Synapse
Energy Economics, Inc.

New Jersey's Proposed 20% Renewable Portfolio Standard:

How to link NJ RPS benefits with NJ BGS portfolio management benefits

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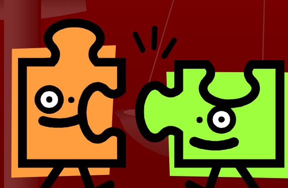
RPS policy should be linked to procurement policies.

- A 20% RPS in NJ is a great idea.
- The study is well thought out and the assumptions are good.
- The study does not explain how increased renewables use can best be used to stabilize electric costs for NJ residential and small commercial customers

NJ customers would greatly benefit by linking RPS policy goals with BGS-auction portfolio management goals.



A REC-based RPS can deliver some but not all the benefits of renewables

Achieved thru RECs

- Advances renewable technology R&D and increases manufacturing economies of scale.
- Gets more renewable technologies in the field. (environmental benefits)
- Reduces dependence on fossil fuels. (economic benefits)

Only partially thru RECs

- Stabilizes electric costs for NJ residential and small commercial customers

* RECs are not the only way to get benefits out of an RPS.

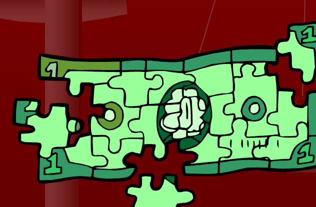
* RPS can supplement portfolio management aimed at stabilizing prices.

A certain amount of long-term renewable power is the most direct, effective way to deliver price stability to consumers.

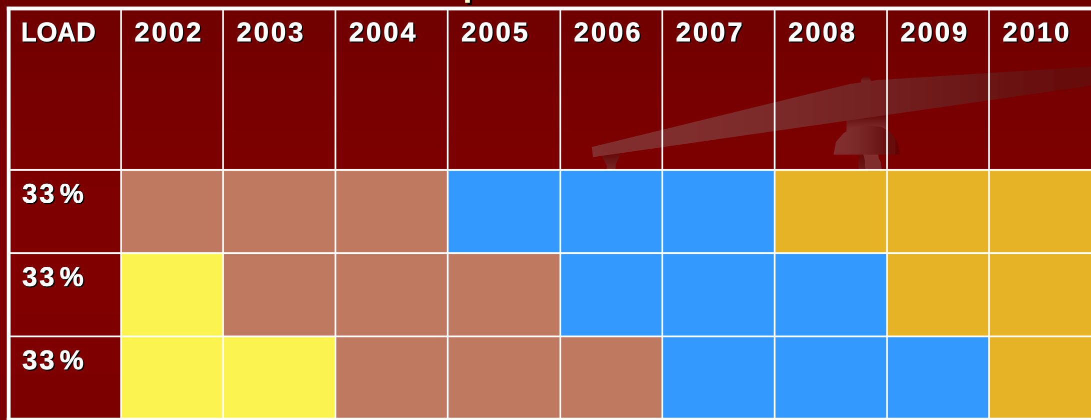
- Consumers, especially smaller users, need and value electric price stability
- Adding long-term contracts with fixed and reliable pricing is the solution
- Because fuel price risk and environmental risk can overwhelm the assets of typical fossil fuel plants, very few can credibly promise fixed and reliable pricing over 15 or more years
- Only renewables, which do not have fuel price risk or environmental risks, can promise fixed prices for the long-term.
- To get the best financing, renewables require long-term contracts.
- Procedurally compatible with RPS.

Long-term renewable contracts are a win-win:

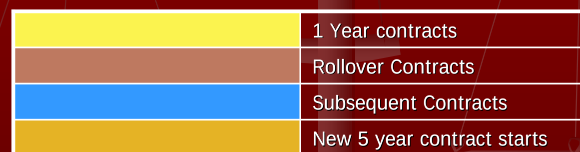
1. lower capital costs
2. More stable prices for customers.



NJ has an effective electricity procurement process.

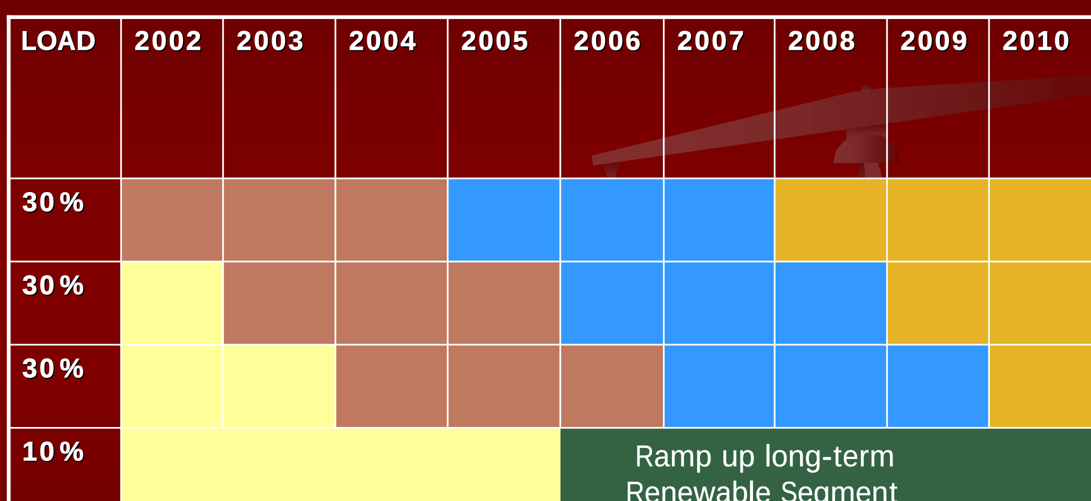


Currently, electricity procurement in NJ is limited to 3-year contracts



Better electric price stability can be achieved by including renewables in the mix.

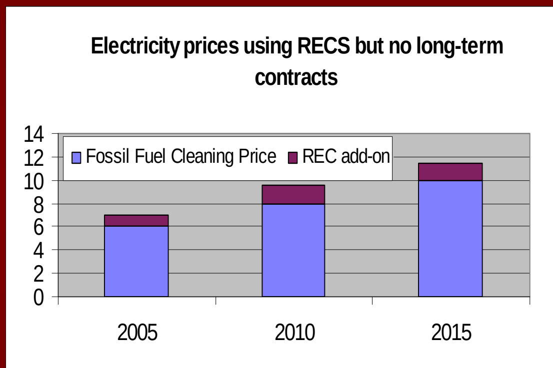
Electricity contracts specifically devoted to renewables offer diversification and stabilization.

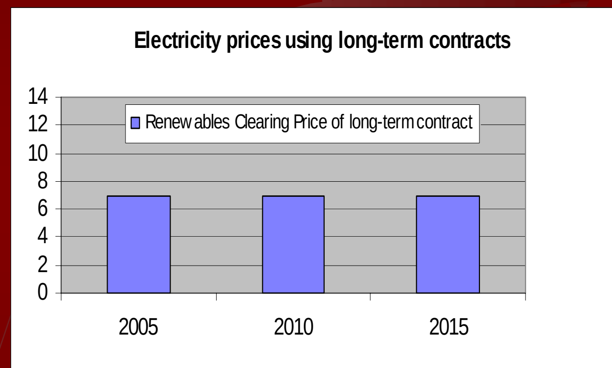


- Technology diversification
- Contract length diversification

Analogous to a portfolio of stocks and bonds.

There is value to having a certain amount of long-term renewable contracts *in addition* to RECs.





While an RPS gets renewable plants built, consumers don't realize the full economic benefits of renewables unless they can also benefit from their long-term use (stable prices.)

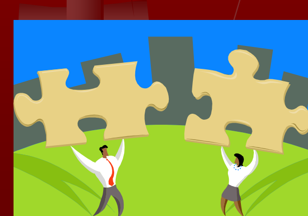
Synapse projects

RPS projects

- New Brunswick
- Utah
- California
- Maryland
- Wisconsin
- Vermont
- Massachusetts

Default service projects

- Illinois
- New Jersey
- Massachusetts
- Ohio
- Maine
- Delaware




Thank You