

# On the Subject

## Energy & Commodities Advisory

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### New Jersey Adopts New Solar Renewable Energy Portfolio Standards

New Jersey, a leader in the renewable energy space, recently enacted the Solar Energy Advancement and Fair Competition Act, which establishes a robust 16-year solar renewable energy portfolio standard (solar RPS). This new law requires New Jersey to obtain a significant portion of its electricity from solar generating facilities. The solar RPS initially requires power suppliers and basic generation service providers collectively to provide at least 300 gigawatt hours of solar electricity generation in the RPS's first year, June 2010 to May 2011. This requirement increases each year until 2026, when the solar RPS will require nearly 5,500 gigawatt hours of solar generation.

The new legislation directs the New Jersey Board of Public Utilities (BPU) to allocate to every electric power supplier and basic generation service provider in the state a pro rata amount of the total solar RPS gigawatt requirement. The law requires that the solar RPS regulations adopted by the BPU be in place for no more than 30 months, at which time they must be amended or readopted in accordance with BPU procedures.

The above thresholds are minimum requirements for the solar RPS. Although the BPU must initially adopt a schedule designed to meet these minimum thresholds, the BPU also is empowered to increase (but not decrease) the statewide minimum gigawatt hour levels for the solar RPS, as well as for its more traditional Class I and Class II renewable portfolio standards.

The new law additionally provides that the solar RPS levels for each year will automatically increase by 20 percent for the remainder of the 16-year period provided that the number of solar

renewable energy certificates (SRECs) generated meets or exceeds the original threshold target for three consecutive years, and the average SREC price for all SRECs purchased by entities with solar RPS obligations decreases over the same three reporting years.

The legislation contains a grandfather clause that exempts power supply agreements that existed prior to the new legislation from the increased solar RPS levels. The amended legislation provides that "new requirements shall be distributed over the electric power suppliers and providers not subject to the existing supply contract exemption until such time as existing supply contracts expire and all suppliers are subject to the new requirement."

The legislation also provides that both SRECs and Class I RECs will be eligible for use in the year in which they are generated and for the following two energy years. Class II RECs continue to remain eligible for use only in the year in which they are generated.

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