

Slow start to solar's stability

Weak impact of rescue bill illustrates other challenges to sector

By [Jared Kaltwasser](#)

After months of consternation and a back-and-forth bill-drafting process, Gov. Chris Christie in July signed a bill to revive the state's solar market.



Michael Flett, president of Flett Exchange, says the rate of solar installations will slow to match new portfolio requirements.

The legislation was designed to lend stability to an industry that had quickly outgrown the state's popular incentive program. But two months later, its impact appears to be minimal, reinforcing the notion that long-term market corrections are needed before the industry can find true stability.

"On the one hand, the bill was necessary because there needed to be some certainty brought to the state's policy around solar. The legislation did provide that," said Michael Torpey, co-executive director of the New Jersey Business Council for Clean Energy.

But Torpey said many also hoped the burst of optimism surrounding the new law would help stabilize the market for solar renewable energy certificates, or SRECs.

Thus far, that hasn't happened.

The state encourages solar development by requiring power suppliers in New Jersey to incorporate a set amount of renewable energy in their portfolios. One way suppliers can meet those targets is by purchasing SRECs — essentially green energy credits — from the owners of solar installations.

The system worked well until last year, when solar installation grew so fast that the market price for SRECs crashed from more than \$600 — near the state cap on prices — down to the low \$100s.

The rescue legislation upped the annual portfolio requirements for suppliers, but it included a provision phasing them in over three years. As a result, SREC prices have stayed in the doldrums.

"Right now, REC prices are below \$100," said Michael Flett, president of the Jersey City SREC trading platform Flett Exchange. Buyers, he said, are waiting to see what prices will do in the next two years.

Additionally, Flett said, the portfolio requirements set by the new law require the rate of installations to slow even further before the supply and demand for SRECs reaches equilibrium.

Solar installations have fallen, from a peak of 83 megawatts in January to 21 megawatts in July. But Flett thinks the build rate needs to slow even further to match the new portfolio requirements.

"I think what we need is about six months of a build rate somewhere about 17 megawatts a month," he said. "If the industry can keep control and not overbuild, and show that it's going to build within the requirements put out by law, then the market will stabilize."

Of course, the need for an immediate impact varies widely among the diverse companies that now install solar here.

Jim Kloster, vice president of sales at Oakland-based Amberjack Solar, said one of the results of the downturn was a contraction in the industry and a struggle by the surviving companies to boost efficiency and find new ways to fuel growth.

"What we did is when the market really first crashed, if you will, we put a little more focus on how we operate and how we can grow strategically," he said.

That's meant boosting the company's profile in other states, such as New York and Connecticut, but Kloster said he's still "very bullish" on New Jersey's long-term outlook as a solar market.

One of the ways the company has become more efficient, Kloster said, is by hiring experienced solar professionals from firms that have downsized or closed. Those workers cost more, but Kloster said they also finish jobs faster and better.

With companies like Amberjack installing solar more efficiently, and with solar component prices falling dramatically, Kloster said clients no longer need \$600 SRECs. In fact, he said the majority of his customers could see a very compelling return on investment with SRECs at \$150.

Installation price is an important factor, said Flett, who noted while SREC prices are public, installation costs are not — and he suspects there's wide diversity in the prices installers are charging.

Flett said low SREC prices don't have to be a deal-breaker if a property owner shops around to find a low installation price and factors in the savings on the property's electricity bill that will

come from going solar.

"Once solar gets cheaper and cheaper, we'll see less of a reliance on REC prices and more of a reliance on power price," he said.

Kloster said the bigger issue is that market instability is hindering long-term SREC contracts, which he said are necessary if the state is to return to a fully healthy market. That could, however, take a while, he said.

Torpey said regardless of when SRECs begin to ascend in price and trading volume, the industry must get used to being patient.

"I don't see policymakers — the administration or key legislative leaders — doing anything more in this area for some period of time," he said. "I think this was the solution for the moment. I think people are going to have to wait and see how it plays out."

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