

WILL SOLAR STILL MAKE SENSE IN 2020? (HINT: YES)

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There are three (3) significant changes that will impact solar for commercial real estate in the mid-Atlantic in 2020:

1. NJ SREC Certainty → TREC
2. NJ Big Rooftops → Valuable
3. PA & MD Solar → On The Upswing

PROJECT TYPE	FACTOR
Landfill or brownfield installations	1
Net metered, non-residential rooftop or carport	1
Community solar	0.85
Net metered, residential: ground mount, rooftop, or carport	0.6
Net metered, non-residential ground mount	0.6

1. NJ SREC CERTAINTY → TREC

Although NJ determined that the key incentive driving the solar market in NJ, the SREC, (or Solar Renewable Energy Certificate) would phase out in 2019-2020, the state did not offer clarity for what would come next. Many solar projects simply froze due to uncertainty. Finally, in Dec 2019, the NJ Board of Public Utilities authorized a new program to follow the SREC program after it phases out. This new program, TREC, (or Transition Renewable Energy Certificate) should phase in around May - July 2020.

The new TREC program has three (3) main changes to the existing SREC program:

1. Duration
2. Fixed
3. Factors

1. DURATION

The lifetime of a current SREC is 10 years. The new TREC lifetime will be extended to 15 years. This will enhance the lifetime income from a solar project.

2. FIXED

The price of a current SREC floats in the market based on supply and demand. SREC pricing has been stable in the last few years, but there has been historical volatility. The new TREC program differs in that the state will set a fixed price for the 15-year lifetime of the TREC. The state is offering guidance that the price will be set at \$152 per TREC. Although this price is lower than current SREC pricing (@ \$200), a fixed price will remove uncertainty and will make it

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easier to finance solar projects with stable, fixed income.

3. FACTORS

The state concluded that not all types of solar projects require the same level of support. For each SREC generated, the state will now apply a factor to determine the quantity of TRECs generated (see table above). So, for each 1,000 kWh generated by a solar installation, a commercial rooftop installation would generate a full 1.0 TREC, while a residential or ground-mount installation (< 25 kW) would only generate 0.6 TRECs. In effect, this would reduce the value of the TREC for residential and ground mount projects to \$91.20. Within the solar industry, the new TREC program will have varying impacts on different sub-segments, but will still offer significant support for commercial real estate.

2. NJ BIG ROOFTOPS → VALUABLE

Previously, solar on large rooftops (>100,000 sf) was limited by the amount of electricity consumed within the building. Large warehouse buildings with only lighting and computers, were constrained to install solar on only 5-10% of their available rooftop. This limitation is now removed with new programs like Community Solar and the new TREC program. A large commercial owner can now lease their entire rooftop for solar panels. In addition, there would not be any interaction between the solar and the underlying building as the solar electricity would be connected directly to the utility grid.

Solar developers are offering rental rates in the range of \$0.50 psf per year. Large commercial landlords that had previously passed on solar may want to consider exploring creating incremental rental income under these new structures. However, landlords should be careful in exploring rooftop solar options and should work with an experienced solar partner to consider the following: roof age & condition, structural integrity, tenant & lender concerns, future plans and possible roof lease assignment.

3. PENNSYLVANIA & MARYLAND → SOLAR ON THE UPSWING

Both Pennsylvania and Maryland continue to emerge as solar markets. Although the value of their SREC is currently lower than the NJ SREC, there is proposed legislation that would create additional support for solar. The cost of commercial solar continues to fall dramatically every year, so projects that may not have penciled out in the past may now be feasible in PA or MD.

Independence Solar integrates all three phases of the solar supply chain - 1) development/financing, 2) construction and 3) ongoing operations. Please contact us if you would like to explore any of the new solar programs in 2020.

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ABOUT US



Keith Peltzman is president and founder of Independence Solar with offices in Cherry Hill, NJ and Boston, MA.

Independence Solar is a turnkey installer of commercial solar energy. Since 2007, the team has developed and built over \$200 million of solar projects, including the largest rooftop solar array (9 MW) in North America at the Gloucester Marine Terminal in NJ. Independence Solar forges long-term partnerships to maximize returns on our customers' solar energy investments.

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