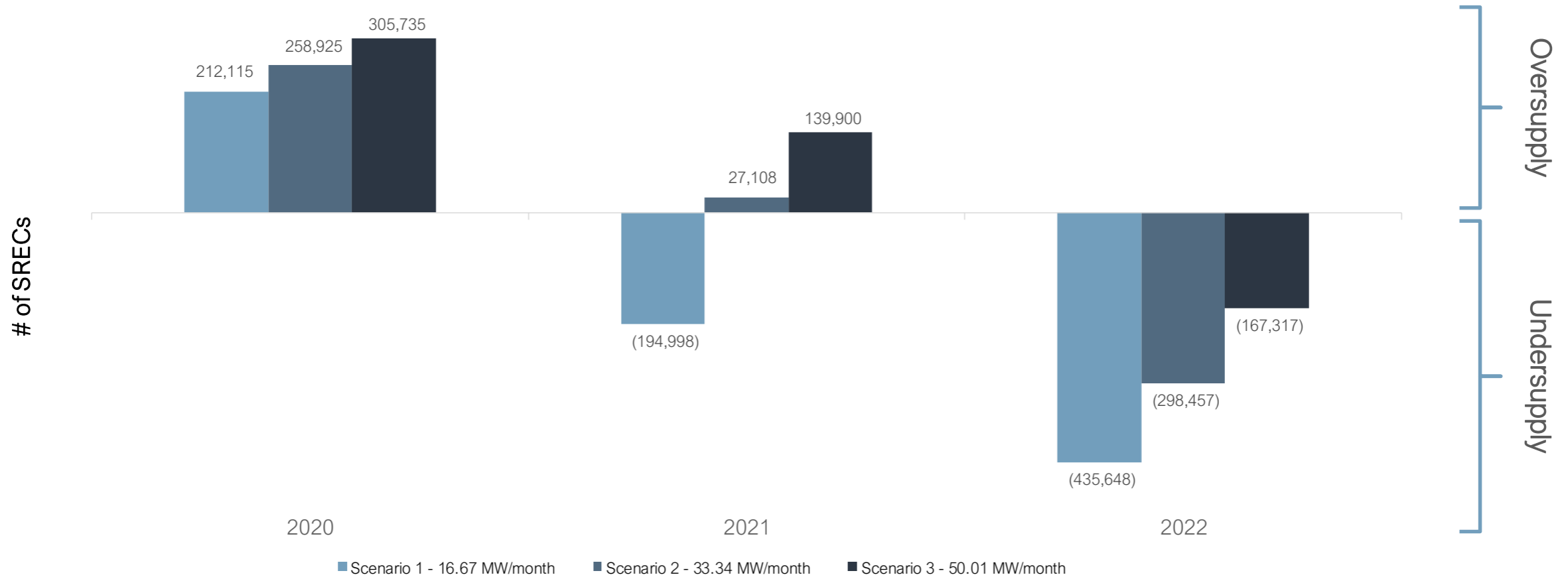
- NJ Banked SRECs Available for Compliance:
2016 = **6,859**; 2017 = **12,383**; 2018 = **27,353**;
2019 = **438,339**
- Estimated EY2020 SREC Production: **3,224,543**
- Estimated Compliance Obligation: **3,450,552**
- Oversupply: **258,925** (7.5% of obligation)

Factors that could impact this include:

- Final NJ 2020 electric load figures
- Nov 2019 and onward build rates
- Final EY2020 SREC production figures



FORECASTED SUPPLY : BUILD RATE SCENARIOS



Forecasted SREC Over / (Under) Supply	2020	2021	2022
Scenario 1 - 16.67 MW/month	6.1%	-4.9%	-10.6%
Scenario 2 - 33.34 MW/month	7.5%	0.7%	-7.2%
Scenario 3 - 50.01 MW/month	8.9%	3.5%	-4.1%

FORECASTED SUPPLY : BUILD RATE SCENARIO DETAIL



Energy Year	2020	2021	2022
Scenario 1 - 50% of LTM Average MW is Added Per Month Throughout the Forecast			
NJ SREC Requirements	3,450,552	3,996,056	4,121,828
Less: Excess SRECs From Prior Period	484,934	212,115	-
Less: Scenario 1 Estimated SRECs Produced	3,177,733	3,588,943	3,686,180
# of SRECs (Under) / Over Supplied	212,115	(194,998)	(435,648)
Scenario 2 - LTM Average MW is Added Per Month Throughout the Forecast			
NJ SREC Requirements	3,450,552	3,996,056	4,121,828
Less: Excess SRECs From Prior Period	484,934	258,925	27,108
Less: Scenario 2 Estimated SRECs Produced	3,224,543	3,764,239	3,796,263
# of SRECs (Under) / Over Supplied	258,925	27,108	(298,457)
Scenario 3 - 150% of LTM Average MW is Added Per Month Throughout the Forecast			
NJ SREC Requirements	3,450,552	3,996,056	4,121,828
Less: Excess SRECs From Prior Period	484,934	305,735	139,900
Less: Scenario 3 Estimated SRECs Produced	3,271,352	3,830,222	3,814,611
# of SRECs (Under) / Over Supplied	305,735	139,900	(167,317)

HISTORIC NJ SREC PRICING



Current indicative markets: NJ2020: \$228 @ \$235 / NJ2021 \$225 @ \$235 / NJ2022 \$190 @ \$200

