Agenda Date: 4/23/25
Agenda Item: 8G

STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE COMMUNITY SOLAR ENERGY PROGRAM	)	ORDER SETTING COMMUNITY SOLAR ENERGY PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2025
	)	DOCKET NO. QO22030153

Parties of Record:

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BY THE BOARD:[1]

By this Order, the New Jersey Board of Public Utilities ("Board") updates the Community Solar Energy Program ("CSEP" or "Program") megawatt ("MW") block allocations for Energy Year ("EY") 2025. The Board also considers Board Staff's ("Staff's") recommendations on the one-year review of the CSEP, including adjustment of incentive levels for eligible solar generation resources seeking to participate in the Administratively Determined Incentive ("ADI") Program.

BACKGROUND

Community Solar Energy Program—Pilot Program

On May 23, 2018, Governor Murphy signed the Clean Energy Act, L. 2018, c. 17 ("Act" or "CEA") into law. The CEA directed the Board to engage in rulemaking to implement a Community Solar Energy Pilot ("Pilot") Program within 210 days following its enactment.[2] The Act further directed the Board to convert the Pilot Program into a permanent program within 36 months following the

[1] Commissioner Abdou recused herself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

[2] N.J.S.A. 48:3-87.11(a).

adoption of rules and regulations establishing the Pilot Program.[3] The permanent program was to include a goal for the development of at least 50 megawatts ("MW") of solar energy projects per year. The Solar Act of 2021, L. 2021, c. 169, increased this goal to at least 150 MW of community solar facilities per year.[4]

The CSEP is a program whereby utility customers can participate in a solar energy project that is remotely located from their properties and receive a credit on their utility bill for their participation in a community solar project. Community solar therefore enables access to clean energy for utility customers currently unable to place clean energy generation directly on their own properties. The Board developed the Pilot Program with a particular focus of ensuring that low- and moderate-income ("LMI") customers can access community solar and that industry participants pursue community solar development without materially compromising the preservation of open space or protected lands in New Jersey.

The Board adopted rules for the Pilot Program on January 17, 2019, which were subsequently published in the New Jersey Register on February 19, 2019 ("Pilot Rules").[5] The application period for the first Pilot Program year ("PY1") opened on April 9, 2019, and closed on September 9, 2019. The Board received 252 applications representing approximately 652 MW of capacity. By Order dated December 20, 2019, the Board conditionally approved 45 projects with 78 MW of capacity to participate in PY1.[6]

By Order dated October 2, 2020, the Board issued the application form for the second Pilot Program year ("PY2") solicitation, with applications for PY2 due on February 5, 2021.[7] The Board received 412 applications representing approximately 804 MW of capacity. On October 28, 2021, the Board conditionally approved 105 projects with 165 MW of capacity.[8] As of February 28, 2025, 113 Pilot projects totaling 175 MW in capacity and serving over 28,500 New Jersey subscribers have been completed. Community solar subscribers have received over $37 million in bill credits with net savings exceeding $7 million since the start of the Pilot Program through February 2025.

All 150 projects selected for the Pilot Program were LMI projects, or those having at least 51 percent capacity reserved for LMI households and affordable housing providers. Furthermore, all Pilot Program projects were proposed to be located on rooftops, parking canopies, landfills, or brownfields.

By the October 2020 Order, the Board also waived its rules authorizing capacity for a third program year and directed Staff to conduct stakeholder proceedings and recommend rules to be established for a permanent program.

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[3] N.J.S.A. 48:3-87.11(f).

[4] N.J.S.A. 48:3-116(a).

[5] 51 N.J.R. 232(a).

[6] In re the Community Solar Energy Pilot Program, BPU Docket Nos. QO18060646 *et al*., Order dated December 20, 2019.

[7] In re the Community Solar Energy Pilot Program; In re the Community Solar Energy Pilot Program Year 2 Application Form and Process, BPU Docket Nos. QO18060646 and QO20080556, Order dated October 2, 2020 ("October 2020 Order").

[8] In re the Community Solar Energy Pilot Program Year 2 Application Form and Process - Application Awards, BPU Docket Nos. QO20080556 and QO18060646, Order dated October 28, 2021.

The Pilot Program provided necessary experience in implementing community solar in New Jersey and laid the groundwork for the development and implementation of the permanent, full-scale Program in conformance with the CEA.[9]

Staff solicited stakeholder feedback on the Pilot Program and on potential changes to the Program on several occasions. On April 11, 2019, Staff issued a request for comment on the implementation of consolidated billing and Government Energy Aggregation for community solar; a stakeholder meeting on these topics was held on April 23, 2019.[10]

One-Year Review

On July 9, 2021, Governor Murphy signed the Solar Act of 2021 ("Solar Act"), L. 2021, c. 169, into law, which directed the Board to develop and launch the Successor Solar Incentive ("SuSI") Program, among other requirements. By Order dated July 28, 2021, the Board announced the closure of the Transition Incentive ("TI") Program and the opening of the SuSI Program.[11] Within the SuSI Program, the Board created the Administratively Determined Incentive ("ADI") Program to provide an incentive to develop solar in several market segments primarily serving net metered customer-generators. The TI Program closed on August 27, 2021, and the ADI Program registration portal opened on August 28, 2021.

By the SuSI Program Order, the Board established the framework for the ADI Program, initial incentive levels by market segment, and MW block capacity allocations by market segment, as well as the process for incentive level adjustment and future allocations of capacity to the market segments. The SuSI Program Order further defined the methodology and process by which the Board would implement the Cost Cap on New Jersey Class I renewable energy requirements. The results of the annual Cost Cap calculation are designed to inform the Board's decisions in allocating capacity to market segments for the coming Energy Year to ensure compliance with the next year's Cost Cap.

The SuSI Program Order directed Staff to conduct a one-year checkup on incentive levels after the first twelve months of experience with the new program. The one-year checkup provided an opportunity to examine whether the ADI Program and its market segments were under- or over-performing versus the targets established by the Board and whether adjustments should be made.

Staff hosted a one-year checkup stakeholder meeting on December 2, 2022, and accepted written comments on the ADI Program. Through the review process, Staff considered market response, rate of registrations into the program, total MW registered into the program, and other factors indicative of the overall health of the solar industry. By Order dated March 6, 2023, the Board adjusted the incentive levels in the net-metered residential and net-metered non-residential market segments of the ADI Program.[12]

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[9] See N.J.S.A. 48:3-87.11(f).

[10] Board of Public Utilities, New Jersey Community Solar Energy Program Stakeholder Meeting - April 23, 2019. BPU Docket No. QO18060646.

[11] In re a New Jersey Solar Transition Pursuant to P.L. 2018, c. 17, BPU Docket No. QO19010068, Order dated July 28, 2021 ("SuSI Program Order").

[12] In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c. 169, BPU Docket No. QO20020184,

Because the CSEP had not yet opened at the time of the original one-year review of the ADI Program, the review and adjustments did not address the community solar market segments of the ADI Program, and the incentive levels remained the same. By Order dated August 16, 2023, the Board eliminated the ADI Program market segment for community solar projects serving customers that are not LMI and required all projects be LMI projects, receiving the previously set incentive for the Community Solar LMI market segment.[13]

Community Solar Energy Program—Permanent Program

By the CSEP Order, the Board established the Program and simultaneously proposed Program rules that were published in the New Jersey Register on September 18, 2023.[14] On November 15, 2023, pursuant to the CSEP Order, the Board opened MW blocks for each of the State's electric distribution companies' ("EDC") service areas totaling 225 MW. The Board adopted Program rules on September 4, 2024, which were subsequently published in the New Jersey Register on October 7, 2024. Also on October 7, 2024, the Board proposed substantial changes amendments to the Program rules, which the Board adopted on February 12, 2025 and published in the New Jersey Register on March 17, 2025. [15,16]

On January 24, 2024, Governor Murphy signed L. 2023, c. 200, into law which expanded the Program by directing the Board to:

> establish a goal for the conditional registration of 225 megawatts of solar energy projects prior to June 1, 2024, with an additional 275 megawatts prior to June 1, 2024 if qualified applications exceed 225 megawatts, an additional 250 megawatts prior to June 1, 2025 if qualified applications exceed 500 megawatts, and at least an additional 150 megawatts per year thereafter, taking into account any changes to the SREC program.[17]

L. 2023, c. 200 also requires the Board to establish standards to enforce compliance with the Program's rules and to allow LMI customers to self-attest to their eligibility and allows utilities to disclose certain customer information to local governments to facilitate automatic enrollment in a community solar project.[18]

By Order dated April 30, 2024, the Board allocated an additional 275 MW of capacity to the EY 2024 MW blocks and opened a new initial registration period beginning May 15, 2024, with unused capacity rolled over to EY 2025.[19] By the CSEP Expansion Order, the Board also updated the

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Order dated March 6, 2023 ("ADI One-Year Review Order").

[13] In re the Community Solar Energy Program, Order Launching the Community Solar Energy Program, BPU Docket No. QO22030153, Order dated August 16, 2023 ("CSEP Order").

[14] 55 N.J.R. 1985(a) (September 18, 2023) ("Rule Proposal").

[15] 56 N.J.R. 1990(d) (October 7, 2024).

[16] 57 N.J.R. 594(a) (March 17, 2025).

[17] N.J.S.A. 48:3-87.11(f)(2).

[18] N.J.S.A. 48:3-87.11(f)(17); N.J.S.A. 48:3-85(b)(2)(a).

[19] In re the Community Solar Energy Program - Order Setting Community Solar Energy Program Megawatt

restrictions on co-location, added mining sites as permitting siting, updated maturity requirements, and approved a self-attestation form for LMI customers. 375 community solar projects totaling 528 MW have been conditionally accepted to the Program as of February 28, 2025.

On November 21, 2024, the Board Secretary issued notice of a public stakeholder meeting to be held on December 3, 2024, as part of the One Year Review of the CSEP ("Notice"). By the Notice, Staff sought stakeholder input on questions regarding the market's adjustment in the shift from the TI Program and Pilot Program to the CSEP and seeking comment on certain questions tailored to improving the CSEP.

At the December 3, 2024 stakeholder meeting, Staff presented the plan to conduct its one-year review of the CSEP. Approximately 100 stakeholders participated in the webinar, and ten provided comments. Staff reported on program performance by market segment and advised stakeholders that the review of incentive levels will incorporate the market's response to current incentive levels as well as changes in the market. Staff provided an overview of the incentive modeling approach to be used, key financial inputs under review, and anticipated adjustments to the model proposed for informing the need for any incentive level changes. Stakeholders had the opportunity to provide comments during the meeting. Additionally, written comments were accepted until December 16, 2024; the Board received 17 responses to the request for comment. The comments are summarized in Appendix A hereto.

Staff considered several factors in developing the recommendation for changes to the CSEP and ADI incentives:

1. Program Performance

The Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), and Atlantic City Electric Company ("ACE") blocks of the CSEP, with nearly 500 MW of projects registered and in multiple cases filling the blocks during the initial registration period, have reached their full CSEP capacity blocks. Another 53 MW of projects have been rejected due to insufficient capacity.

Moreover, the number of projects that can apply for the Program is restricted by available grid capacity and conditional interconnection approvals provided by the EDCs. The EDCs cumulatively report having received more than 1,120 community solar interconnection applications totaling more than 1,450 MW alternating current capacity or approximately 1,800 MW direct current capacity. While there may be insufficient grid capacity at many of these proposed locations, the EDC queues exceed statutory goals for this market segment. Most of these projects are new applications initiated after opening of the CSEP, well beyond those not selected in the Pilot Program or developed while waiting for establishment of the CSEP.

2. Stakeholder Input

Most comments received from solar companies and trade groups voice support for keeping community solar incentives at current levels, pointing at maintaining the Program's success and benefits, as well as the potential for market volatility due to national political conditions, including possible changes in tariffs and tax credits. Several commenters identified that community solar

Blocks for Energy Year 2024, BPU Docket No. QO22030153, Order dated April 30, 2024 ("CSEP Expansion Order").

projects, particularly those larger than 1 MW, often face high interconnection costs or closed distribution circuits, and they recommend grid modernization procedures that allow for greater transparency and efficiency. A trade association stated that site lease costs were higher than estimated in previous modeling.

Two commenters supported differentiating incentives for projects in different EDC territories, but others did not state this was necessary or stated that additional data would be needed. A solar developer suggested allowing a public entity adder for projects on municipal-owned sites, as they are often on landfills and contaminated sites that are more costly to develop. Another developer recommended higher incentives for smaller projects that may be located at small businesses or non-profits. Commenters generally stated that bonus tax credits should not be considered in modeling.

The New Jersey Division of Rate Counsel ("Rate Counsel") recommended scaling back incentive levels, noting that current incentives result in more demand than capacity is available. Rate Counsel suggested that incentives be recalibrated to reduce burdens on ratepayers but continue to support solar development for renewable energy goals. Rate Counsel further recommended changing the value of bill credits to be closer to avoided costs instead of retail rate. In case of differing subscription rates across EDCs, Rate Counsel backed reallocating capacity rather than differentiating incentive levels.

More detailed summaries of and responses to the stakeholders' comments are found in Appendix A.

3. Economic Modeling Updates

Staff updated the economic models used to develop incentive levels for the ADI Program in 2021 in the "Solar Transition Capstone Report."[20] Staff used the community solar model in the System Advisor Model ("SAM"), a program developed by the National Renewable Energy Laboratory. The original incentive level set in 2021 was $90 per MW-hour ("MWh") for LMI community solar projects and $70 per MWh for non-LMI community solar projects. By the CSEP Order, the Board removed the non-LMI incentive level and all projects were required to serve LMI subscribers. The Capstone Report modeled 3,500 kilowatt ("kW') ground-mount, 2,000 kW large rooftop, and 650 kW medium rooftop community solar projects. The modeled community solar project for 2025 was a rooftop system with a capacity of 1,400 kW, approximately the average size of projects accepted in the CSEP. While some accepted projects are not on rooftops and have different cost profiles, Staff chose to model the most representative project type.

Input values were updated for the modeled project variant for community solar to reflect recent changes to the New Jersey solar energy market, including federal investment tax credits ("ITC"), solar PV capital costs, operation and maintenance costs, community solar bill credits, and interest rates. Performance-based incentive needs, in dollars per MWh, were estimated for the market segment to reach an internal rate of return target of 9.7% for community solar projects, consistent with previous modeling. The incentive term remained at 15 years, and the analysis period was 25 years.

For the current 2025 incentive model, Staff adjusted the variable for the federal ITC to 30%, in

[20] New Jersey Solar Transition Final Capstone Report: Successor Program Review, January 7, 2021 ("Capstone Report").

line with the Inflation Reduction Act of 2022 and increased from the 22% ITC contained in the Capstone Report. Because the federal tax bonus depreciation for solar is being phased out, Staff lowered the federal tax bonus depreciation value from 100% to 20% for projects placed in service in 2026.

To determine project capital expenditures, Staff reviewed cost data for community solar projects installed in the Pilot Program between 2021 and 2024 as well as pipeline all-in costs. Staff also reviewed market standard reports and resources as benchmarks to its findings for capital expenditures by segment.[21] The data showed an average installation cost of $2.05 per watt. The 2021 Capstone Report modeled costs were $1.79 per watt and $2.17 per watt for large and medium rooftop projects, respectively. Although economies of scale may be expected for solar projects, Staff reviewed the data for all installed and pipeline community solar projects and found no evident trend to demonstrate that larger systems correlate with lower per-watt system installation costs. To reflect a combination of decreasing costs for solar panels and other equipment with increasing costs for labor and interconnection, Staff used capital expenditures of $2.29 per watt for the 2025 model, a 16% increase from the 2021 cost average. Although this cost is greater than the average of the reported data, it matches the average of the values used for the large and medium commercial rooftop projects for the ADI One-Year Review Order.

Staff applied a one-time inflation adjustment to the operating expenses assumptions used in the Capstone Report. Staff derived the inflation adjustment from the Gross Domestic Product Price Index ("GDP-PI"), which represents prices of goods and services produced in the United States.[22] The assumptions for operating expenses include project management costs, site leases, capacity-based operations and maintenance fees, and insurance costs. Total operating expenditures in the Capstone Report for the large community solar variant totaled $57,708 per year, and operations and maintenance were $35.59 per kW-year, which included a premium for community solar over net-metered projects. These expenditures increased to $65,590 per year and $40.45 per kW-year, respectively, for the 2025 model project, with insurance expenditure rates remaining unchanged from 0.45%.

Interest rates have increased since the Capstone Report, which modeled a 6.0% annual rate. During the 2023 ADI Program check-up, Staff's consultant updated the rate to 9.0%, which represented an adjustment from the 10-year Treasury yield and prime rate, as recommended by commenters on the Capstone Report. Staff made the same adjustment to the current rates, using a 9.5% rate for the 2025 model.

Electricity rates have also increased since the Capstone Report, resulting in higher bill credits for subscribers and higher subscription charges for project owners. The Capstone Report assumed that subscribers would be 60% residential and 40% commercial customers. Historical Program data shows greater participation by residential subscribers, who in many cases subscribe to all of a project's capacity. Staff modeled current bill credit calculations, weighted 90% residential and 10% commercial and weighted proportionally by EDC, that Staff discounted 20% to reflect the minimum guaranteed bill credit discount and applied a 2% annual escalation.

Staff calculated an incentive level for the community solar market segment of $65 per MWh based on the updated economic modeling results.

[21] Lawrence Berkeley National Laboratory. September 2024. Tracking the Sun – 2024 Edition.

[22] GDP Price Index. Bureau of Economic Analysis. January 30, 2025.

STAFF RECOMMENDATIONS

Energy Year 2025 CSEP MW blocks

The Solar Act of 2021 provided that the new SuSI Program should aim to provide incentives for at least 150 MW of community solar facilities per year for the first five years of the ADI Program.[23] The tremendous market response to the Pilot Program showed the significant interest in developing community solar projects. The Pilot Rules provided for a minimum of 75 MW for each of the three planned program years; in both Pilot Program years, applications significantly exceeded the capacity available. In response to the strong market reaction to PY1, the Board doubled the capacity allocation to 150 MW in PY2. Following the response to PY2, as noted above, the Board moved directly to development of the CSEP, with no Program Year 3 solicitation.

Considering L. 2023, c. 200's MW targets and the strong market response thus far, Staff anticipates that, to comply with those targets, the Board will need to make available cumulative capacity of at least 750 MW by the commencement of EY 2026. To accomplish this goal, the Board opened 225 MW and 275 MW capacity blocks for EY 2024. The CSEP opened for new registrations on November 15, 2023, and additional capacity opened on May 15, 2024. Remaining capacity rolled over to EY 2025. The CSEP registration manager maintains a table on the New Jersey Clean Energy Program website that shows the amount of capacity subscribed to date for each MW block and the amount of capacity that remains available. As of March 28, 2025, the capacities were:

Table 1: MW Blocks for EY 2024–25

EDC Territory	MW (dc) Capacity Blocks EY 2024	Capacity Subscribed MW (dc)	Capacity Available MW (dc)
JCP&L	144 MW	143	CLOSED
PSE&G	287 MW	284	CLOSED
ACE	60 MW	60	CLOSED
Rockland Electric Company ("RECO")	9 MW	5.2	3.8

Staff notes that the PSE&G and ACE blocks exceeded capacity during the May 2024 initial registration period and that in accordance with the CSEP Order, projects were reviewed in the order of highest guaranteed bill credit discount until capacity was reached. The lowest guaranteed bill credit discount offered by projects accepted into the PSE&G block was 25%, and 21.05% for the ACE block.

In addition, 37 MW of projects that were conditionally approved in the Pilot Program and were unable to reach commercial operation by the established deadline have registered in the CSEP. This capacity does not count against the capacity blocks.

Pursuant to L. 2023 c. 200, Staff recommends adding a capacity allocation of 250 MW to the CSEP and its respective segment of the ADI Program during EY 2025 in addition to the capacity rolled over from EY24. This capacity will be allocated among the EDCs based on their average respective percentages of in-State retail electric sales: 30 MW for ACE, 72 MW for JCP&L, 144 MW for PSE&G, and 4 MW for RECO service territories. Cumulative capacities will be:

[23] N.J.S.A. 48:3-116(a).

Table 2: Recommended MW Blocks for EY 2025

EDC Territory	MW (dc) Capacity Blocks EY 2025	Capacity Subscribed MW (dc)	Capacity Available MW (dc)
JCP&L	216 MW	143	73
PSE&G	431 MW	284	147
ACE	90 MW	60	30
RECO	13 MW	5.2	7.8

Staff recommends that the capacity open to new registrations on April 30, 2025, and that projects be accepted into the Program on a first-come, first-served basis, except that project registrations submitted during an initial registration period of ten (10) business days should be considered to have submitted at the same time. If applications submitted exceed the capacity target for any of the EDC block allocations, a tiebreaker will go into effect, based on the guaranteed bill credit discount a developer commits to offer to all subscribers. In the event that multiple projects would exceed a capacity target if accepted due to offering the same guaranteed bill credit discount, the project(s) submitted first shall be reviewed first.

Pursuant to L. 2023 c. 200, Staff anticipates allocating at least 150 MW for energy year 2026 alongside other MW block allocations in the ADI Program.

Incentive levels

Staff recommends a moderate decrease in the community solar market segment incentive levels from the current $90/MWh to $80/MWh. This recommendation is based on an analysis of market performance under current incentive levels, an update to the financial modeling of the market segments, and the stakeholder input solicited in this proceeding.

While the modeling results are sensitive to changes in inputs for costs and revenues, Staff believes that its recommendation of a modest 11% decrease to the community solar incentive in the ADI Program represents a reasonable balance between the need to accelerate solar deployment in New Jersey without excessive immediate change and the need to keep costs manageable for ratepayers. Staff recognizes that some projects face increasing interconnection costs and that there is uncertainty across the industry due to potential policy changes at the federal level but continues to believe that incentives should be set only at the level necessary. Staff does not recommend introducing any differentiation in community solar incentives at this time in order to prioritize projects with lower costs. The large number of projects that have registered in CSEP and have requested interconnection with the EDCs indicate that there is substantial program interest beyond the amounts planned for by the Board and that the current incentive level is more than sufficient to encourage project development. Although the JCP&L block was not oversubscribed in the initial registration period, Staff notes that it filled relatively soon thereafter and that there are many more projects in the interconnection queue that had not yet been provided conditional approval. In response to concerns about unpredictability of economic and political conditions, Staff recommends that the Board reevaluate the community solar incentive along with other market segments of the ADI Program in the upcoming triennial review of the program and to be prepared for major changes affecting the solar industry.

Staff recommends that the incentive level reduction apply to prospective project registrations that are submitted on or after the effective date of this Order. The adjustment should not apply to currently registered projects or pending applications.

Community engagement plan

Staff received comments from stakeholders reporting difficulty in obtaining a letter of support from municipal council and/or mayor of the municipality in which the project will be located, a required component of the Community Engagement and Subscriber Acquisition Plan as listed in the CSEP Order. Stakeholders have identified that many municipalities have been reluctant to express support for private development projects such as community solar. Developers report that multiple municipalities have a blanket policy against providing letters and that this requirement may be a burden on smaller municipalities that have limited resources.

While Staff believes that municipal support for a project signifies community buy-in and local engagement and that municipalities can be key partners in building trust in the program and acquiring subscribers, Staff also understands that inability to obtain a letter of support does not necessarily mean a project faces local opposition or that the developer has not sufficiently engaged the community. Rather, municipal leadership may prefer other avenues to endorse a mature project, such as through a planning board or other permitting processes as required.

Staff, therefore, recommends, as an alternative to the letter of support, applicants be permitted to submit, as part of the Community Engagement and Subscriber Acquisition Plan, evidence of submission to a municipal clerk a certified letter stating that the developer intends to construct the community solar project and how it will engage the municipality and local organizations to enroll residents as community solar subscribers. This does not affect the requirement for automatic enrollment projects to obtain a municipal ordinance or resolution authorizing the project.

Interconnection standards

Staff received comments from several stakeholders including EDCs and solar developers indicating concern that interconnection applications for community solar projects may be holding space in the EDCs' interconnection queues without moving forward. Outdated or speculative applications to interconnect on certain EDC distribution circuits may result in a mistaken impression of overpenetration of renewable energy capacity on those circuits. Removing abandoned, stalled, and/or incomplete interconnection applications from the EDCs' proposed community solar project queues is expected to provide increased transparency to anticipated renewable energy penetration on EDC distribution circuits and perhaps free up capacity to interconnect on the distribution circuits experiencing high penetration levels while reducing upgrade costs for subsequent projects.

By Order dated November 22, 2013, the Board approved the EDCs' proposed procedures for reviewing and eliminating inactive applications for net energy metering interconnections.[24] These procedures allow the EDCs to undertake an annual removal event whereby they would review all projects granted approval to install two or more years prior to the date of review for which construction has yet to be completed and the EDC has not yet received Part 2 of the interconnection application and electrical inspection. The interconnection application review

[24] In re New Jersey Electric Distribution Companies' Proposed Procedures for Eliminating Outdated Net Energy Metering/Interconnection Applications from the Proposed Project Queues, BPU Docket No. QO13090865, Order dated November 22, 2013.

process consists of the EDC sending communication to qualifying project customers and contractors to determine if a project is moving forward. The EDCs may also reach out at any time of the year to customers and contractors with active interconnection applications after one year of submission for proposed projects sited on heavily subscribed/restricted electric distribution circuits.

Staff's position is that such procedures are necessary to maintain the integrity of the interconnection process. Staff, therefore, recommends that the Board approve continuing use of these EDC review procedures for community solar and remote net metering interconnection applications.

Stakeholders made additional recommendations regarding grid modernization and making the interconnection process more efficient, including timely payments and communication and transparency around available hosting capacity. However, because these recommendations do not relate only to community solar, Staff recommends the Board direct that they be further developed as part of the grid modernization proceedings.

Project deadlines

Several stakeholders noted that community solar projects have faced delays in progressing toward construction and completion, mainly attributed to the interconnection study process. The EDCs have informed Staff through their regular reporting that the number of projects simultaneously in the queue has resulted in engineering studies that determine the extent of grid upgrades required to interconnect projects taking longer than before.

Staff recognizes that the backlog of projects since the close of the Pilot Program resulted in protracted timelines to finalize interconnection approvals and anticipates an eventual easing of the queue as projects are constructed and updated application processes are implemented as part of the grid modernization proceedings. The expansion of CSEP capacity means that projects in the CSEP seeking interconnection may soon make extension requests. Should projects need additional time to complete, they may request a six (6)-month extension to the expiration date, if they have not already done so, by providing evidence of extenuating circumstances and progress toward timely and successful completion to the SuSI Program registration manager. Should further extensions be needed, projects may follow the process described in N.J.A.C. 14:1-5 for the Board to waive its rules.

Although Staff intends projects to register in the SuSI Program only when mature enough to meet program deadlines, Staff remains mindful of the challenges faced in the development of solar projects and does not intend for program deadlines to cause undue hardship or uncertainty when making decisions on construction. Therefore, Staff recommends that the Board direct Staff to initiate a rulemaking that will allow solar projects to request additional extensions to be administratively granted, albeit with the possibility of a modified incentive to reflect current conditions.

Automatic enrollment

The Board began accepting registrations for municipal community solar automatic enrollment projects on April 1, 2025. Staff notes that the structure of the State's Universal Service Fund ("USF") program may prevent some participating households from maintaining USF eligibility or benefits if they are also enrolled in a community solar subscription. Staff notes that these changes may be unexpected, particularly if households are automatically enrolled in a municipal project.

Staff therefore recommends that the Board direct the EDCs to identify customers participating in the USF as part of a municipality's process of creating and submitting community solar automatic enrollment subscriber lists. Staff further recommends, to best prevent local governments from automatically enrolling households in the CSEP that participate in USF, the Board require local governments that implement automatic enrollment programs to exclude those identified customers from automatic enrollment and instead require those customers to opt in to a community solar project.

DISCUSSION AND FINDINGS

New Jersey's solar programs have created a thriving industry in the State, and the Board strongly supports the development of community solar as a way to enable access to solar energy and the cost savings it provides for New Jersey residents who do not have the ability to benefit from solar on their own property. The launch of the permanent CSEP demonstrates the Board's commitment to community solar and the market response to that launch shows continuing interest in this model. The State now has an installed community solar capacity of over 173 MW, with another 515 MW registered and in development. By this decision and Order, the Board seeks to implement the legislative mandate by expanding the CSEP to provide even more consumer benefit.

The Board has carefully reviewed the record, including details of the transition to a permanent community solar program, as well as the directives contained in L. 2023, c. 200. As such, the Board **HEREBY ORDERS** Staff and the SuSI Program registration manager to increase the EY 2025 capacity allocation for the community solar market segment and MW blocks on April 30, 2025, as outlined in Table 2 above.

Specifically, the Board **FURTHER ORDERS** that the cumulative MW capacity block for JCP&L's service territory be increased to 216 MW; that the MW capacity block for PSE&G's service territory be increased to 431 MW; that the MW capacity block for ACE's service territory be increased to 90 MW; and that the MW capacity block for RECO's service territory be increased to 13 MW. The Board **FURTHER ORDERS** the SuSI Program registration manager to accept new registrations for each MW block on a first-come, first-served basis until the MW block for that market segment is fully subscribed. Consistent with past practice, a MW block shall be deemed fully subscribed when the last registration received in the registration portal causes the total capacity of all registrations in that block to exceed the capacity allocation for the block. The Board **FURTHER ORDERS** that the registration portal shall be open to all applicants for an initial period until 23:59:59 on May 13, 2025.

The Board **HEREBY DIRECTS** that, if a MW block is oversubscribed during the initial registration period, the SuSI Program registration manager shall accept registrations in the order of highest guaranteed bill credit discount, which shall be a minimum of twenty percent (20%), until the MW block is fully subscribed and that, if acceptance of multiple projects with the same discount would fully subscribe a block, the registration submitted first will be accepted first.

The One Year Review of the Pilot Program, as directed by the Board in the SuSI Program Order in advance of the first triennial review of ADI Program, is intended to draw on lessons learned from the first year of operational experience. The Board, therefore, uses the One Year Review to determine whether the program is reasonably likely to meet its Board-established targets whether incentives should be adjusted to better meet those goals. As such, considering the findings and conclusions of the One Year Review, the Board **FURTHER FINDS** that Staff adequately conducted an expedited public stakeholder proceeding to inform the One Year Review of the

CSEP market segment of the ADI Program in accordance with the Board's directives in the SuSI Program Order. The Board **FURTHER FINDS** that this public stakeholder proceeding provided participants with adequate notice and opportunity to be heard.

After thorough review of the Notice, Staff's modeling, and all received comments, the Board **HEREBY DIRECTS** Staff to reduce the incentive level for the community solar market segment by $10 per MWh, from $90 per MWh to $80 per MWh, for all registrations received on or after April 30, 2025. The Board **FURTHER DIRECTS** Staff to reevaluate the community solar market segment as part of the ADI Program triennial review in light of any further market changes.

The Board **HEREBY ADOPTS** Staff's recommendations above regarding the Community Engagement and Subscriber Acquisition Plan and **FURTHER DIRECTS** Staff to update those documents on the Board's website in accordance with Staff's recommendation on or before the effective date of this Order.

The Board reviewed the EDCs' existing procedures for reviewing and eliminating outdated or inactive net energy metering interconnection applications from the project queue. These processes require an established, routine method for review and elimination of outdated applications such that the participating project developers and prospective customer-generators have the confidence that the EDCs will monitor the electric feeder distribution network for opportunities to interconnect those customer-generators who were denied access to the grid because of closed feeders. As such, the Board **FURTHER DIRECTS** the EDCs to use these same procedures for community solar projects.

The Board recognizes that some participants in the CSEP have faced challenges caused in part by the transition from the Pilot Program, including lengthy interconnection review and upgrade times. As such, the Board **DIRECTS** Staff to commence public rulemaking to appropriately amend the SuSI Program rules to provide for an efficient process for projects to request additional extensions to their Program registration deadlines.

The Board intends to minimize confusion and modification of benefits for households participating in its USF program. As such, the Board **FURTHER DIRECTS** the EDCs to identify customers participating in the USF as part of the process of a municipality's creation and submission of a subscriber list for a municipal automatic enrollment community solar project. The Board **FURTHER DIRECTS** local governments with a municipal automatic enrollment community solar project to exclude those identified customers from automatic enrollment and instead require those customers to opt in to a community solar project.

The effective date of this Order is April 30, 2025.

DATED: April 23, 2025

BOARD OF PUBLIC UTILITIES
BY:

CHRISTINE GUHL-SADOVY
PRESIDENT

DR. ZENON CHRISTODOULOU
COMMISSIONER

MICHAEL BANGE
COMMISSIONER

ATTEST:

SHERRI L. LEWIS
BOARD 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 THE COMMUNITY SOLAR ENERGY PROGRAM

DOCKET NO. QO22030153

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APPENDIX A

STAKEHOLDER COMMENTS AND RESPONSES

The Board received 17 written comments on the Staff Stakeholder Notice on the One Year Review of the CSEP, published on November 21, 2024, Docket No. QO22030153.

Comments were received from:

1. The New Jersey Division of Rate Counsel ("Rate Counsel")

Electrical Distribution Companies

2. Jersey Central Power & Light Company ("JCP&L")
3. Atlantic City Electric Company ("ACE")

Solar Developers / Industry

4. Independence Solar
5. Aspen Power
6. NJR Clean Energy Ventures Corporation ("NJRCEV")
7. CS Energy
8. Ecogy Energy
9. G&S Solar
10. Nexamp
11. Solar Landscape

Trade Organizations / Coalitions

12. Mid-Atlantic Solar and Storage Industries Association ("MSSIA")
13. New Jersey Solar Energy Coalition, Coalition for Community Solar Access, and Solar Energy Industries Association (collectively, "Solar Parties")
14. Vote Solar

Community Organizations

15. Empower NJ
16. Millville Housing Authority
17. Sustainable Jersey City

Stakeholder comments are grouped by the numbered questions in the Stakeholder Notice. Staff has attempted to include the substance of many of the relevant comments into the summaries below as a courtesy to commenters. Comments raised in multiple sections are addressed once.

Questions for Stakeholders

1. **What parameters used in the modeling for the ADI Program's one-year refresh differ between community solar projects and projects in the market segments for small and large net-metered non-residential projects located on rooftop, carport, canopy, and floating solar?**

CS Energy stated that community solar projects have experienced significant increases in interconnection costs, sometimes being quoted more than two million dollars to interconnect. Subscriber acquisition costs are expected to increase as there are more projects competing for subscribers with varying discount rates. Market-rate lease payments are also an additional cost.

Ecogy Energy commented that the parameters set for each project appeared to be reflective of the goals of the ADI Program.

Independence Solar highlighted market uncertainties in their suggestion that the ADI levels remain unchanged, as the market has demonstrated that the current ADI levels are sufficient.

Nexamp commented that the Board should review interconnection costs, potentially beyond those originally considered. The discount rates of twenty percent and higher for CSEP is a cost that must be considered.

Solar Landscape noted that interconnection costs for community solar projects larger than 1 MW are significantly higher than for commercial projects, though many commercial property owners prefer the leasing structure of community solar.

MSSIA commented that some municipalities do not consider community solar projects tax-exempt and that site leases are more expensive than the rate used in previous modeling.

The Solar Parties identified that larger community solar projects have much higher interconnection costs and that siting requirements lead to payment of roof leases that add costs. Subscriber acquisition and administrative costs are also higher than for net metered projects.

RESPONSE: Staff thanks the stakeholders for their comments and has incorporated changes to the SAM model in response, including increasing installation capital costs due to higher-than-anticipated interconnection costs and increasing operation costs due to site lease costs. However, Staff notes that incentives are intended to support typical cost-effective projects and will not always be sufficient to pay for high upgrade charges at every constrained circuit or to support excessive lease payments to private site owners. The New Jersey Solar for All program is anticipated to include funding to support technical assistance to expedite the interconnection process. Consolidated billing should simplify subscriber billing and encourage participation by residents previously hesitant about third-party billing. Partnerships with municipalities for automatic enrollment will reduce costs of subscriber acquisition. Staff also encourages developers to seek out lower cost sites, such as buildings owned by public entities and nonprofits.

2. **What cost adjustments should be considered for the community solar market segment?**

Rate Counsel commented that the Board should consider scaling back incentive levels, as the solar market has matured and program subscription levels indicate that incentives may be recalibrated to reduce the burden on ratepayers. Rate Counsel also recommended reducing the value of bill credits to be closer to avoided costs than full retail rate.

CS Energy commented that the Board should consider interconnection costs, the costs of delays, and risks of potential changes in tariffs and the investment tax credit.

Ecogy Energy commented that rising interconnection costs should be considered and reflected in the incentives provided.

Independence Solar suggested delaying the timing for implementing escrow deposits due to uncertainties in the market and concern regarding the ITC.

Nexamp recommended to not make any cost adjustments because CSEP is not mature, there could be additional changes due to federal policies, and doing so would create new uncertainty for the program.

Vote Solar commented that it would be premature to consider cost adjustments, and given the successes of the program thus far, certain features should remain in place.

MSSIA noted that it anticipates cost increases due to interconnection and the potential for tariffs.

The Solar Parties commented that it is too early for cost adjustments and recommends delaying incentive level changes due to uncertainty of federal policies.

RESPONSE: As SREC-II incentives have not been reviewed for community solar since the establishment of the ADI Program in 2021 and two capacity allocations have been held, Staff believes it is an appropriate time to make adjustments to costs used in modeling incentive levels. Staff considered increased interconnection costs, bill credit values, and other changes in the solar market as described above. At this time, Staff does not have sufficient data that would allow potential effects of tariffs or changes in federal tax credits to be reflected in the modeling, but anticipates the next review of incentive levels will be expedited to be aligned with the rest of the ADI Program, and further changes will be considered at that time.

3. **Are different incentives required for community solar projects located in different EDC territories or with other characteristics?**

Rate Counsel noted that evidence has not been presented that would support segmentation of incentives and that excessive incentives increase ratepayer costs. Rate Counsel instead recommends reallocating capacity among EDC blocks if undersubscription is an issue.

CS Energy commented that the Board should consider different incentives for the EDCs' territories because the bill credit received by subscribers in each EDC is different and there is a lower value stack in JCP&L territory. Interconnection costs and timeframes also differ by EDC, and few projects have been constructed in ACE territory. CS Energy also recommended maintaining current incentives for landfill and brownfield sites due to their public benefits.

Ecogy Energy commented that different incentives are required for community solar projects located in different EDCs due to wide variability in the local utility rates. Ecogy Energy also recommended that the size of a project and its location should impact an incentive rate, such as an increasing incentive as project size decreases, with blocks for 1 MW dc, 500 kW dc, and 250 kW dc. Ecogy Energy described that such an approach would allow for equitable competition in CSEP and support the installation of solar on properties with smaller businesses and non-profits.

Nexamp recommended extending the public entity adder to community solar projects built on sites owned by municipalities because these projects are typically projects on brownfields and landfills that require higher incentives, and the associated economic benefits would be retained within the municipality.

The Solar Parties commented that there was not enough data to support different incentives for the EDCs, which have varying interconnection charges.

Vote Solar did not recommend changing incentive levels given the unpredictable solar market and does not believe that different incentives should be required for projects located in different EDCs. Vote Solar made recommendations for future consideration, including eligibility for incentives from both CSEP and the Storage Incentive Program, regulate incentives depending on application concentration and location, provide incentives proportional to bill savings or percentage of low-income subscribers, and introduce additional incentives for projects that reduce pollution in environmental justice communities, align with grid congestion needs, and reduce demand for heavily-polluting power facilities during peak periods. Vote Solar also recommended more integration between CSEP, the storage incentive program, and the grid modernization program.

RESPONSE: Staff recognizes that there is insufficient data to accurately model separate incentive levels for each EDC at this time. While the bill credit values in each EDC vary, resulting in different revenue profiles for projects, there are also differing interconnection costs and timelines for each EDC. Staff anticipates the discounts offered to subscribers in each EDC to be reflective of these costs and revenues, which may differ for each project. Staff notes that differentiating incentives by project type or other characteristics may not appropriately encourage development of the lowest-cost projects.

4. **The Inflation Reduction Act increased federal tax credits to 30%, with the possibility for increased incentives for projects using domestic content, projects sited in energy communities, and projects qualifying for the Low-Income Communities Bonus Credit Program. How should these changes be accounted for in modeling incentive requirements for community solar projects?**

Rate Counsel commented that federal subsidies for solar should reduce those paid by ratepayers and that modeling should incorporate IRA tax credits.

ACE supported the Board in providing access for CSEP to all forms of funding.

CS Energy notes that there is uncertainty about potential changes to the investment tax credit.

Ecogy Energy recommended that federal tax credit adders not be accounted for in modeling, because they are not guaranteed. Rather, Ecogy Energy suggested that the Board consider modeling the economic hardships projects may face or offering an increased incentive to match the existing 30 percent adder that projects would have otherwise received, if there are negative changes implemented around the existing 30 percent tax credit.

Nexamp referred to its comments made under Question 2 and reiterated its recommendation not to make any changes to incentives at this time. However, Nexamp commented that, if the Board intends to take action, then it should consider only applying the changes to those projects which receive the credits and increasing the minimum discount for those credits.

Independence Solar suggested implementing a developer cap to limit monopolization of the program and maintain opportunities for smaller developers, municipalities, and local community groups.

The Solar Parties recommended waiting to adjust incentives due to potential changes to the investment tax credit.

Vote Solar advised a cautious approach and not making changes to how incentive requirements are modeled based on current conditions, while being prepared to respond to any changes in the current federal policy landscape.

MSSIA noted that ITC adders are typically rare or difficult to obtain and that tax credit changes are uncertain.

RESPONSE: Staff understands that only limited parts of the State qualify for the energy communities ITC adder and that access to the Low-Income Communities Bonus Credit is limited. The small number of projects that may benefit from these should be able to offer more competitive discounts to subscribers. Staff, therefore, modeled incentive levels with the 30 percent ITC.

5. Does the pace of registration submission into the CSEP and subscription of the full capacity allocation support a change in incentive level from the initial value of $90 per megawatt-hour?

CS Energy commented that subscription in the previous capacity allocations was due to demand from projects developed during and since the Pilot Program and that the CSEP is still a young program so conclusions cannot be made about the pace of registration.

Ecogy Energy recommended that the Board consider increasing incentive levels to match that of behind-the-meter projects and Solar Renewable Energy Credit values based on the percentage discount being proposed that would assist subscribers in receiving a greater discount in their utility bills. Given the highly competitive nature of CSEP, Ecogy Energy stated that there should be no decrease to the incentive level.

Nexamp does not support changing incentive levels based on the pace of registration because it attributed the rate of registration to pent up demand in the Pilot Program, transition into CSEP, and long development timelines. Nexamp suggested that other factors may be driving the pace of registration.

The Solar Parties commented that high incremental costs for community solar projects and pent-up demand from the Pilot Program do not support a change in incentive values.

Vote Solar believed that the pace of registration submission and subscription of the full capacity allocation are positive indications that the current incentive value of $90 is appropriate for the market. Vote Solar commented that the incentive level should be maintained while proactively addressing interconnection and hosting capacity concerns.

Solar Landscape stated that subscriber discount rates may decrease if incentive values decrease and that the program should accelerate new generation installation. Because existing projects that fail to meet their deadlines may be subject to a new incentive level, Solar Landscape recommended extending the existing operation deadline by a year to increase certainty. Solar Landscape also recommended allowing projects that fail to meet their deadline to adjust their offered discount rates.

Rate Counsel stated that the robust demand for CSEP's allowed capacity supports a reduction in incentives from the current $90 per MWh or a modification in community solar bill credit values.

RESPONSE: While many projects registered in the CSEP so far were not accepted into the Pilot Program or were developed in the years before the CSEP was stablished, Staff notes that there are now hundreds of projects in the EDCs' interconnection queues, many of which entered since the latest capacity allocation. Staff anticipates continued high interest in the CSEP at an updated incentive level, even as the pace of registration will be limited by circuit capacity and the pace at which EDCs provide conditional approval to projects.

6. How has the Community Engagement and Subscriber Acquisition Plan influenced project development and enrollment of LMI subscribers?

Rate Counsel commented that the Board should improve its community outreach efforts to ensure the CSEP can meet its enrollment targets as the market becomes more saturated.

CS Energy commented that the Community Engagement and Subscriber Acquisition Plan ("Plan") has encouraged earlier conversations with municipalities but that the letter of support is burdensome as municipalities may not wish to express support at an early stage before other permitting approvals.

Vote Solar commented that the existing requirement of securing letters of support from the local government is too restrictive and should also allow Community Benefits Agreements ("CBA") with local community institutions, as these would effectively display commitment to local community and engagement. Vote Solar suggested adding a minimum financial value of community benefits that must be articulated in the CBAs or letters from local governments for future applications.

Aspen Power recommended elimination of the municipal support letter requirement, as municipal officials have been hesitant to provide a letter of support and the requirement allows officials to hinder or block projects outside of established permitting processes.

MSSIA commented that some good projects are located in municipalities whose mayor or council are not supportive of solar or do not have time to provide a letter of support.

The Solar Parties identified that the subscriber acquisition plan has been a larger administrative problem than expected, though it may ease with implementation of consolidated billing and automatic enrollment. Some local officials are reluctant to provide support without greater assurance that projects will be successful.

RESPONSE: Staff recognizes the challenges involved in obtaining letters of support from municipalities. While engagement of mayors and councils can be beneficial for projects and residents, requiring them to act ahead of an in addition to the typical permitting process is unnecessary to ensure only high-quality projects register in the CSEP. Staff has therefore recommended that projects may alternatively submit evidence of a certified letter being sent to the municipality that initiates the engagement process.

7. How has the interconnection process influenced project registration and advancement to construction?

ACE commented that the interconnection process significantly influenced project registration due to the Board's requirement for conditional approvals. ACE noted that it had to adjust its previously established interconnection process which resulted in inefficiencies in ACE's interconnection queue. Instead, ACE recommended that a completed pre-application report be required for CSEP registration and that doing so would increase efficiency in queue positions. ACE referred to its comments filed with the Board on December 6, 2024 for more details.

JCP&L referred to its comments on the grid modernization proceedings in docket no. QO21010085 and identified that timelines should be imposed on interconnection applicants to ensure efficient and timely movement of projects through queues and removal of non-responsive applicants. This is particularly important for community solar projects due to the large volume of applications.

CS Energy commented that the interconnection process has caused significant delays as the EDCs have taken many months to complete engineering studies and cost estimates. CS Energy recommended addressing queue sitting and creating a public queue of applications similar to the procedure present in New York. The hosting capacity maps are also not accurate so an application must be submitted to determine if projects can move forward.

Ecogy Energy commented that the interconnection process had a great influence on both project registration and advancement to construction, particularly as a barrier to entry into CSEP and advancing a project to construction. Specifically, Ecogy Energy provided its experiences that each EDC had its own interconnection process and relied heavily upon email correspondence for tracking application status and timeline deliverables. Moreover, Ecogy Energy stated that the information provided by EDCs was vague with no real details and provided an example of a project that was accepted into CSEP in June 2024 with no update on the timeline from the EDC for completing the feasibility study because they were still working on projects that were accepted into CSEP from December 2023.

G&S Solar commented that several of their projects have been rejected due to circuit constraints or have faced significant delays in receiving engineering studies due to lack of communication or the length of the queue. Other projects were canceled due to high estimated upgrade costs.

Nexamp suggested that receiving conditional approval from the EDC as a requirement is not having the intended impact of confirming technical and economic feasibility for projects because those conditional approvals cannot provide that level of certainty as they are based on high-level cost estimates that result in considerable changes rendering the projects stuck in the process.

Solar Landscape commented that the interconnection process can cause significant delays and that developers do not have recourse to address costs, so the Board should consider interconnection issues when reviewing extension requests. Solar Landscape also encouraged

the Board to address queue squatting, permit sharing of upgrade costs, and implement provisions of grid modernization.

MSSIA commented that the large number of applications resulted in long timelines for interconnection approval and unreliability of circuit hosting maps.

The Solar Parties commented that Level 3 interconnection reviews have been in limbo and, in some cases, resulted in very high interconnection costs, including for smaller projects, and projects are unable to challenge proposed costs and high contingency fees. The Solar Parties also identified that queue squatting needs to be resolved.

Vote Solar attributed the success of the CSEP on ensuring improved interconnection across the state to increase transparency and better administration of circuits.

RESPONSE: Staff recognizes that the large number of projects, many of which are several MW in size, has put a strain on the interconnection review process, resulting in lengthy study durations, circuits at capacity, and high costs. At this time, Staff is recommending allowing EDCs to address queue sitting by removing older projects that are not moving toward construction. Staff will continue working to improve the interconnection process through the grid modernization proceedings, which are intended to improve transparency and communication between EDCs and developers, impose deadlines for action, and provide more information regarding capacity availability with hosting maps and the upcoming Pre-Application Verification and Evaluation process.

8. **Under existing project development and interconnection processes, how does the project completion deadline of 18 months, or 24 months for projects located on a landfill or contaminated site, with the possibility of a six-month extension affect registration in the CSEP?**

Rate Counsel encouraged the Board to communicate its policy regarding deadlines clearly and consistently to avoid misunderstanding.

ACE recommended that the project completion deadline begins with the full execution of the interconnection agreement and submission of the required deposit. ACE stated that there was misalignment between the completion deadline and the registration date, and adjusting the project completion deadline would alleviate a gap in time when agreements are being finalized. In addition, ACE emphasized that projects with significant system upgrades take time beyond that allowed and that the current registration requirements do not align with these extensive system upgrades. ACE commented that interconnection reviews are being conducted prematurely to comply with the registration requirements, which leads to queue inefficiencies and delays. ACE suggested that requiring a completed pre-application report will help alleviate these challenges in that it would not require formal queue assignment or extended engineering studies but rather allow for establishing realistic timelines for system upgrades and project development. ACE refers to its comments filed with the Board on December 6, 2024 for more details.

CS Energy recommending basing a project's expiration date on when final approval to install is provided by the utility, as this may take many months and see changes from the conditional approval.

Given the timing challenges to receive approval from the EDCs for completing interconnection studies and municipalities for zoning or land use approvals, Ecogy Energy recommended that the project completion deadline start once a project's interconnection status changes from "Conditional Approval to Install" to "Approval to Install."

Nexamp commented that the timelines are reasonable but only to the extent that they are applied once interconnection studies and cost estimates have been completed. To this end, Nexamp recommended the Board clarify the EDCs' interconnection practices and better align them with CSEP, specifically allowing for deadline extensions, such as day-for-day, outside of the developer's control.

MSSIA recommended extending completion deadlines to 24 months or 30 months for landfill projects to reflect how long interconnection studies and supply chains take for projects.

The Solar Parties stated that the Board should be open to extending interconnection deadlines, particularly for landfill and contaminated site projects.

RESPONSE: Staff does not intend for community solar projects that are earnestly seeking to complete construction in a timely manner to be unduly penalized for widespread and unanticipated interconnection delays. Staff agrees with commenters that granting of extensions to deadlines should take into account time required for completion of interconnection studies. While Staff does not believe it would be prudent to individually adjust registration expiration dates based on receipt of interconnection approval, it is appropriate to consider rule updates that will simplify the process for projects that need it to request additional extensions.

9. **What other issues should be considered in the one-year program review?**

ACE referred to its responses provided under Questions 7 and 8 wherein it recommended requiring a pre-application report for CSEP registration instead of the current conditional approval and assigning queue position at the conditional approval step. ACE noted its comments filed with the Board on December 6, 2024 for additional details and other issues identified in the first year of CSEP.

RESPONSE: Staff does not intend to change the interconnection requirements for registration at this time but will continue to work with the EDCs on grid modernization and may reevaluate processes when the Pre-Application Verification and Evaluation process in implemented in all territories.

Aspen Power recommended implementation of a developer cap such a limitation of no more than 20 percent of annual program capacity for a single developer. This would promote a competitive and diverse market with an equitable distribution of program benefits. Aspen Power also recommended a waitlist system to support continued project development, using scoring criteria to prioritize certain projects. Aspen Power further suggested there be a separate tranche for smaller projects under 1 MW to encourage development on multifamily properties and in densely populated areas.

RESPONSE: Staff notes that that limiting program registrations by developers will reduce

competition for capacity and increase the probability that targets are not met and projects offering higher discounts will not be accepted. Staff does not believe a waitlist with scoring criteria comports with the current project registration method, and separate tranches are also less likely to prioritize the most cost-effective projects.

CS Energy commented that interconnection costs are much higher than expected, so escrow should not have to be posted until the EDC provides final interconnection cost estimates. The offered bill credit discounts for awarded projects should also be published.

RESPONSE: Staff notes that instructions for posting escrow have not yet been shared and Staff is finalizing requirements for return. The lowest bill credit discount of awarded projects is provided above but Staff will consider whether more information should be posted.

Ecogy Energy identified additional issues to consider including greater transparency on pre-discounted community solar utility rates from the EDCs, eligibility to receive escrow payments made if a project is unable to meet its completion deadline even with the extension due to EDC delays, a reduction or waiver of the escrow payment if a project's interconnection and design costs paid to the EDC exceed the CSEP escrow payment, and working with the New Jersey legislature on policy changes to approvals needed at the municipal level from zoning or planning boards.

RESPONSE: Staff notes that instructions for posting escrow have not yet been shared and Staff is finalizing requirements for return. Bill credit calculations from the EDCs are posted to the Board's website.

Independence Solar suggested that the Board not allow for any EDC participation, expressing concern over the potential for delayed or withheld applications that could create an opportunity for EDC ownership. Independence Solar commented that, should the Board not prohibit EDC participation, there should be limitations such as prohibiting participation in the event that interconnection applications are delayed beyond statutory requirements, or limiting the EDC participation to one project per solicitation.

RESPONSE: Staff notes that that the CEA requires standards be set for projects owned by the EDCs.[25] Staff believes that it is best to limit this to capacity that is not subscribed by non-EDC developers during an energy year.

Nexamp commented that there are varying types of projects in CSEP, which are not at the same cost level and therefore cannot compete successfully under the tiebreaker structure. Nexamp also supported the State's efforts to further encourage landfills for solar development and suggested to increase their participation. Finally, Nexamp recommended creating a specific carve-out in annual capacity targets for projects on parking lots, brownfields, and landfills.

RESPONSE: Staff believes that cost-effective projects should be prioritized and does not believe a carve-out for more expensive projects is appropriate. Staff notes there is also a tranche for landfill and contaminated site projects in the Competitive Solar Incentive Program.

NJRCEV recommended transitioning the CSEP to a utility procurement model similar to a

[25] L. 2018, c. 17

program in Connecticut, whereby selected projects would enter into a tariff agreement with the EDC and customers would be automatically enrolled to projects and receive bill credits.

RESPONSE: Staff does not believe a transition to a utility procurement model is appropriate at this time but notes that automatic enrollment is now available and that projects may also enter into tariff agreements with the EDC via Qualifying Facility interconnections.

Solar Landscape recommended removing the geographic limits on subscribers for Pilot Program projects, renaming the term "subscription fee" to "net community solar credit," and matching bill credit values for affordable housing with those for the residential rate class.

RESPONSE: Because geographic limits were part of the selection process for the Pilot Program, Staff does not believe it is appropriate to remove this requirement at this time. Staff notes that the term "subscription fee" was replaced with "subscription charge" in the program rules.

MSSIA recommended adjusting the tiebreaker ranking process to include the percentage of LMI subscribers, which would enhance LMI household participation in community solar and encourage developers to work with municipalities to automatically enroll subscribers. Empower NJ, a climate coalition, incorporated the comments of MSSIA and stated that the CSEP should further benefit LMI households by prioritizing projects that intend to have a greater share of LMI subscribers.

RESPONSE: Staff does not intend to add the complexity of incorporating another component to the tiebreaker procedure at this time but anticipates the start of the automatic enrollment process to improve LMI participation.

Vote Solar recommended exploring community-owned solar opportunities, specifically recommending that a portion of Solar for All funds be allocated for this purpose. Vote Solar also emphasized that non-EDC participation should continue to be prioritized, and any leftover capacity should be carried over into the following energy year. Vote Solar commented that EDC participation should not be explored until there is more evidence that EDC participation would not result in biased practices that may favor an EDC project.

RESPONSE: Staff notes that that the CEA requires standards be set for projects owned by the EDCs.[26] Staff believes that non-EDC participation is prioritized by limiting capacity available to EDCs to that which is not subscribed by non-EDC developers during an energy year. The New Jersey Solar for All program is intended to include expansion of community solar as a major component.

The Millville Housing Authority stated that the value of community solar bill credits for affordable housing master-metered subscribers should be aligned with the residential rate class, as the current value is insufficient to be subscribed to a project.

RESPONSE: Staff notes that rules adopted by the Board included demand charges in the calculation of the bill credit for master-metered affordable housing providers. This update resulted in increased benefits for such subscribers. However, because these customers are in a commercial rate class with a lower volumetric electricity rate, Staff does not believe it is appropriate to further increase the bill credit above the amount paid by the customer per kWh to match the residential rate class.

[26] L. 2018, c. 17

Sustainable Jersey City ("SJC") recommended to remove the term "subscription fee" and replace with "net community solar credit" and eliminate the municipal adjacency restriction for community solar pilot projects. In addition, SJC recommended to apply the community solar bill credit to the budget bill amount due instead of the balance of the account. Specifically, SJC noted that LMI subscribers should be allowed to experience savings immediately and not wait for the true-up period for cost savings. Lastly, pertaining to affordable housing providers, SJC recommended aligning the master-metered credit value with the residential rate class, which would allow for more enrollment from these providers and support all LMI households to benefit from community solar, not just those who pay the electric bill individually.

RESPONSE: Because geographic limits were part of the selection process for the Pilot Program, Staff does not believe it is appropriate to remove this requirement at this time. Staff notes that the term "subscription fee" was replaced with "subscription charge" in the program rules. Staff is working with EDCs regarding billing practices to ensure customers receive the appropriate credits. Staff notes that rules adopted by the Board included demand charges in the calculation of the bill credit for master-metered affordable housing providers. This update resulted in increased benefits for such subscribers. However, because these customers are in a commercial rate class with a lower volumetric electricity rate, Staff does not believe it is appropriate to further increase the bill credit above the amount paid by the customer per kilowatt-hour to match the residential rate class.