flettexchange

Impacts to Prematurely Ending the Legacy SREC Program

S4300/A5460

The 2013 SREC law created a competitive solar renewable energy credit (SREC) program for business and homeowners to shift the state's energy policy from fossil fuel to clean energy. Homeowners, business, schools and municipalities took advantage of this program by purchasing and leasing rooftop solar systems. Payback plans coincide with the ten-to-fifteen-year SREC payment schedule. The legacy SREC program reduces each year and terminates in approximately six years. **121,781 New Jersey Solar facilities rely on the legacy SREC program for payments each month.** The Murphy Administration, through the BPU, is calling for legislation to terminate or drastically reduce the legacy SRECs program prematurely in June 2025. This action will shortchange homeowners, schools, public buildings and businesses who currently use SREC revenues to paydown debt service for their solar arrays. Such a reversal in policy diminishes the public's faith in government and creates significant economic hardship for both solar and non-solar homeowners, businesses, schools and municipalities. Taxpayers will have to pick up the lost SREC revenues needed to paydown public bonds for solar on schools and other public buildings.

Recently introduced S4300 and A5460 would either eliminate the legacy SREC program or drastically reduce the SREC payments in June 2025. This action would raise ratepayer costs $550 million for the next three years and, grants an $850 million windfall profit for energy suppliers while reducing or eliminating SREC payments to residents, school districts and municipalities who made this investment.

Effects on New Jersey Homeowners with Solar

- 116,074 residential SREC solar installations
    - 56,000 or 48% of homeowners <u>currently</u> participating in the SREC program are relying on payments to pay off loans and leases
        - 29,000 homeowners own their system and are paying off financing
        - 27,000 homeowners are leasing their system and are paying off lease payments

•. Ending the legacy SREC program in June 2025 would leave homeowners with approximately a 35% average outstanding financial exposure

- legacy SREC program termination will also have a net negative effect on the maintenance and service provider community – costing jobs

Effects on Business's, Schools and Municipalities in New Jersey

- 5,568 business, school and municipality solar installations
- Solar PPA's will need to be renegotiated due to elimination or reduction of SREC prices
- Budgets for all public buildings and schools with solar will have to be changed
- Taxpayers will have to assume bond debt service currently paid by SREC payments

Effects on New Jersey Ratepayers

- **Legislative change will increase costs for ratepayers**
  - Legacy SRECs are already calculated into the BGS auction for 2026, 2027 and 2028. S4300 <u>relieves</u> energy companies who won the BGS auction from purchasing SRECs resulting in a windfall corporate profit of $876 million. (assuming BGS supplies 70% of total annual load)[1]

  - S4300 requires distribution companies to purchase all legacy SRECs at $110 each (95$+processing fees) resulting in a $1,001 billion fixed cost to ratepayers in the next 3 years – requiring an additional charge on customers distribution part of their bill. Currently the SREC price is not fixed and reductions benefit ratepayers.

  - S4300 will increase ratepayer costs over $550 million in the next 3 years. It neglects to take into consideration the cost of SRECs has <u>already been contracted</u> for BGS for the next 3 years. Existing competitive electric supplier contracts also include SREC costs that will be charged to the ratepayer. [2]

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[1] BGS contracts supply 70% of New Jersey Energy Electricity. Energy suppliers' contract in the BGS auction each February to supply 1/3 of the next three years of BGS energy. Energy year 2026 BGS is fully contracted, 2027 is 2/3 contracted and 2028 is 1/3 contracted. If S4300 is passed BGS energy suppliers will be paid the BGS price which includes the price of SRECs from ratepayers but will not have to buy SRECs from solar owners in New Jersey. This will create a $870 million windfall for BGS suppliers because S4600 eliminates the RPS.

[2] S4300 relieves energy suppliers from purchasing SRECs and changes the requirement to EDCs. EDCs have to collect $110 per SREC to pay solar owners ($95+ fees) from ratepayers. $379 million in 2026, $368 million in 2027 and 318 million in 2028 for a total of $1.065 billion. The ratepayer would pay $550 million more in the three years. S4300 increases profits for energy suppliers, decreases revenues for solar owners in New Jesey and increases costs to New Jersey ratepayers. In addition, competitive suppliers who supply the other 30% of New Jersey electricity would also reap the rewards of not having to buy SRECs.

- Energy companies who purchase SRECs and investors who installed solar have entered bilateral long-term contracts for forward delivery of SRECs. S4300 puts these contracts into jeopardy.

- Intercontinental Exchange – a CFTC regulated futures Exchange- has over 1,000,000 New Jersey SRECs in open interest on its SREC contract. This is a physically settled contract in which 100% of its contracts go to delivery. S4300 eliminates the RPS, however, the futures contract requires delivery to New Jersey electric suppliers for their RPS requirements resulting in a force majeure.

- The BPU contracts with NERA to auction off 250,000 SRECs a year to re-coup funds from long-term contracts that the BPU required of the EDC's. All of the long-term contracts are out-of-the-money. Ratepayers must cover approximately $25,000,000 per year of losses currently. S4300 or A5460 would exacerbate this burden and increase ratepayer losses by an additional $25,000,000 /year[3]

Effects on Business Investment In New Jersey Energy Infrastructure

The BPU has chosen to support S4300 to seize funds of past solar investors. This type of action hurts New Jerseys reputation as a place to invest in energy infrastructure. Future incentives for energy infrastructure investment in New Jersey will need to be front-loaded if investors feel the State will change the rules.

Alternative Ratepayer Savings Options

- Keep the current SREC structure – switching to a single BPU approved payer requires the ratepayers to pay for SREC payment and administration as opposed to solar owners. Savings of $25 million per year

[3] 250,000 SRECs auctioned annually at current $200/SREC less an estimated EDC contract price of $300/SREC = $25,000,000 ratepayer loss. S4300 price of $95/SREC - $300/CREC EDC contract price= $51,250 ratepayer loss.

- Keep the RPS in place – this requires energy companies to continue to purchase SRECs instead of the utilities thus preventing a windfall profit of $800 million to energy suppliers and preventing an increase of $550 million in ratepayer costs in 2026 to 2028

- **Recommendation - reduce the ACP for New Jersey Class 1 RECs from $50 to $10. Stop sending funds to out-of-state corporate owned wind farms. In 2030 when the RPS goes to 50% this may cost the ratepayers as much as $1.8 billion a year. In 2026 ratepayers will be sending approximately $766 million to out-of-state windfarms[4]**

Flett Exchange, LLC operates an exchange for SRECs in New Jersey. Over 15,000 New Jersey homeowners, businesses, schools and municipalities sell their SRECs each month on our exchange. Energy companies compete on our exchange to procure SRECs to comply with the State of New Jerseys Renewable Portfolio Standard. We have operated since 2007 and are located in Hoboken, N.J.

[4] 2026 RPS is 38%. Approx. 8% is satisfied by in-state solar. Energy suppliers will have to buy 21 million Class 1 recs from out-of-state windfarms at the market price of $35 each = $770 million cost to ratepayers