

## Proposed Legislation Creates Uncertainty for New Jersey Legacy Solar Renewable Energy Certificate (SREC) Program

On March 17, 2025, three members of the New Jersey Assembly proposed legislation that would alter the New Jersey's Board of Public Utilities (BPU) solar renewable energy certificate (SREC) program that has played a critical role in the widespread installation of solar electricity systems throughout New Jersey.

The proposed legislation (A5460) would reduce the value of the Solar Alternative Compliance Payment (SACP) required to be paid by electricity suppliers to satisfy their renewable energy supply requirements. SACP payments are made in lieu of purchasing and retiring solar renewable energy certificates (SRECs).

The bill provides that the value of the SACP would be reduced to \$50 in Energy Year (EY) 2026 rather than the \$196 value established under current law. Thereafter, the SACP rate would decrease as follows: \$40 in EY 2027 (rather than \$188); \$30 in EY 2028 (rather than \$178), \$20 in EY 2029 (rather than \$168), \$10 in EY 2030 (rather than \$158) and \$10 thereafter.

The SACP rate effectively serves as a cap on the value of SRECs because an electricity supplier seeking to fulfill its Renewable Portfolio Standards (RPS) requirements will only purchase SRECs at a rate lower than the SACP rate.

Although unclear, it appears that the proposed legislation is applicable only to solar projects that earn SRECs under the Legacy SREC program. While the Legacy SREC program closed on April 30, 2020, SRECs issued under the Legacy program are for fifteen years from the commercial operation of each project. As a result, there are thousands of Legacy SREC projects that will be earning SRECs for the next several years.

While little information has been reported about the bill, it appears that the bill's purpose is to reduce utility customer rates. The proposed legislation emphasizes that any cost savings realized by the reduction in the SACP shall be used to reduce utility rates.

A week after the introduction of A5460, an additional bill (S4300) proposing changes to the Legacy SREC Program was introduced in the Senate by Senator John McKeon. S4300 proposes to eliminate New Jersey's solar renewable energy portfolio standards commencing on June 1, 2025. The bill would require the BPU to develop a system to provide "SREC incentive payments" in lieu of SRECs. The "SREC incentive payments" would be set at a fixed rate of \$95 for each SREC the facility would have earned. The \$95 value is less than the current SACP amounts.

Again, little has been published regarding the purpose of the proposed legislation, and it is unclear if either of the bills discussed herein will get traction or will wither on the vine like the majority of proposed bills. We will monitor both A5460 and S4300 and will advise you of the ongoing status of the proposed legislation. Please contact the author of this Alert with questions or to discuss your specific business circumstances.

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