



STATE OF NEW JERSEY
Board of Public Utilities
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CLEAN ENERGY

IN THE MATTER OF A SUCCESSOR SOLAR)
INCENTIVE PROGRAM PURSUANT TO P.L. 2021,)
C.169)
)
) ORDER REALLOCATING CAPACITY
IN THE ADI PROGRAM
DOCKET NO. QW22030128

Parties of Record:

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities (“Board”) considers Board Staff’s (“Staff’s”) recommendation to reallocate capacity among the Administratively Determined Incentive (“ADI”) solar program market segments in order to better meet the demand for residential solar projects.

BACKGROUND

On May 23, 2018, the Clean Energy Act, L. 2018, c. 17 (“CEA” or “Act”), was signed into law. Among other mandates, the Act directed the Board to adopt rules and regulations to close the SREC Registration Program (“SRP”) to new registrations once 5.1% of the kilowatt-hours sold in the State were generated by solar electric power connected to the distribution system (known as the 5.1% Milestone), and to develop a new solar incentive program. In addition, the CEA directed the Board to complete a study that evaluates how to modify or replace the SRP to encourage the continued efficient and orderly development of solar renewable energy generating sources throughout the State.

Toward fulfillment of this mandate, by Order dated December 6, 2019, the Board ordered the creation of the Transition Incentive (“TI”) Program, which provided incentives to eligible solar facilities by means of fixed price, factorized Transition Renewable Energy Certificates (“TRECs”).¹ Rules for the TI Program took effect upon publication in the New Jersey Register on October 5, 2020 (“TI Rules”).²

¹ In re a New Jersey Solar Transition Pursuant to P.L. 2018, c. 17, 2019 N.J. PUC LEXIS 471 (Dec. 6, 2019).

² 52 N.J.R. 1850(a).

On July 9, 2021, Governor Murphy signed the Solar Act of 2021 (“Solar Act”).³ The Solar Act directed the Board to establish a program to incent the development of at least 3,750 MW of new solar by 2026. The Solar Act directed the Board to establish a program to incent the development of 3,750 MW of solar by 2026, by establishing a new program for incentivizing solar in New Jersey through the mechanism of Solar Renewable Energy Certificates – II (“SREC-IIs”), representing the value of the environmental attributes produced by the solar electric power generation facility. The Act further directed the Board to create a small solar facilities program with administratively set incentive values, and a solicitation process for awarding contracts for grid supply solar facilities and net metered solar facilities greater than five (5) megawatts.

On July 28, 2021, following an extensive stakeholder process, the Board approved the creation of the Successor Solar Incentive (“SuSI”) Program, consisting of the ADI Program and the Competitive Solar Incentive (“CSI”) Program.⁴ The ADI Program launched on August 28, 2021 and the CSI Program is anticipated to be considered by the Board via Order and proposed rulemaking.

The ADI Program is open to residential projects, net metered non-residential projects equal to or less than 5 megawatts, and community solar projects. Rules governing the ADI Program took effect on February 22, 2022. N.J.A.C. 14:8-11.1 to 11.9 (“ADI Rules”).

The SuSI Program Order and the ADI Rules also provided that the ADI Program would be open, on an interim basis, to projects located on property types⁵ that were previously eligible to seek conditional certification from the Board pursuant to Subsection t, which are referred to as “interim subsection (t) projects”. In making a recommendation to the Board, Staff:

anticipate[d] that this interim eligibility would remain open until approximately 3 months prior to the start of the Competitive Solar Incentive Program, or until the megawatt block assigned this market segment is filled, whichever occurs first. The end of this interim eligibility would be announced by the Board via an Order unless the registrations received fully subscribe the capacity allocated by the Board beforehand.

[SuSI Program Order at *28 n.23.]

The Board ordered that projects proposed on eligible property types which seek eligibility in the interim ADI Program market segment must submit an application to the Board for conditional approval. The Board also directed Staff to work with the New Jersey Department of Environmental Protection (“NJDEP”) to develop a dedicated application to enable review by Staff and the NJDEP. The Board further directed Staff to cease accepting ADI Program interim Subsection (t) applications when the capacity of all accepted applications met the 75 MW amount of capacity allocated for the interim ADI Subsection (t) market segment, or when directed to do so by the Board, whichever occurs first. SuSI Program Order at *123-24.

³ L. 2021, c. 169; N.J.S.A. 48:3-114 et al.

⁴ In re Solar Successor Incentive Program Pursuant to P.L. 2018, C. 17, 2021 N.J. PUC LEXIS 300 (July 28, 2021) (“SuSI Program Order”).

⁵ “Properly closed sanitary landfills”, “brownfields” and “areas of historic fill” as those terms are defined at N.J.S.A. 48:3-51 and used in subsection (t).

The SuSI Program Order also provided an initial allocation of capacity among the established market segments.⁶

Table 1. ADI Megawatt⁷ Block Capacity Allocation for Energy Year 2022

| Type | Size | Recommended EY22 MW Block |
|--|----------------------------|---------------------------|
| Net Metered Residential | All sizes | 150 MW |
| Net Metered Non-Residential (all installation types) | All sizes at or below 5 MW | 150 MW |
| Community Solar (LMI and non-LMI) | All sizes at or below 5 MW | 150 MW |
| Interim Subsection (t) | All sizes | 75 MW |

In recognition of the lessons that were likely to be learned during the first year of the ADI Program, the Board ordered Staff to undertake a review of its implementation 12 months after the opening of the ADI Program, expressly directing that this review “shall include a review of the market segments and incentive levels.” SuSI Program Order at *124-25.

Pursuant to the ADI Rules, the Board makes an annual allocation of capacity to each market segment established in the ADI Program. N.J.A.C. 14:8-11.7. The annual allocation of capacity to market segments for Energy Year 2023 (“EY23”) was made by Order dated May 18, 2022.⁸

Table 2. ADI Megawatt Block Capacity Allocation for Energy Year 2023

| System Type | Size | Recommended EY 2023 MW Block Capacity |
|--|----------------------------|--|
| Net Metered Residential | All sizes | 150 MW |
| Net Metered Non-Residential (all installation types) | All sizes at or below 5 MW | 150 MW + unused EY22 capacity |
| Community Solar (LMI and non-LMI) | All sizes at or below 5 MW | 150 MW |
| Interim Subsection (t) | All sizes | 75 MW, or approximately 3 months from the CSI Program’s first solicitation, whichever occurs first |

In addition to the 150 MW of capacity allocated to the residential net metered market segment for EY23, the Board also carried over to that segment the unused capacity from the EY22 non-residential net metered market segment. Thus, the total capacity allocation to the EY23 non-residential net metered market segment is 287.836 MW.

As noted above, the Board directed Staff to review market segments and incentive levels after one year of ADI Program implementation. In addition, the ADI Rules at N.J.A.C. 14:8-11.7(c) provide that:

the Board may adjust the market segments or create new market segments through a Board order to reflect changes in the solar market. In considering an adjustment, the Board shall include consideration of whether increased or decreased differentiation

⁶ SuSI Program Order at *63-64.

⁷ MW used in this Order denotes nameplate solar capacity measured in megawatts of direct current.

⁸ In re Certification of Energy Year 2021 Cost Cap Calculations and Setting ADI Program Megawatt Blocks for Energy Year 2023, 2022 N.J. PUC LEXIS 157 (May 18, 2022).

between market segments is necessary in light of the costs and revenues of different project types, administrative complexity, or the emergence of new technologies.

Since June 1, 2022, ADI registrations have been submitted for projects in the net metered residential market segment on a pace that will commit the full 150 MW of allocated capacity well before the conclusion of EY23. The net metered non-residential market segment, on the other hand, has proceeded at a slower pace; this lag is likely due at least in part to “demand pull” resulting from the closure of the TI Program, which offered this market segment a significantly higher incentive. The Community Solar market segment has been reserved for the permanent Community Solar Program and as a result has not yet received any registrations. The Interim Subsection (t) market segment has received one application for 5.19 MW. The table below shows the capacity subscribed to ADI projects that have submitted registrations or an application for eligibility to the Interim Subsection t through November 15, 2022.

Table 3. ADI Energy Year 2023 Capacity Subscribed as of November 16, 2022

| Market Segment | Capacity Block (dc) | Capacity Subscribed (dc) | Capacity Available (dc) |
|-----------------------------------|---------------------|--------------------------|-------------------------|
| Net Metered Residential | 150,000 kW | 116,854.71 kW | 33,145.29 kW |
| Net Metered Non-Residential | 287,836.88 kW | 53,781.11 kW | 234,055.77 kW |
| Community Solar (Non-LMI and LMI) | 150,000 kW | 0.00 kW | 150,000.00 kW |
| Interim Subsection (t) Grid | 75,000 kW | 5,190.00 kW | 69,810.00 kW |

^ <https://njadi.programprocessing.com/> accessed November 16, 2022

In a companion item on this agenda, the Board closed the Interim Subsection (t) program to new applications. In addition, the Board approved Staff’s recommendations for CSI Program design details. In addition to an incentive award process, procurement targets, and pre-qualification and maturity requirements, the Board established an auction procedure with tranches to accommodate a range of competitive solar project types despite potentially different project cost profiles. The five (5) tranches approved for various market segments are identified in Table 4 below.

The third tranche is dedicated to the specific subset of projects proposed to be located on contaminated sites and landfills, in recognition of the special consideration such projects may need to be competitive; additional costs are associated with mitigating the contamination and securing permits, and these complicated projects frequently require a longer development cycle.

Tranche 3 also serves to implement the direction provided by the Solar Act of 2021 that the solar solicitation program must “ensure that the environmental and public health benefits of solar electric power generation facilities on contaminated sites or landfills are recognized, including accommodating the long development timescale for these projects.” N.J.S.A. 48:3-117(c)(8).

Table 4. CSI Procurement Targets by Tranche

| Tranche | Target |
|--|---------|
| 1. Basic Grid Supply | 140 MW |
| 2. Grid Supply on the Built Environment | 80 MW |
| 3. Grid Supply on Contaminated Sites and Landfills | 40 MW |
| 4. Net Metered Non-residential Projects above 5 MW | 40 MW |
| 5. Storage Paired with Grid Supply Solar | 160 MWh |

STAFF RECOMMENDATION

Staff makes the following recommendations, taking into consideration the Board’s earlier action closing the Interim Subsection (t) market segment to new applicants as of the effective date of the Board Order establishing the CSI Program. Consistent with the directive of the Board in the SuSI Order, since the first solicitation is anticipated to occur in approximately three (3) months, Staff is directed to cease accepting new applications. The one Interim Subsection (t) application received to date should utilize the application review process established for the ADI Interim Subsection (t) Program. Any new applications received should be returned to the developer with instructions to apply to the CSI Program.

In considering whether the disparity in registration activity shown in Table 3 warrants a reallocation among the market segments, Staff is mindful of the capacity made available by the Board’s closure of the Interim Subsection (t) Program. Given that newly available capacity, and in light of the impending subscription of the full 150 MW allocated to the residential market segment, Staff recommends that the unallocated capacity from the Interim Subsection (t) program, totaling 69.81 MW, should be allocated to the residential market segment in the ADI Program. Additionally, since the net metered non-residential market segment has subscribed significantly less than one half of the capacity allocated for one energy year, Staff recommends 30.19 MW of capacity from the non-residential market segment be allocated to the residential market segment, for a total reallocated capacity of 100 MW.

DISCUSSION AND FINDINGS

The recommendation by Staff to close the Interim Subsection (t) application window in the ADI Program was accepted in an earlier action taken by the Board in the matter of the CSI Program on this date. The Board **FINDS** that the CSI Program has been established, that the first solicitation is anticipated to occur within three (3) months, and that the Interim Subsection (t) application window has been closed in accordance with a directive of the SuSI program Order.

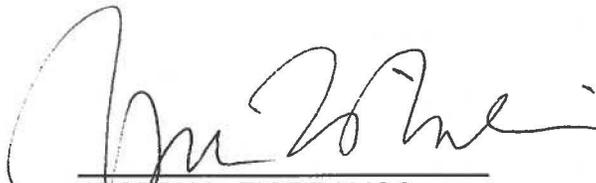
The SuSI Program Order anticipated that adjustments to the amount of capacity allocated to a market segment might be necessary after the program’s first year. Similarly, the ADI Rules state that “the Board may adjust the market segments... through a Board order to reflect changes in the solar market.” In considering an adjustment, the Board shall include consideration of whether increased or decreased differentiation between market segments is necessary in light of the costs and revenues of different project types, administrative complexity, or the emergence of new technologies. N.J.A.C. 14:8-11.7(c). The Board **FINDS** that the residential market segment is on track to fully subscribe its allocated 150 MW of capacity well in advance of the end of Energy Year 2023. The Board **FINDS** that the net metered non-residential market segment has subscribed less than one quarter of its allocated 287.836 MW of capacity. The Board **FURTHER FINDS** that its closure of the Interim Subsection (t) Program has made 69.81 MW of capacity available. Therefore, the Board **FINDS** that reallocating all capacity from the Interim Subsection (t) and

30.19 MW of non-residential market segments to the residential market segment is in the best interest of ratepayers. Therefore, the Board DIRECTS Staff to reallocate 69.81 MW of capacity from the closed Interim TI market segment to the residential market segment. The Board also DIRECTS Staff to reallocate 30.19 MW from the non-residential market segment to the residential market segment.

The effective date of this Order is December 7, 2022.

DATED: December 7, 2022

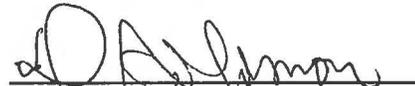
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ACTING SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.

IN THE MATTER OF A SUCCESSOR SOLAR INCENTIVE PROGRAM PURSUANT TO P.L.
2021, C.169 - ORDER REALLOCATING CAPACITY IN THE ADMINISTRATIVELY
DETERMINED INCENTIVE PROGRAM

DOCKET NO. QW22030128

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