

New Jersey BPU Adopts Long-Awaited Successor Solar Incentive Program and Announces Planned Closure of Successful TREC Program

Client Alert

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On July 28, 2021, the New Jersey Board of Public Utilities (BPU) issued a decision and [Order](#) establishing a new long-term economic incentive program for solar electric energy generation projects to be constructed in New Jersey. The program, which is referred to as the Successor Solar Incentive (SuSI) Program, has been under development for over two years and replaces New Jersey's longstanding and well-regarded Solar Renewable Energy Certificate (SREC) program and Transition Incentive Renewable Energy Certificate (TI or TREC) Program. The SuSI Program was initially introduced by the BPU in a comprehensive Straw Proposal released on April 7, 2021 and supplemented by a BPU Staff Memorandum issued on May 7, 2021.

While the value of the renewable energy certificates to be issued under the SuSI Program is lower than under the current TREC program, the BPU is confident that the new incentives, combined with declining per watt installation costs, are sufficient to sustain the continued construction of solar energy systems in New Jersey. A strong solar incentive program is necessary for the State to achieve its ambitious Energy Master Plan (EMP) goal of generating 34% of New Jersey's required energy from solar electricity by 2050. Currently, approximately 5% of the State's energy is produced from solar electric generation resources. The BPU estimates that upon full implementation of the SuSI Program approximately 10% of the State's electricity will be supplied by solar energy.

Through the SuSI Program, the BPU seeks to strike a balance between incentivizing continued investment in solar projects without imposing too much of an economic burden on New Jersey electricity customers that are responsible for funding the incentive programs. During the lengthy stakeholder process to review the SuSI Program Straw Proposal, solar industry representatives expressed concern that the SuSI incentives would be insufficient to sustain robust solar development in New Jersey and to maintain New Jersey's status as a national leader in solar construction. In contrast, consumer advocates and customer groups have asserted that the proposed SuSI incentives are unnecessarily generous.

Window for Securing TRECs is Closing

Notwithstanding these differing points of view, it is clear that the current TREC program incentives are generally more favorable than the incentives available under the SuSI Program. New solar projects will be able to qualify for participation in the TREC program provided the project files a completed TREC registration package with the BPU prior to August 27, 2021.

Businesses or property owners that intend to install solar generation systems should act promptly so that those projects can be eligible to earn TRECs rather than SuSI Program incentives. The preparation of TREC registration applications takes time, making it necessary for projects to at least be in the planning stage in order to meet the BPU's August 27 deadline for [sunsetting the TI program](#).

Establishment of SuSI Program

The new solar incentive program is required by the New Jersey Clean Energy Act of 2018 (CEA) and the recently adopted Solar Act of 2021 (S2605). The CEA requires the BPU to replace the SREC program when 5.1% of the total energy sold in New Jersey is produced by solar generation systems. Further, upon adopting the Solar Act of 2021, the New Jersey Legislature determined that it is "in the public interest to develop a new solar program that incentivizes new solar electric power generation facilities, including net-metered solar facilities, community solar facilities, and grid supply solar facilities, which are capable of ensuring that clean and reliable solar energy is supplied to New Jersey consumers, and which contribute to meeting the State's energy goals." As a result, the Solar Act of 2021 directs the BPU to establish "a program to be known as the SREC-II program, which shall serve as the successor program to the SREC program ... The goal of the program shall be to provide incentives for the development of at least 3,750 megawatts of new solar power generation by 2026."

The 5.1% solar production threshold was achieved on April 30, 2020, at which time the BPU closed the SREC program to new entrants. The BPU then established a Transition Incentive (TI) Program to maintain incentives until the BPU developed the SuSI Program. The TI Program awards fixed-price Transition RECS (TRECS) to solar generators for each MW hour of electricity generated.

SuSI Program Consists of Two Segments

The SuSI Program consists of two components: (1) an Administratively Determined Incentive (ADI), and (2) a Competitive Solar Incentive (CSI).

ADI Overview

The ADI is a fixed incentive payment applicable to net-metered projects of 5 MWs or less. The program provides one New Jersey Solar Renewable Energy Certificate-II (SREC-II) for every megawatt-hour (MWh) of solar electricity produced by a qualifying facility, with an additional \$20/MWh added for public entities - such as school districts, municipalities, and public colleges - as well as a temporary incentive for projects built on contaminated lands.

The ADI is available for residential, community solar, public projects, and most commercial and industrial solar projects. The amount of each SREC-II will vary based upon the solar project installation type (e.g., rooftop, canopy, ground mount, etc.), customer classification (e.g., residential, community solar, public, etc.) and project

size (collectively referred to as "market segmentation"). The ADI is similar in structure to the TI Program to the extent that it attempts to align the SREC-II incentive amounts with the subsidies reasonably required for various types of solar projects. SREC-IIs will be issued for a project qualification period of fifteen years.

Incentive amounts under the SuSI Program will be reviewed and reset every three years, if appropriate, based upon market circumstances. The SREC-II values for the ACI incentives range from \$70 to \$120, as shown on this table:

SuSI Program SREC-II Values Adopted by BPU

| Market Segment | System Size (MWdc) | Incentive Value (\$/SREC-II) | Incentive Value for Public Entities (\$/SREC-II) | Current Value (\$/TR) |
|--|----------------------------|------------------------------|--|-----------------------|
| Net-metered Residential | All types and sizes | \$90 | N/A | \$91.2 |
| Small Net-metered Non-Residential on Rooftop, Carport, Canopy and Floating Solar | Projects smaller than 1 MW | \$100 | \$120 | \$152 |
| Large Net-metered Non-Residential on Rooftop, Carport, Canopy and Floating Solar | Projects 1 MW to 5 MW | \$90 | \$110 | \$152 |
| Small Ground Mount Net-metered Non-Residential | Projects smaller than 1 MW | \$85 | \$105 | \$91.2 |
| Large Ground Mount Net-metered Non-Residential | Projects 1 MW to 5 MW | \$80 | \$100 | \$91.2 |
| Community Solar Non-LMI | Up to 5 MW | \$70 | N/A | \$129 |
| Community Solar LMI | Up to 5 MW | \$90 | N/A | \$129 |
| Interim Subsection (t) | All types and sizes | \$100 | (1.0)N/A | Roof \$91.2 |


As part of the SuSI Program, the BPU will establish solar development capacity targets for each market segment based upon the total amount of budget dollars that are assigned in each Energy Year. The market segment targets will be set based on three-month windows intended to reduce the likelihood that a given market segment will fill up upon opening, causing qualified projects to have to wait an inordinate amount of time until the window reopens.

CSI Overview

The CSI is applicable to grid-supply projects and net-metered commercial and industrial projects in excess of 5 MWs. The CSIs will be awarded based upon a competitive solicitation process intended to establish the lowest financial contribution possible from ratepayers for grid supply projects and large net-metered commercial and industrial projects. The competitive solicitation process will be conducted annually, with the first competitive solicitation expected to occur in early to mid-2022. Under the competitive solicitation process, a fixed incentive payment will be paid to successful bidders for each MW hour of solar electricity generated over a fifteen-year qualification life. The solicitation process will involve four tranches in each solicitation. Each tranche will have its own "clearing price" for program eligibility. Prior to the first CSI solicitation, the BPU intends to continue to engage stakeholders for input in connection with the continued development of the program.

The BPU's Order implementing the SuSI program is comprehensive and includes detailed information beyond the scope of this Client Alert. After further review of the BPU Order, we will follow up with a more detailed analysis of the SuSI Program.

Related Attorneys

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