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### FINAL ENERGY MASTER PLAN RECOMMENDS STEPS TO STABILIZE NEW JERSEY'S SOLAR ENERGY MARKET

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**On December 6, 2011, the Christie Administration issued the final 2011 New Jersey Energy Master Plan (EMP). The final EMP sets forth the Administration's efforts to address New Jersey's overall energy needs, in general, and to maintain the vitality of the state's solar energy sector, in particular, especially in light of the significant decline in prices of New Jersey's Solar Renewable Energy Credit (SREC) during the second half of 2011.**

The final EMP includes several changes from the draft EMP issued in June 2011. These changes are designed to encourage commercialization of viable, lower cost solar projects and stabilize New Jersey's SREC market.

#### **Accelerate the Renewable Portfolio Standard by Three Years**

The final EMP recommends a temporary acceleration of the solar Renewable Portfolio Standard (RPS), which will increase the amount of electricity that must come from solar power ahead of the previous schedule. A temporary acceleration of the RPS will increase the number of SRECs

that electricity suppliers must purchase in the near term, thereby alleviating the current oversupply of SRECs and providing some interim relief for the SREC market. The final EMP recommends an increase in the RPS over the next three years combined with a reduction in the later years of the RPS schedule to minimize impacts to ratepayers.

#### **Project Registration**

The final EMP recommends that all proposed nonresidential solar projects be required to register with the New Jersey Board of Public Utilities (BPU). This increased transparency will allow solar developers to more accurately forecast the future supply of SRECs and avoid a repeat of the oversupply that led to the decline in SREC prices in 2011.

#### **Reduction of the SACP**

New Jersey's Solar Energy Advancement and Fair Competition Act requires the BPU to set a Solar Alternative Compliance Payment (SACP) on a 15-year schedule. The SACP establishes, in effect, a ceiling on the market price of an SREC. The final EMP evaluates the impact of the SACP on SRECs and on SRECs' costs on electricity consumers

and recommends that the BPU determine the 15-year schedule and lower the SACP for future years.

#### **Return to the Percentage Obligation for Solar**

The final EMP recommends that the amount of solar energy required under the RPS be identified as a percentage of total energy as opposed to the current requirement as a specific quantity of energy. The reason for this recommendation is to prevent a potential negative impact on the solar market from New Jersey's emphasis on energy efficiency.

#### **Promote Solar Installations That Provide Economic and Environmental Benefits by Limiting SREC Eligibility**

The final EMP states that commercial, industrial, government, and school applications of solar energy projects offer better benefits than do residential or grid-supplied projects and recommends

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that those beneficial projects get priority. It recommends further that projects that supply solar electricity to the grid by developing productive farmland or open space be discouraged and not be supported by ratepayer subsidies.

### Extension of Utility SREC Contract Programs

The final EMP also recommends an extension of the BPU-approved programs under which electric utilities offer long-term SREC contracts to solar system owners in their respective service territories. The price certainty extended to SRECs generated under such programs may also provide stability to the SREC market.

**The above recommendations are positive steps that should support the continued development of solar energy in New Jersey. For more information regarding the above recommendations or any other aspects of renewable energy development, please contact either of the attorneys listed:**

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