

23 January 2019

This document responds to FAQ 132.

Q: Can you please provide an example of the calculation of the solar and Class I obligations under the Clean Energy Act for Energy Years 2020, 2021, and 2022?

A: The Clean Energy Act (“CEA”) provides existing BGS contracts, effective prior to the date of enactment of the CEA, are exempt from the increase in the solar renewable portfolio standards requirements and that the incremental solar obligations will be “distributed over” non-exempt BGS contracts (see N.J.S.A. 48:87(d)(3)(c)). In its Decision and Order dated December 18, 2018 in Docket No. ER18040356 including the correction issued on December 28, 2018 (“Decision and Order”), the Board provided clarity on how the incremental solar obligations will be allocated to non-exempt BGS contracts and confirmed that third party suppliers are not responsible for the incremental solar obligations created by exempt BGS contracts.

As clarified in the Decision and Order, “Since all BGS supply for EY19 is exempt, there are no non-exempt BGS providers to make up the solar obligation of the exempt BGS providers at this time. Therefore, the solar RPS obligation of the exempt BGS providers for EY19 shall be provided by the non-exempt BGS providers in EY20 and EY21. The exempt BGS solar RPS obligation for EY20 will be distributed over EY21 and EY22, while the exempt obligation for EY21 will be distributed over EY22 and EY23.”

If you have any questions concerning legislation, we strongly advise that you consult with counsel qualified to interpret such legislation. It is not the role of the EDCs or the BGS Auction Manager to interpret legislation for bidders. Nonetheless, the New Jersey Board of Public Utilities (“Board”) expects the EDCs and the Auction Manager to work closely with Board Staff and their consultant through the bidder information and the FAQ process to provide information to bidders regarding their responsibilities under the RPS. Thus, we offer the following illustrative example, which, in the absence of specific accounting guidelines established by the Board, is based solely upon our current understanding of the legislation and of the Board Decision and Order. Please note that these calculations of the solar obligations and Class I obligations are illustrative only. The calculations are provided solely to respond to your question. The data is illustrative and does not correspond to actual data or to forecast values.

Suppose that:

- Supplier A serves 1,000,000 MWh of exempt electricity in EY20 as a result of winning in the 2017 BGS-RSCP Auction.
- Supplier A serves 2,000,000 MWh of non-exempt electricity in EY20, EY21 and EY22 as a result of winning in the 2019 BGS-RSCP Auction and 500,000 MWh of non-exempt electricity in EY20 as a result of winning in the 2019 BGS-CIEP Auction.

Suppose that the deferred solar obligations for the exempt electricity and the total BGS non-exempt retail electricity sales as posted on NJCEP website are as follows:

Energy Year	Total BGS Retail Electricity Sales (MWh)	Total BGS Exempt Retail Electricity Sales (MWh) ¹	Deferred Solar Obligation for the Exempt Electricity (MWh)	Total BGS Non-Exempt Retail Electricity Sales (MWh)
2019	33,000,000	33,000,000	N/A	0
2020	33,000,000	20,000,000	16,500,000	13,000,000
2021	33,000,000	10,000,000	16,500,000 + 10,000,000	23,000,000
2022	33,000,000	N/A	10,000,000 + 5,000,000	33,000,000
2023	33,000,000	N/A	5,000,000	33,000,000

Then the solar obligations of Supplier A can be calculated as follows:

EY20

There are three components to Supplier A's solar obligation in that Energy Year.

- Supplier A is responsible for 1,000,000 MWh of exempt electricity in EY20 for which the applicable percentage is 3.38%, resulting in a solar obligation of 33,800 MWhs (1,000,000 MWh * 3.38%).
- Supplier A is responsible for 2,500,000 MWh of non-exempt electricity in EY20 for which the applicable percentage is 4.90%, resulting in a solar obligation of 122,500 MWhs (2,500,000 MWh * 4.90%).
- Supplier A is responsible for a share of 19.23% (2,500,000/13,000,000) of the deferred solar obligations from exempt BGS contracts in EY19 of 16,500,000 MWhs for which the applicable percentage is 1.01% (4.30% – 3.29%), resulting in a solar obligation of 32,047 MWhs.

Supplier A's total solar obligation is the sum of the three components, namely 188,347 MWhs (33,800 MWhs + 122,500 MWhs + 32,047 MWhs).

EY21

There are again three components to Supplier A's solar obligation in that Energy Year, but the components are different from those in EY20 because Supplier A is no longer responsible for exempt electricity.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY21 for which the applicable percentage is 5.10% resulting in a solar obligation of 102,000 MWhs (2,000,000 MWh * 5.10%).
- Supplier A is responsible for a share of 8.70% (2,000,000/23,000,000) of the deferred solar obligations from exempt BGS contracts in EY19 of 16,500,000 MWhs for which the applicable percentage is 1.01% (4.30% – 3.29%), resulting in a solar obligation of 14,499 MWhs.

¹ The Total BGS Exempt Retail Electricity Sales (MWh) will depend on the sales by BGS suppliers that won in the 2016 BGS-RSCP Auction, 2017 BGS-RSCP Auction, 2018 BGS-RSCP Auction, and 2018 BGS-CIEP Auction.

- Supplier A is responsible for a share of 8.70% (2,000,000/23,000,000) of the deferred solar obligations from exempt BGS contracts in EY20 of 10,000,000 MWhs for which the applicable percentage is 1.52% (4.90% – 3.38%), resulting in a solar obligation of 13,224 MWhs.

Supplier A's total solar obligation is the sum of the three components, namely 129,723 MWhs (102,000 MWhs + 14,499 MWhs + 13,224 MWhs).

EY22

There are again three components to Supplier A's solar obligation.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY22 for which the applicable percentage is 5.10% resulting in a solar obligation of 102,000 MWhs (2,000,000 MWh * 5.10%).
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY20 of 10,000,000 MWhs for which the applicable percentage is 1.52% (4.90% – 3.38%), resulting in a solar obligation of 9,211 MWhs.
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY21 of 5,000,000 MWhs for which the applicable percentage is 1.63% (5.10% – 3.47%), resulting in a solar obligation of 4,939 MWhs.

Supplier A's total solar obligation is the sum of the three components, namely 116,150 MWhs (102,000 MWhs + 9,211 MWhs + 4,939 MWhs).

As stated in the Decision and Order, from EY20 forward, the solar RPS for non-exempt BGS contracts (and for non-exempt BGS contracts only) is a "carve out". Thus, the Class I obligation for the hypothetical supplier A is as follows:

EY20

Supplier A is responsible for 3,500,000 MWhs in total. Assume that 7/12 of this total is for the months of June 1 to December 31 2019. There are four components to Supplier A's Class I obligation in that Energy Year.

- The Class I obligation for June 1 to December 31 2019 is 327,259 MWhs (7/12 * 3,500,000 MWhs * 16.029%).
- The Class I obligation for January 1 to May 31 2020 is 306,250 MWhs (5/12 * 3,500,000 MWhs * 21%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY20 of 122,500 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY19 of 32,047 MWhs.

Supplier A's total Class I obligation is thus 478,962 MWhs (327,259 MWhs + 306,250 MWhs – 122,500 MWhs – 32,047 MWhs).

EY21

Supplier A is responsible for 2,000,000 MWhs in total (all non-exempt electricity).

- The Class I obligation is 420,000 MWhs (2,000,000 MWhs * 21%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY21 of 102,000 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY19 of 14,499 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY20 of 13,224 MWhs.

Supplier A's total Class I obligation is thus 290,277 MWhs (420,000 MWhs – 102,000 MWhs – 14,499 MWhs – 13,224 MWh).

EY22

Supplier A is responsible for 2,000,000 MWhs in total (all non-exempt electricity).

- The Class I obligation is 420,000 MWhs (2,000,000 MWhs * 21%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY22 of 102,000 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY20 of 9,211 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY21 of 4,939 MWhs.

Supplier A's total Class I obligation is thus 303,850 MWhs (420,000 MWhs – 102,000 MWhs – 9,211 MWhs – 4,939 MWh).

Supplier A's total solar and Class I obligations are summarized in the tables on the following page.

Table 1. Supplier A Supply Assumptions

Energy Year	Exempt Electricity (MWh)	Non-Exempt Electricity (MWh)	Non-Exempt Market Share
2020	1,000,000.00	2,500,000.00	19.23%
2021	-	2,000,000.00	8.70%
2022	-	2,000,000.00	6.06%

Table 2. Supplier A Solar Obligation by Energy Year (MWh)

Energy Year	Exempt Obligation	Non-Exempt Obligation	Deferred Obligation from EY19	Deferred Obligation from EY20	Deferred Obligation from EY21	Total Solar Obligation
2020	33,800	122,500	32,047	N/A	N/A	188,347
2021	-	102,000	14,499	13,224	N/A	129,723
2022	-	102,000	N/A	9,211	4,939	116,150

Table 3. Supplier A Class I Obligation by Energy Year (MWh)

Energy Year	Class I Obligation	Reduction for Non-exempt Solar Obligation	Reduction for Deferred Solar Obligation from EY 19	Reduction for Deferred Solar Obligation from EY20	Reduction for Deferred Solar Obligation from EY21	Total Class I Obligation
2020	633,509	122,500	32,047	N/A	N/A	478,962
2021	420,000	102,000	14,499	13,224	N/A	290,277
2022	420,000	102,000	N/A	9,211	4,939	303,850