

NEW JERSEY RENEWABLE PORTFOLIO STANDARD

Energy Year 2024 Compliance Instruction Memo*

To: Retail Electric Third Party Suppliers, Electric Distribution Companies and BGS Providers

From: NJBPU DCE Staff via Email and post to www.NJCleanenergy.com/rps

October 30, 2024

Re: Calculating the Energy Year 2024 RPS Compliance Obligations

The Division of Clean Energy (“DCE” or “Staff”) in the New Jersey Board of Public Utilities has facilitated compliance by Third Party Suppliers (“TPS”) and Basic Generation Service Providers (“BGS Providers”) with their annual Renewable Portfolio Standard (“RPS”) requirements since 2002. The following document provides final, aggregated retail electric sales figures for TPS/BGS Providers in Energy Year 2024 (“EY24”).

1. The Retail Sales Adjustment Process and Final Retail Sales Figures

At the July 19, 2024 NJRPS Coordination Meeting, Staff reviewed the EY24 RPS Compliance Time Line and Retail Sales Adjustment Procedure. Beginning on August 16, 2024, TPS/BGS Providers were given the opportunity to adjust their EY24 retail sales figures contained in their GATS “My RPS Compliance Reports.” A four-week period was provided to submit revisions to load served to arrive at retail sales subject to the EY24 RPS requirements. Supporting documentation was due at close of business Friday, September 13, 2024. DCE received adjusted retail sales data from 60 out of 89 TPS.

The RPS obligation for facilities handling recycled and recovered material was modified by two amendments to the applicable statute. On September 15, 2022, the Governor signed into law the Recycled Material Manufacturing Facilities Act, P.L. 2022, c.110, “an Act concerning electricity sold to recycled material manufacturing facilities and supplementing P.L.1999, c.23 (C.48:3-49 et seq.)” (“the Act”). N.J.S.A. 48:3-87.14.

The Act requires each electric power supplier or basic generation supplier to submit to the New Jersey Board of Public Utilities, at the end of each energy year, a “sworn affidavit received from each recycled materials manufacturing facility” which “certifies the number of kilowatt hours of electricity that the electric power supplier or basic generation provider sold to that recycled materials manufacturing facility during that energy year.”

On January 8, 2024, the Act was amended to include Recovered Material Manufacturing Facilities (P.L. 2022, c.110, s.1) Pursuant to this amendment, the Act also requires each electric power supplier or basic generation supplier to submit to the New Jersey Board of Public Utilities, at the end of each energy year, a “sworn affidavit received from each recovered materials manufacturing facility” which “certifies the number of kilowatt hours of electricity that the electric power supplier or basic generation provider sold to that recovered materials manufacturing facility during that energy year.” Each electric power supplier or basic generation supplier is also required to “provide this information on the Retail Sales Adjustment Form” and send to it the board at the end of each energy year. The

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provisions of this bill shall apply to all electricity sold to recovered materials manufacturing facilities beginning January 1, 2024.

For EY24, Staff has received two TPS request for retail sales adjustments due to the Act.

2. Implementing Changes from the Clean Energy Act of 2018

The Clean Energy Act of 2018 (“The Clean Energy Act”) amended the RPS by increasing the solar requirements in the near term, providing an exemption from this increase to BGS supply under contract at the time of enactment, and requiring the avoided increase from the exemption be made up in later years. To address the change in law, the Board amended the RPS rules revising the process used to calculate the RPS solar obligation. BGS Providers with supply exempt from the increased solar requirements follow a different procedure for calculating their RPS obligation than BGS Providers with supply contracts entered after enactment of the law.

In addition, the Clean Energy Act changed the Class I requirement to 27% for TPS/BGS Providers. To address the anticipated increase in compliance costs and the cost cap provisions within the law, the Board made the solar requirement a true “carve-out” of the Class I requirements for the retail sales not subject to the BGS supply exemption described above. To implement the carve-out, the Board amended the RPS rules at N.J.A.C. 14:8-2.3.

As a carve-out, beginning in EY20, each SREC and TREC allocated to and retired on behalf of the TPS/BGS providers reduces the Class I requirement by one REC. SREC obligations and TREC obligations are a component of class I renewable energy requirements, and satisfaction of SREC and TREC obligations shall be counted toward class I renewable energy requirements. Beginning in EY22, NJ SREC-II obligations are a component of class I renewable energy requirements, and satisfaction of NJ SREC-II obligations shall be counted toward class I renewable energy requirements.

Finally, N.J.A.C. 14:8-2.3 establishes the amount of renewable energy certificates or Alternative Compliance Payments required to be procured by TPS/BGS Providers to satisfy the RPS. The rule sets the percentage of SRECs, Class I RECs, and Class II RECs to be procured each energy year. TRECs and SREC-IIs are procured and retired on behalf of the Electric Distribution Companies and allocated by Staff to TPS/BGS Providers. The TREC and SREC-II obligations, which will ultimately be expressed as a percentage of retail sales in a given energy year, will not be known until the conclusion of each energy year when the volume of retail sales subject to the RPS has been determined.

3. Calculating Total Statewide TRECs, SRECs, Class I and Class II Obligations for EY24

EY24: June 1, 2023 through May 31, 2024

EY24 SREC-II, TRECs, SRECs, Class I, and Class II RPS Requirements

| <u>Energy Year</u> | <u>SREC-IIs</u> | <u>TRECs</u> | <u>SRECs</u> | <u>Class I</u> | <u>Class II</u> | <u>Total</u> |
|-----------------------------|-----------------------|-----------------------|--------------|----------------|-----------------|--------------|
| | *** | ** | | | | |
| June 1, 2023 - May 31, 2024 | based on retail sales | based on retail sales | 4.90% | 27.0% | 2.50% | 29.50% |

**The TREC Obligation expressed as a percentage of retail sales in a given energy year will not be known until the volume of retail sales subject to the RPS has been determined. Allocation of the Statewide obligation to individual TPS/BGS providers will follow the method set forth at N.J.A.C 14:8-2.3 (r) and (t).

***The SREC-II Obligation expressed as a percentage of retail sales in a given energy year will not be known until the volume of retail sales subject to the RPS has been determined. Allocation of the Statewide obligation to the individual TPS/BGS providers will follow the method set forth at N.J.A.C 14:8-2.3 (r) and (t).

The DCE compiled EY24 retail sales figures based upon the GATS data and retail sales adjustment process. TPS provided **26,735,693** MWhs of retail sales during the EY24 compliance period. BGS providers sold **44,870,009** MWhs as reported by the EDCs. Therefore, total retail sales subject to the NJ RPS for EY24 is **71,605,702** MWhs.

Total EY24 SREC Requirement for TPS:

$$26,735,693 \times 4.90\% = 1,310,049 \text{ (SRECs or SACP)}$$

In aggregate, TPS are required to retire SRECs or make SACP payments in the equivalent amount of **1,310,049 MWhs** (4.90% of total retail electricity sales). These SRECs/SACPs (MWhs) will be subtracted from the total Class I requirement.

Total EY24 SREC Requirement for BGS:

$$44,870,009 \times 4.90\% = 2,198,630 \text{ (SRECs or SACP)}$$

SREC obligations associated with a BGS Provider’s electricity are subject to carve out provisions in the RPS. SRECs retired or SACP payments made for compliance by BGS Providers will reduce their Class I obligation MWh for MWh. These SRECs/SACP payments are subtracted from the total BGS Class I obligation.

4. Method for TREC and SREC-II Allocations in EY24

TRECs and SREC-IIs, like SRECs, are now a true “carve-out” of the NJ Class I RPS requirement with each TREC and SREC-II allocated to and retired on behalf of the TPS/BGS Providers reducing the Class I requirement by one REC as set forth at N.J.A.C. 14:8-2.3(d) and (r).

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InClimate Inc., the TREC and SREC-II Program Administrator (<https://solarincentivesnj.com/>) has purchased TRECs and SREC-IIs from eligible system owners with accounts on the PJM-EIS Generation Attribute Tracking System (“GATS”) on a monthly basis. When InClimate processed the final EDC invoice, they retired the TRECs and SREC-IIs in their Solar Incentives NJ GATS account and Board Staff will allocate them to the TPS/BGS Providers annually based on each entity’s market share of retail electricity sold during EY24.

To calculate each individual TPS/BGS Provider’s TREC and SREC-II Allocation:

Individual TPS/BGS Provider’s Retail Sales Divided by Total Statewide Retail Sales

Times Total Retired TRECs (958,816) Equals TREC Allocation

&

Individual TPS/BGS Provider’s Retail Sales Divided by Total Statewide Retail Sales

Times Total Retired SREC-IIs (341,607) Equals SREC-II Allocation

Conclusion

Including the above, TPS/BGS Providers will retire Class I RECs or make ACP payments in the aggregated estimated equivalent amount of **14,524,437 MWhs** (27% of retail sales reduced by SREC, TREC, and SREC-II compliance), and retire Class II RECs or make ACP payments in the aggregated, equivalent amount of **1,790,143 MWhs** (2.50% of total retail sales).

Report Filing Instructions

Compliance Reports from TPS/BGS Provider demonstrating SREC, TREC, SREC-II, Class I and Class II RPS retirements or S/ACP payment made are due by December 1, 2024.

All compliance reports must be submitted through the NJBPU e-Filing system. See the link below which will lead to directions on how to use the e-Filing system to file the compliance report.

<https://www.nj.gov/bpu/agenda/efiling/>

When filing the report, please provide a cover letter explaining what is being e-Filed and reference:

Docket # QO24010004 - IN THE MATTER OF CLEAN ENERGY NON-DOCKETED MATTERS FOR EY2024 RPS REPORTS.

If you have any questions or comments, feel free to contact Ronald Jackson at 1-609-913-6348 or ronald.jackson@bpu.nj.gov.

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