

New Jersey Solar Renewable Energy Credits

Is The Future Really That Bright?

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The New Jersey Board of Public Utilities (“NJBP”) established financing to support the installation of solar photovoltaic systems (“Solar PV Systems”) that produce clean renewable energy on an individual user’s site. The financing is supported through awarding Solar Renewable Energy Credits (“SRECs”).

The NJBP SREC program requires that owners of solar projects register with the NJBP in the Solar Renewable Registration Program (“SRP”) prior to the start of construction of a system. Registration in the SRP establishes the projects eligibility to earn SRECs.

Once an owner is eligible, each time a qualified Solar PV System generates 1,000 kilo-watt hours (“kWh”) or 1 mega-watt hour (“mWh”) of electricity, an SREC is earned, which can be sold. New Jersey energy suppliers, which are directed by the NJBP to meet certain renewal energy portfolio standards, are the primary purchasers of SRECs. To effectuate the energy supplier’s purchase of SRECs, SRECs are traded in a competitive market which dictates the actual price of an SREC during a trading period. Current SREC pricing has been consistent and in a \$450-\$600 per SREC range. The end-user, the utility ratepayer, largely funds the SREC program through a Societal Benefits Charge on their utility bill. Data provided by the NJBP demonstrates that in 2008 56% of the Societal Benefits Charge funds collected were allocated to electric and natural gas efficiency programs, while the remaining 44% were allocated to renewable energy initiatives

This method of financing Solar PV Systems has enabled New Jersey to become the fastest growing market for Solar PV Systems in the United States, ranking New Jersey second, only to California, in terms of currently installed Solar PV System capacity. In turn, the New Jersey construction industry has experienced an overall growth in Solar PV System installation, at a time when residential and commercial construction is at an all time low. Additionally, many commercial developers have invested in solar energy systems, due to SRECs and other tax benefits.

Meanwhile, proponents of other types of alternative energy systems have encouraged the New Jersey Legislature, and the NJBP, to introduce similar energy credit programs to owners of other alternative energy producing systems. As a result, on August 19, 2010, Governor Chris Christie signed the Offshore Wind Development Act, which, among other things, directs the NJBP to implement an Offshore Wind Renewable Energy Credit (“ORECs”).

NJBP figures provide that in 2008, an average residential electric utility customer contributed approximately \$18 and an average residential gas utility customer contributed approximately \$14 toward Societal Benefit Charges. As the demand for energy credits rise, along with the cost of utility commodities, leaders of the NJBP have publicly questioned the longevity of the renewable energy credit model due to its impact on the utility ratepayers of New Jersey through the Societal Benefits charge. Those actions raise concerns about the currently enthusiastic SREC marketplace.

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