



# Washington D.C. SREC Market Update

February 21, 2019

- Implications of CleanEnergy DC Omnibus Amendment Act of 2018
- Exempt Load Contract Implications
- DC Solar Build Rates
- DC Compliance Obligation Scenarios
- DC SREC Supply and Demand Scenarios
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- On January 18, 2019, the DC Mayor signed the CleanEnergy DC Omnibus Bill Amendment Act of 2018; the Act was effective on January 1, 2019
- **RPS:** The Act establishes amended RPS, solar carve out, and ACP schedules through 2041; the RPS and solar carve out schedules reach 100% by 2032 and 10% by 2041, respectively
- **Useful Life:** The Act extends the useful life of an SREC from three years to five years
- **Exempt Load/Grandfathering:** Load contracts entered into prior to the effective date of the CleanEnergy DC Omnibus Bill Amendment Act of 2018 are exempt from the new Solar RPS schedule
- **Transparency:** The Act requires each natural compliance entity to disclose their grandfathered contracts in each annual compliance report

# EXEMPT LOAD CONTRACT IMPLICATIONS



- **Exempt Load/Grandfathering:** *For 3 years after January 1, 2019, [the amended RPS and ACP schedules] shall not apply to any contract entered into before the effective date of the CleanEnergy Act; provided, that this subsection shall apply to an extension or renewal of such a contract.*
- This grandfathering clause segments load contracts into three buckets:

Contracts signed prior to October 8, 2016		
Year	Solar RPS	ACP
2019	1.35%	\$200
2020	1.58%	\$200
2021	1.85%	\$150
2022	2.18%	\$150
2023	2.50%	\$50

Contracts signed between October 8, 2016 and January 1, 2019		
Year	Solar RPS	ACP
2019	1.35%	\$500
2020	1.58%	\$500
2021	1.85%	\$500
2022	2.18%	\$500
2023	2.50%	\$500

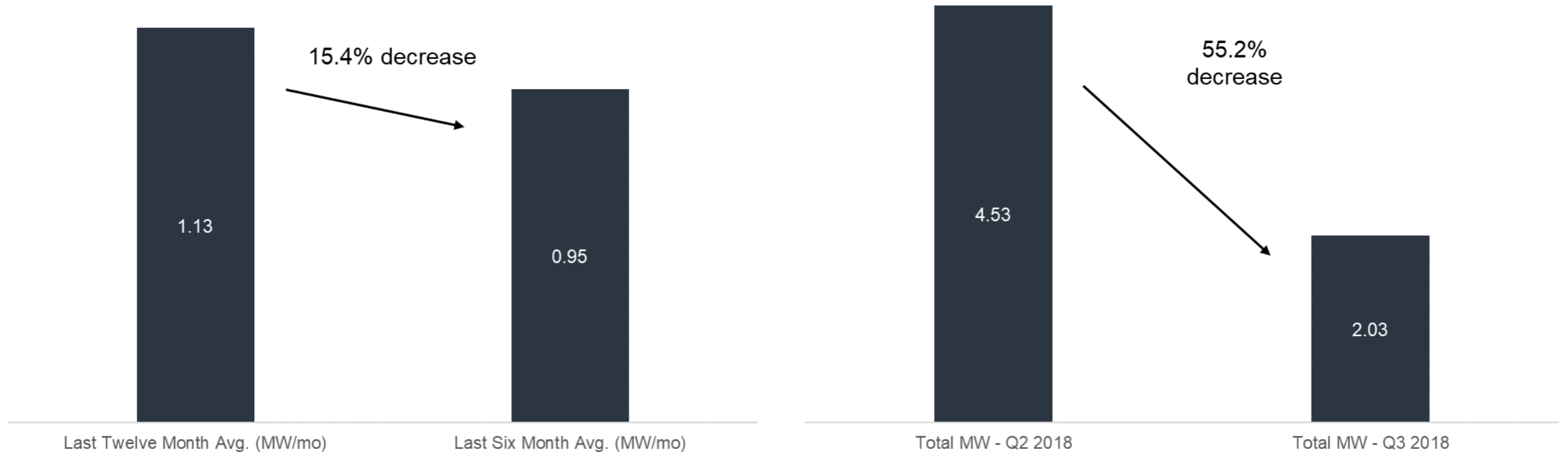
Contracts signed after January 1, 2019		
Year	Solar RPS	ACP
2019	1.85%	\$500
2020	2.18%	\$500
2021	2.50%	\$500
2022	2.60%	\$500
2023	2.85%	\$500

- Naturally, these load contracts will roll off, reducing the amount of grandfathered load each subsequent year

# DC SOLAR BUILD RATES



Monthly build over the last 6 months, for DC-eligible systems, has decreased slightly by 15.4% to 0.95 MW/month as compared to the longer term last 12 month (LTM) average. Total quarterly MW build for Q3 2018 is 55.2% lower than the previous quarter reflecting a significant build slow down.



Source: PJM GATS. Last 12 month and last 6 month averages use data through Oct 2018. Q2 and Q3 2018 data based on calendar-quarter end. Data subject to change due to late registration with PJM-GATS.

The following analysis assumes the following:

- Electric load growth remains flat at 2017 MWh sold – 10.926 million MWh per year through 2023 (source: DC PSC)
- Load served under contracts signed *prior* to the effective date of the Renewable Portfolio Standard Expansion Act of 2016 (Oct 8, 2016) is assumed to be 50% of the total load in 2018, rolling off in even increments over the next two years (CY2019, CY2020).
- Load served under contracts signed after October 8, 2016 but *prior* to the effective date of the CleanEnergy DC Omnibus Amendment Act of 2018 (January 1, 2019), is assumed to be 50% of the total load in 2019 rolling off in even increments over the following three years (CY2020, CY2021, CY2022)
- Scenarios presented are derived from Last Twelve Month (LTM) average build rates per month (Nov 2017 - Oct 2018). Due to the potential increase in DC-eligible commercial solar build, three scenarios are presented representing different rates of new capacity acceleration – 100%/200%/300% of current LTM build rates per month.
- Existing cross-certified, DC-eligible facilities assumed to sell into the DC market due to high SREC pricing.

# DC 2018 ESTIMATED SREC SUPPLY



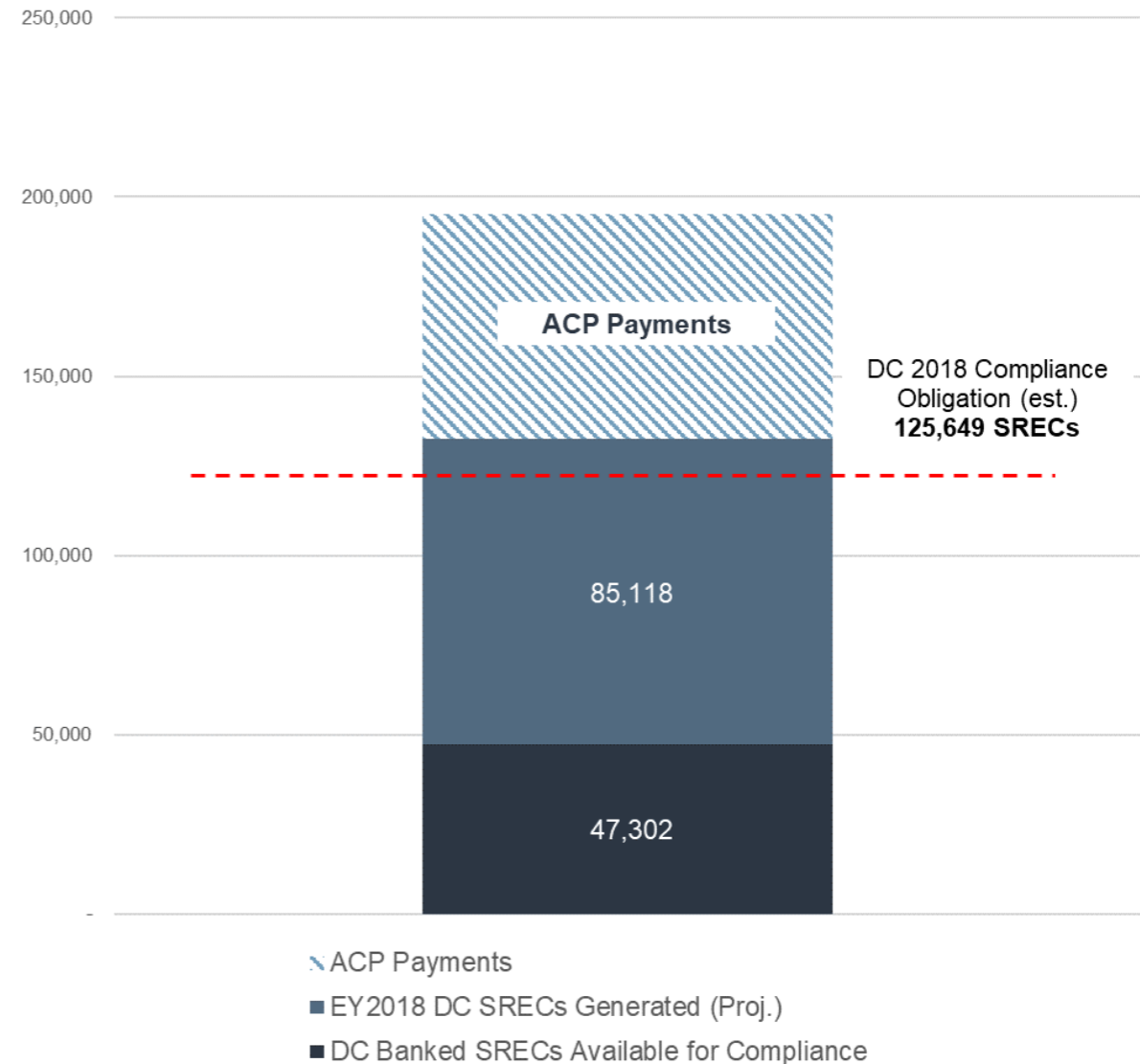
Using GATS recent issuance data as of February 2019

## DC2018 Supply and Demand Summary

- DC Banked SRECs Available for Compliance: 2016 = **836**; 2017 = **46,466**
- DC2018 Supply (projected): **85,118**
- Compliance Obligation (est.): **125,649**
- ACP Payments (est.): **62,825**
- Oversupply: **70,278** (56.5% of obligation)

Factors that could impact this include:

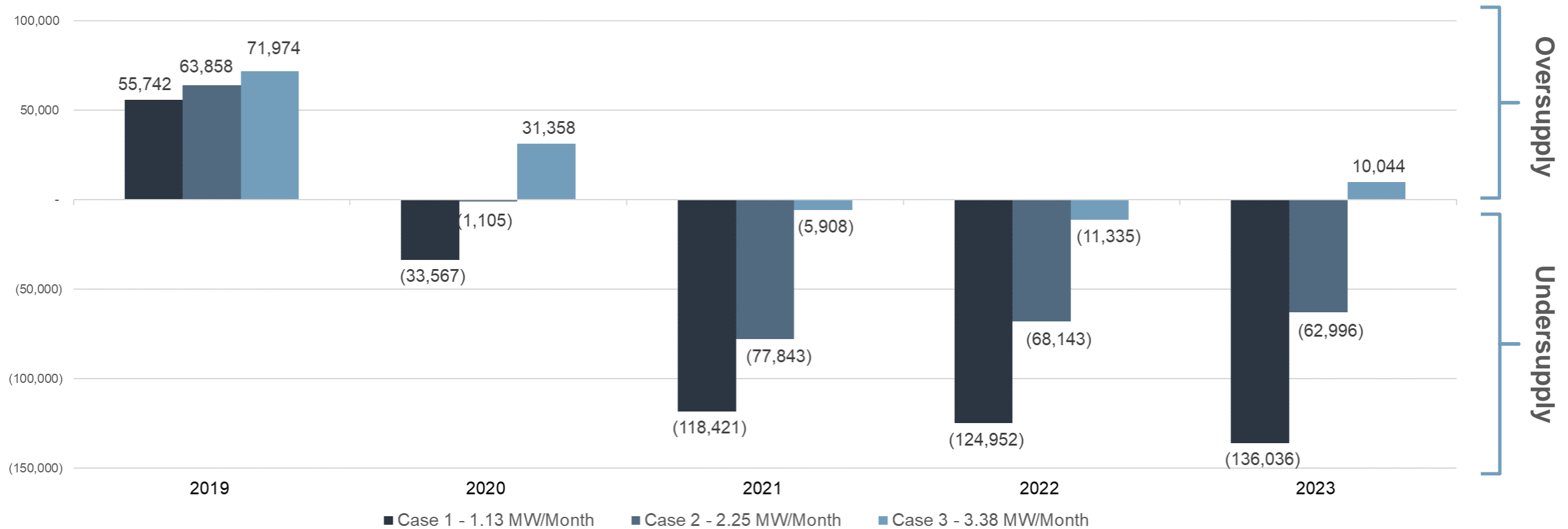
- Final DC 2018 load service figures
- Grandfathered load contracts for DC 2018 compliance



# FORECASTED SUPPLY WITH GRANDFATHERED LOAD: BUILD RATE SCENARIOS



Using supply and demand assumptions from slide 6, DC SREC supply 2019 through 2023 would be as follows.



SREC Oversupply (%)	2019	2020	2021	2022	2023
Case 1 - 1.13 MW/Month	34.6%	-15.5%	-45.3%	-44.0%	-43.7%
Case 2 - 2.25 MW/Month	39.6%	-0.5%	-29.8%	-24.0%	-20.2%
Case 3 - 3.38 MW/Month	44.7%	14.5%	-2.3%	-4.0%	3.2%

Source: PJM GATS and SRECTrade Estimates.



# FORECASTED SUPPLY WITH GRANDFATHERED LOAD : BUILD RATE SCENARIO DETAIL



Compliance year	2019	2020	2021	2022	2023
<b>Case 1 - LTM Average MW is Added Per Month Throughout the Forecast</b>					
DC SREC Requirements	161,159	215,971	261,314	284,076	311,391
<i>Compliance met with old ACP</i>	36,875	-	-	-	-
Less: Excess SRECs From Prior Period	69,596	55,742	-	-	-
Less: Case 1 Estimated SRECs Produced	110,430	126,661	142,892	159,124	175,355
<b># of SRECs Under / (Over) Supplied</b>	<b>(55,742)</b>	<b>33,567</b>	<b>118,421</b>	<b>124,952</b>	<b>136,036</b>
<b>Case 2 - 200% of LTM Average MW is Added Per Month Throughout the Forecast</b>					
DC SREC Requirements	161,159	215,971	261,314	284,076	311,391
<i>Compliance met with old ACP</i>	36,875	-	-	-	-
Less: Excess SRECs From Prior Period	69,596	63,858	-	-	-
Less: Case 2 Estimated SRECs Produced	118,546	151,008	183,470	215,933	248,395
<b># of SRECs Under / (Over) Supplied</b>	<b>(63,858)</b>	<b>1,105</b>	<b>77,843</b>	<b>68,143</b>	<b>62,996</b>
<b>Case 3 - 300% of LTM Average MW is Added Per Month Throughout the Forecast</b>					
DC SREC Requirements	161,159	215,971	261,314	284,076	311,391
<i>Compliance met with old ACP</i>	36,875	-	-	-	-
Less: Excess SRECs From Prior Period	69,596	71,974	31,358	-	-
Less: Case 3 Estimated SRECs Produced	126,661	175,355	224,048	272,741	321,435
<b># of SRECs Under / (Over) Supplied</b>	<b>(71,974)</b>	<b>(31,358)</b>	<b>5,908</b>	<b>11,335</b>	<b>(10,044)</b>

# DC SREC CURRENT PRICING



DC2018 market: \$380 bid @ \$405 offer

DC2019 market: \$385 bid @ \$400 offer

- DC2018 bid
- DC2019 bid

