



Agenda Date: 5/22/24
Agenda Item: 8J

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 CERTIFYING EY23 COST CAP CALCULATION, SETTING ADI PROGRAM MEGAWATT BLOCKS FOR EY25, AND
IN THE MATTER OF CERTIFICATION OF ENERGY YEAR 2023 COST CAP CALCULATION AND SETTING ADI PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2025)	ESTABLISHING MARKET SEGMENT ALLOCATION FOR REMOTE NET METERING
IN THE MATTER OF THE ESTABLISHMENT OF A REMOTE NET METERING MARKET SEGMENT IN THE ADI PROGRAM PURSUANT TO P.L. 2023, CHAPTER 190)	DOCKET NO. QO20020184
)	DOCKET NO. QO24020117
)	DOCKET NO. QO24030197

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Order, the New Jersey Board of Public Utilities (“Board”) certifies the calculation of the Energy Year (“EY”) 2023 Cost Cap and sets the Administratively Determined Incentive (“ADI”) Program megawatt (“MW”) block allocations for EY 2025, as well as establishes a Remote Net Metering (“RNM”) segment in the ADI Program. The Board also herein complies with certain requirements imposed by L. 2023, c. 190.

BACKGROUND

On May 23, 2018, the Clean Energy Act, L. 2018, c. 17 (“CEA”) was signed into law. Among other mandates, the CEA directed a fundamental reshaping of New Jersey’s solar incentive programs. The Board was directed to close the Solar Renewable Energy Certificate (“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 (“5.1% Milestone”). The CEA also 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 (“RE”) generating sources throughout the State. On July 9, 2021, Governor Murphy signed into law the Solar Act of 2021 (“Solar Act”),¹ which directed the Board to establish a program to incent the development of at least 3,750 MW² of new solar by 2026. The Solar Act includes the creation of two (2) parallel incentive structures: one to incent net metered facilities five (5) MW and less and community solar facilities, and the other to incent grid supply solar facilities and net metered facilities over five (5) MW.

Pursuant to the CEA, the SRP closed on April 30, 2020, following the Board’s determination that the 5.1% Milestone had been attained. The SRP was replaced by the interim Transition Incentive (“TI”) Program, which was created to provide a bridge between the SREC Program and the successor incentive program. On July 28, 2021, following an extensive stakeholder process, the Board established the Successor Solar Incentive (“SuSI”) Program, comprised of two (2) sub-programs: the ADI Program for net metered residential facilities, net metered non-residential facilities of five (5) MW or less, and community solar facilities, and the Competitive Solar Incentive (“CSI”) Program for grid supply solar projects (i.e., those selling into the wholesale markets) and net metered non-residential projects above five (5) MWdc. The TI Program closed to new registrations on August 27, 2021, and the ADI Program opened to new registrations on August 28, 2021. On December 7, 2022, the Board established the CSI Program, completing the implementation of the SuSI Program. The first solicitation of the CSI Program opened for prequalification on February 1, 2023 and closed on March 31, 2023.

The ADI Program provides eligible projects with the opportunity to register to earn Solar Renewable Energy Certificates-II (“SREC-IIs”) for each megawatt-hour (“MWh”) of generation; the value of SREC-IIs is set administratively by the Board and varies based on project type, size, and location. To ensure compliance with the statutory cap on the cost of certain Class I RE programs, further discussed below, the ADI Program is designed with an annual cap on the capacity allowed to register in the ADI Program. Capacity is divided among multiple MW blocks. Projects may register on a first-come, first-served basis until a MW block is filled or until the end of the EY, whichever comes first.

The CEA included a mandate that the Board ensure that the cost of specific Class I RE programs not exceed 9% of the total paid for electricity by all customers in the state in EY 2019, 2020, and 2021, or exceed 7% in each EY thereafter [“Cost Cap” at N.J.S.A. 48:3-87(d)]. The programs subject to the Cost Cap are the SRP, the Class I RE requirement, the TI Program, and the ADI Program. Offshore Wind Renewable Energy Certificates (“ORECs”) and SREC-IIs produced by projects participating in the CSI Program are not subject to the Cost Cap. The Board is required to take all necessary steps to prevent the exceedance of the Cost Cap, including, but not limited to, adjusting the Class I RE requirement, if necessary. The Cost Cap was amended in January 2020 to provide the Board with more flexibility in its implementation and further amended as part of the Solar Act of 2021.³ The Solar Act included new directives on how to calculate the costs and associated benefits of the relevant Class I RE requirement, including a specific mandate that the Board include consideration of energy and environmental savings.⁴

¹ L. 2021, c. 169; N.J.S.A. 48:3-114 et al.

² All references to solar capacity in megawatts are measured in direct current.

³ S. 4275 (2018), L. 2019, c. 448.

⁴ N.J.S.A. 48:3-87(d)(2).

On July 28, 2021, the Board approved a rule proposal to define the methodology and process by which the Board will implement the Cost Cap. The proposal was published in the New Jersey Register on September 7, 2021 and was adopted by the Board on May 18, 2022 (“Cost Cap Calculation Rule”).⁵ The Cost Cap Calculation Rule includes a definition of the programs subject to the Cost Cap (“Cost Cap-Applicable Programs”), the manner for calculating applicable costs, and the method for estimating the value of the energy and environmental savings attributable to these programs. The rule also describes the process by which Board Staff (“Staff”) shall calculate the Cost Cap annually, with a forecast prior to the start of each EY and a true-up after the end of the EY, so as to ensure annual verification of Cost Cap compliance without hampering the administration of the ADI Program. Additionally, the Board shall, on an annual basis, certify that the Cost Cap has not been exceeded; identify any amount that was not spent, but was eligible to be spent between EY 2019 through 2024; and take any necessary actions to maintain statutory compliance. The rules allow the Board to adjust the metrics for calculating the social cost of carbon (“SC-CO₂”) value or to add additional environmental savings, after a public notice and comment period.

On December 7, 2022, in response to an impending over-subscription of registrations in the residential market segment of the ADI Program, the Board reallocated capacity among the market segments.⁶ The Board found that the residential market segment was on track to fully subscribe its allocated 150 MW and assigned 69.81 MW from the recently closed Interim Subsection (t) market segment and 30.19 MW from the non-residential market segment. The reallocation brought the total capacity allocated to the residential market segment for EY 2023 to 250 MW.

On March 6, 2023, pursuant to the Order establishing the SuSI Program, the Board concluded the One-Year Review of the ADI Program. The Board adjusted incentive levels in the five (5) core market segments to better meet the State’s goals. Changes in the incentive levels were made in response to stakeholder input on operational experience with the new program, the pace of registration in each core market segment, and updated incentive modeling incorporating increased costs and interest rates. Incentive levels were reduced in the residential market segment by \$5 per MWh and were increased from \$5 to \$10 per MWh depending upon the market segment within the non-residential MW block.

On December 21, 2023, Governor Murphy signed L. 2023, c. 190, an Act concerning Remote Net Metering (“Act”) and significantly modifying the existing RNM program, which the Board had approved in an Order issued September 17, 2018.⁷ The modifications made by the Act affect the eligibility requirements, the application and approval process, and the sizing methodology for RNM facilities.

The Act amended N.J.S.A. 48:3-87.12 to direct the Board to establish an application and approval process for RNM solar facilities that serve public entities located within the same electric distribution company (“EDC”) service territory as the solar facility. Staff is developing a recommendation on a revised RNM Program for the Board’s consideration at an upcoming agenda.

⁵ N.J.A.C. 14:8-2.12.

⁶ In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c.169, BPU Docket No. QW22030128, Order dated December 7, 2022 (“ADI Refresh Order”).

⁷ In re the Establishment of a Remote Net Metering Application and Approval Process Pursuant to the Clean Energy Act of 2018, BPU Docket No. QO18070697, Order dated September 17, 2018.

The Act also amends N.J.S.A. 48:3-116, which requires the Board to establish an incentive program for solar facilities less than five (5) MW with targets for various market segments and which the Board implemented in establishing the ADI program. Pursuant to the Act, RNM facilities up to five (5) MWdc shall receive incentives through the ADI program. The Act establishes a target of providing SREC-IIs to 50 MW per year of RNM facilities for each of the five (5) years following the establishment of the SREC-II program. As noted above, the SREC-II program was established on August 28, 2021 so that the 5-year goal would run through August 28, 2026.

STAFF RECOMMENDATION

Cost Cap Implementation

The Cost Cap is a critical component of the Board's commitment to affordable implementation of various clean energy programs. Pursuant to the Board's July 28, 2021 Order, Staff trued up the estimated Cost Cap for EY 2023 and updated the forecasts of the Cost Cap for EY 2024 and EY 2025 to reflect new data that has become available.⁸ Staff generally utilized the same calculation methodology and data sources as were referenced in the July 2021 Order and the Cost Cap rules.

The Cost Cap denominator is the total paid for electricity by all customers in the State. Staff has collected updated electricity sector expenditures published by the Energy Information Administration ("EIA"). As directed by the Board, Staff adjusted the EIA data to include an estimate of the costs associated with net metered solar projects that are host-owned, amortized over their expected life. Staff updated the number of impacted net metered projects, based on new installed capacity numbers provided in the Solar Activity Reports, which track registrations and installations of projects participating in the SREC, TI, and ADI registration programs.

The Cost Cap numerator is the cost to customers of the Cost Cap-Applicable Programs, adjusted by the energy and environmental savings attributable to those programs.⁹ Staff has updated the data used as inputs to the calculation of the numerator to reflect the EY 2023 Renewable Portfolio Standard ("RPS") compliance report issued by Staff. This report provides the data inputs for the quantity of SRECs retired, the market-derived price of each retired SREC, the quantity of Class I RECs retired, the average price of each retired Class I REC, the quantity and price of TRECs retired, and the quantity and price of SREC-IIs retired.

As noted above, the energy and environmental benefits of these programs may partially offset their costs. To calculate energy savings, Staff used an estimate of the difference between actual energy and capacity costs reported by PJM and what energy and capacity costs would have been without the Cost Cap-Applicable Programs; this difference is described as Demand-Reduction-Induced Price Effects ("DRIPE"). Staff proposes to use the same energy and capacity DRIPE values as were used in the Board's July 2021 Order and apply these values to updated solar installed capacity and total New Jersey electricity sales figures. To estimate environmental benefits, Staff calculated the Carbon Dioxide ("CO₂") emissions reductions attributable to the Cost Cap-Applicable Programs by multiplying the tons of CO₂ reduced as a result of the Cost Cap-Applicable Programs by the value of each ton of emissions avoided, as published by the U.S.

⁸ In re a Solar Successor Incentive Program Pursuant to P.L. 2018, c. 17, BPU Docket No. QO20020184, Order dated July 28, 2021 ("July 2021 Order").

⁹ The Cost Cap-Applicable Programs include the SREC, TI, and ADI programs, as well as Class I Renewable Energy Portfolio and any future Class I programs created as part of the RPS.

Interagency Working Group (“IWG”) on the Social Cost of Greenhouse Gases.¹⁰ In determining the reduction in CO₂ emissions, Staff relied on publicly available estimates of the average carbon intensity of electric generators in the PJM region produced by PJM, updated through 2022.¹¹ The value attributed to the avoided CO₂ emissions is based on values provided in the report by the IWG, in compliance with N.J.S.A. 48:3-87(d)(2) and adjusted for inflation.

At the time the Cost Cap calculations for EY 2022 were performed, the SC-CO₂ was estimated to be \$57/ton which, adjusted for inflation, is \$62 in today’s dollars.¹² Were the Board to use that value in calculating the net cost or net benefits of the Cost Cap-Applicable Programs for EY 2023, the net cost of those programs would be approximately 6.29% of the total paid for electricity by New Jersey electric customers.¹³ At this time, the most recent estimate of the SC-CO₂ was estimated to be \$204 or, adjusted for inflation, a value of \$233.¹⁴ Were the Board to use the most recent estimated SC-CO₂ value in calculating the net cost or net benefits of the Cost Cap-Applicable Programs for EY 2023, those programs would yield a net benefit equal to approximately 2.56% of the total paid for electricity by New Jersey electric customers.¹⁵

Regardless of whether the prior or most recent SC-CO₂ is used, the amount spent on the Cost Cap-Applicable Programs for EY 2023 falls below the Cost Cap and complies with the statutory directive. Staff recommends that the Board certify the calculations in Appendix A-1, which incorporate the SC-CO₂ used in calculating the Cost Cap in EY22, adjusted for inflation. For purposes of considering the use of the most recent SC-CO₂ number in future calculations, Staff recommends that the Board direct Staff to conduct a proceeding that will provide notice and an opportunity to be heard on the use of this metric.

Both the numerator (in the calculation of DRIPE and environmental savings) and the denominator (in the adjustments for host-owned net metered systems) use data for installed solar capacity. Staff used data from the Solar Activity Reports published on a monthly basis on the Clean Energy Program website.¹⁶ Staff used data from the most recent published report available at the time of the calculation, which provides data as of February 29, 2024.

With respect to forecasting the Cost Cap, Staff proposes to maintain the same underlying approach to estimating data inputs for future EYs as was used to inform the Cost Cap

¹⁰ Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates under Executive Order 13990. U.S. Interagency Working Group on the Social Cost of Greenhouse Gases, February 2021.

¹¹ 2018-2022 CO₂, SO₂, and NO_x Emission Rates, PJM, April 27, 2023, <https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/2022-emissions-report.ashx>.

¹² In re Certification of Energy Year 2022 Cost Cap Calculation and Setting ADI Megawatt Blocks for Energy Year 2024, BPU Docket No. QO23040206, Order dated May 10, 2023.

¹³ The cost cap calculation using the prior federal estimate for SC-CO₂ is attached as Appendix A-1.

¹⁴ See EPA, Supplementary Material for the Regulatory Impact Analysis for the Final Rulemaking, “Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review” at 154 (November 2023), https://www.epa.gov/system/files/documents/2023-12/epa_scghg_2023_report_final.pdf.

¹⁵ The cost cap calculation using the most recent SC-CO₂ is attached as Appendix A-2.

¹⁶ <https://www.njcleanenergy.com/renewable-energy/project-activity-reports/project-activity-reports>.

determinations made in the Board's July 2021, May 2022, and May 2023 Orders.¹⁷ However, Staff recommends adjustments to several of the assumptions in order to match the most recent available data. First, Staff recommends adjusting the assumptions used to forecast SREC prices. The Cost Cap calculation conducted in the Board's July 2021 Order included an estimate of future SREC values based on 85% of the Solar Alternative Compliance Payment ("SACP"). At the time, Staff noted that this was a conservative assumption, recommended in order to promote compliance with the Cost Cap. The EY 2020 average SREC price represented 85% of the SACP, which therefore was a reasonable assumption at the time. In EY 2021, however, average SREC prices increased while the SACP declined, leading the relative percentage to increase to 92%. The EY 2023 average SREC price represented 95% of the SACP.

While past SREC prices and the SACP are not necessarily strong predictors of future SREC prices, in the interest of providing reasonable and conservative Cost Cap forecasts, Staff recommends that the Board maintain the same approach to modeling future SREC prices but increase the base assumption to 95% of the SACP.

Staff has adjusted the forecast for ADI Program costs to reflect the anticipated capacity of projects achieving commercial operation in EY 2024 (as opposed to merely registering). For example, 168 MW of net metered residential projects have registered in the ADI Program through April 8, 2024, but based on historical trends, Staff anticipates that roughly 75% or 126 MW will achieve commercial operation.

In the prior iteration of the Cost Cap calculation, Staff used a fixed assumption of \$16.65/Class I REC. The latest RPS compliance report indicates that the EY 2023 Class I weighted average price was \$25.67. Accordingly, Staff recommends using the higher EY 2023 price to forecast Class I REC prices for future EYs.

Finally, Staff recommends adjusting the denominator of the Cost Cap calculation by updating the method for forecasting the total paid for electricity by all customers in the State. Previously, Staff used a three-year moving average, adjusted by a 0.5% annual increase. The impact of COVID-19 resulted in unusually low revenue from sales in EY 2020. Electricity sales then experienced a rebound effect in EY 2021 with a growth rate of more than 5.1%. Revenue in sales increased by approximately 4.1% in EY 2022 and 3.2% in EY 2023. To avoid under or over-estimating future sales due to either the impacts of COVID-19 or the rebound in sales, Staff recommends using a two-year average to forecast future sales. The average of data from EY 2022 and EY 2023 produces an increase of 3.7%.

¹⁷ In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c. 169, BPU Docket No. QO20020184, Order dated May 10, 2023 ("May 2023 Order").

Staff's updated Cost Cap calculations and forecasts are provided in Appendix A-1 and Appendix A-2, which include the true-up calculation of the Cost Cap for EY 2023, an estimate for EY 2024, and a forecast for EY 2025. Based on these calculations, Staff concludes that the Cost Cap was not exceeded in EY 2023, nor is it forecast to be exceeded in EY 2024 or EY 2025. Staff notes that the statute also permits the use of lower costs to customers in EYs 2019 through 2021 to offset the cost to customers in energy years 2022 through 2024, provided that the total cost to customers for EYs 2019 through 2024 does not exceed what they would have paid had costs equaled nine percent (9%) of the total paid for electricity in EYs 2019 through 2021 and seven percent (7%) in EYs 2022 through 2024.

EY 2025 ADI Program Megawatt Blocks

The MW blocks are an important element of the ADI Program and reflect the Board's commitment to the twin goals of ratepayer affordability and meeting the solar installation targets included in the Solar Act of 2021. These capacity blocks ensure the Board's ability to forecast and manage the overall costs of the ADI Program, while providing tangible milestones on the path to achieving the legislative solar development goals and enabling continued growth in a balanced manner. Pursuant to the statutory amendments signed into law on December 21, 2023 as discussed above, the Board must add a new megawatt block allocation of 50 MW per year for projects eligible for the revised RNM Program.

The recommended EY 2025 ADI Program MW blocks were based on consideration of several factors, including the following:

- a. Historical installation rates, with the intent to continue to enable installation rates at or above historical averages;
- b. Equity and accessibility considerations, particularly when determining the size of the Community Solar MW block;
- c. Ensuring that there is sufficient liquidity in each market segment;
- d. Ensuring that the total cost to ratepayers remains affordable; and
- e. Ensuring that the total amount of budget dollars available under the Cost Cap is respected.

In addition, Staff notes that the amendments to Solar Act of 2021 described above state that "[t]he small solar facilities incentive program shall aim to provide SREC-IIs for the generation of at least 300 megawatts of net-metered solar facilities per year and 150 megawatts of community solar facilities per year, and 50 megawatts of solar facilities in the [RNM] program, for each of the five years after the establishment of the SREC-II program."¹⁸

The ADI Program opened for new registrations on August 28, 2021. Capacity allocations were subsequently made by Board Order for EY 2023 and EY 2024. The ADI Program registration manager maintains a table on the New Jersey Clean Energy Program website which shows, for each MW block, the amount of capacity subscribed to date and the amount of capacity that remains available.¹⁹

¹⁸ N.J.S.A. 48:3-116(a).

¹⁹ The amount of capacity subscribed and remaining in each market segment is available on the NJCEP website at the following link: <https://njadi.customerapplication.com/>.

Table 1 below shows the proposed EY 2025 MW blocks:

Table 1: MW Blocks for EY 2024 and 2025

System Type	Size	EY 2024 MW Block	EY 2025 MW Block
Net Metered Residential	All sizes	200 MW	200 MW
Net Metered Non- Residential (all installation types)	All sizes at or below 5 MW	150 MW plus unused EY 2023 capacity (124.89 MW)	200 MW
Remote Net Metering Program	All sizes at or below 5 MW	n/a	50 MW
Community Solar	All sizes at or below 5 MW	500MW	Unused EY 2024 capacity

Per the table above, Staff notes the following:

- 1) In establishing a MW allocation for the residential market segment in EY 2025, Staff recommends the Board take into account that approximately 75 percent of registered projects reach completion in the ADI Program. Through April 8, 2024, residential registrations have averaged approximately 3.5 MW per week in EY 2024. At this pace, residential registration capacity extrapolated over a full year would reach 180 MW. However, the pace of registrations was closer to 4 MW per week in the beginning of EY 2024 and again as the end of EY 2024 approached. The slower registration activity may be attributed to general economic uncertainty resulting from relatively higher inflation and interest rates. The recent uptick in residential registration activity may be attributed to moderating inflation, expectations of lower interest rates and/or heightened concern by solar developers as the end of the EY 2024 and its capacity allocation nears. EY 2024 also saw an alarming number of bankruptcies and solar developers exiting the national marketplace. In addition to these factors, Staff notes the moderate rate of project completion over EY 2024.
- 2) During EY 2023 and EY 2024, registrations in the net metered non-residential MW block have been lower than normal. Staff attributed the initial, relatively slow uptake in the non-residential market segment for the ADI Program to the exceptionally high number of projects that registered in the last months of the TI Program. In July and August 2021 alone, approximately 1,100 MW of new registrations registered for the TI Program. In addition to the phenomenon of “demand pull”, Staff found in the One-Year Review of the ADI Program that increased costs and interest rates resulted in less attractive returns modeled in the core four (4) market segments comprising this non-residential MW block. As a result, the Board increased incentive levels for several market segments within the MW block and allocated the unused capacity from EY 2023 into the allocation for EY 2024. The slow rebound for this market segment is hypothesized to be a result of greater sensitivity of this market segment to expectations of a recession and to the higher financial costs which characterized much of EY 2024.

- 3) Pursuant to P.L. 2023, c. 200, expanded goals were set for the community solar market segment with “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, [and] an additional 250 megawatts prior to June 1, 2025 if qualified applications exceed 500 megawatts.”²⁰ As qualified applications have not yet exceeded 500 MW, Staff does not recommend that the Board make an additional 250 MW available at this time. Instead, Staff recommends that the Board roll over any unused capacity from EY 2024 to EY 2025 until 500 MW of applications have been received.

In light of the observations above, Staff recommends that the capacity allocation for the net-metered residential market segment take into account the rate at which project registrations fail to reach completion through either cancellation or expiration.

For the net-metered non-residential MW block, the Board allocated 150 MW for EY 2022 and for EY 2023 carried over unused capacity from EY 2022. In March 2023, as part of the One-Year Review of the ADI Program, the Board increased incentive levels for the four (4) market segments within the non-residential MW block. This action was anticipated to increase the pace of registrations within and the amount of capacity installed in the non-residential market segments. In light of consistent reductions in inflationary pressures since mid EY 2024, recent strong solar module supplies, and expectations of interest rate reductions in EY 2025, Staff recommends allocating 200 MW of capacity to this megawatt block.

As is the Board’s standard practice, Staff recommends that all MW values be measured in dc capacity.

Staff does not recommend making any changes to the ADI Program incentives at this time and recommends maintaining the incentives at their current value. For the new RNM MW block, Staff is developing a recommendation on program design, including a new application and approval process, for the Board’s consideration at an upcoming agenda meeting.

DISCUSSION AND FINDINGS

After a careful review of the record and of Staff’s recommendation, the Board **FINDS** that Staff’s calculations accurately reflect the variables affecting the total paid for electricity in New Jersey and the cost of the Cost Cap-Applicable Programs. The Board therefore **ADOPTS** the Cost Cap calculations provided in Appendix A-1. Based on these calculations, the Board **CERTIFIES** that the Cap was not exceeded in EY 2023 and is not forecast to be exceeded in EY 2024 or EY 2025. Therefore, the Board **FINDS** that the Cost Cap does not serve as a constraint for EY 2025 ADI Program incentive allocations at this time.

The Board notes that the federal estimate of the SC-CO₂ increased significantly from the estimate the Board used in certifying the Cost Cap for EY 2022, as indicated by the numbers in Appendix A-2. That change has not affected the certification of the Cost Cap for EY 2023. However, this change may have implications for future spending on these programs. Therefore, the Board **DIRECTS** Staff to conduct a proceeding that will provide notice and an opportunity to be heard on the assumptions used in the Cost Cap calculations and the implications for the Cost Cap prior to the certification of the EY 2024 Cost Cap.

²⁰ N.J.S.A. 48:3-87.11(f)(2).

In light of this determination, the Board **ORDERS** Staff and the ADI Program registration manager to open new EY 2025 capacity allocations for the market segments, as defined in Appendix B, on June 1, 2024. The Board **FURTHER ORDERS** the ADI Program registration manager to accept new registrations for the residential and non-residential market segments on a first-come, first-served basis until the MW block for that market segment is fully subscribed (i.e., 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 said block) or June 1, 2025, whichever occurs first.

N.J.S.A. 48:3-116 has been amended to add a market segment megawatt block of 50 MW per year for qualifying RNM projects. The Board **FINDS** that EY 2025 capacity allocations for the market segments comply with the statute. The Board **DIRECTS** Staff to develop a recommendation on the design of an RNM program with all deliberate speed.

The effective date of this Order is May 29, 2024.

DATED: May 22, 2024

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BY:


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PRESIDENT


DR. ZENON CHRISTODOULOU
COMMISSIONER


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MICHAEL BANGE
COMMISSIONER

ATTEST: 
SHERRI L. GOLDEN
SECRETARY

IN THE MATTER OF A SUCCESSOR SOLAR INCENTIVE PROGRAM PURSUANT TO P.L. 2021, C.169
IN THE MATTER OF CERTIFICATION OF ENERGY YEAR 2023 COST CAP CALCULATION AND SETTING ADI
PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2025
IN THE MATTER OF THE ESTABLISHMENT OF A REMOTE NET METERING MARKET SEGMENT IN THE ADI
PROGRAM PURSUANT TO P.L.2023, CHAPTER 190

DOCKET NOS. QO20020184, QO24020117 and QO24030197

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**APPENDIX A-1: Estimates of Cost Cap and Applicable Incentive Costs EY 2019 – 2025
 Using Prior Year’s Social Cost of Carbon**

Energy Year	Numerator Costs				Numerator Benefits			Numerator: Total Net Costs	Denominator
	SRECs (\$)	TRECs (\$)	Non-Solar Class I RECs (\$)	SREC-IIs (\$)	Energy DRIPE (\$)	Capacity DRIPE (\$)	CO ₂ Emissions Reduction Benefits (\$)	(costs minus benefits) (\$)	(includes adjustments) (\$)
2019	597,056,015	0	79,254,419	0	2,039,429	75,106,798	269,083,759	330,080,448	10,126,800,000
2020	718,628,584	0	89,997,891	0	2,288,518	84,280,092	254,107,191	467,950,674	9,696,900,000
2021	879,374,161	16,721,217	158,944,991	0	2,519,987	92,804,497	316,451,995	643,263,889	10,194,700,000
2022	812,595,198	60,332,026	180,933,237	261,900	2,802,455	103,207,037	312,305,251	635,807,618	10,614,300,000
2023 (True-up)	753,829,923	112,664,323	285,259,894	7,422,889	2,961,312	109,057,343	353,712,982	693,445,392	11,018,488,000
2024 (Estimate)	733,934,658	150,662,881	372,772,628	34,017,720	3,194,242	117,635,532	447,673,936	722,884,177	11,397,770,056
2025 (Forecast)	699,077,082	154,479,063	515,836,824	80,757,584	3,526,856	129,884,825	586,121,246	730,617,625	11,835,036,548

Energy Year	Annual Cost Cap Calculation (%)	Annual Cost Cap Limit		Annual Head Room Available	Annual Head Room with Carry Over (EY 2019 – EY 2024)
	((Numerator / Denominator) * 100) (%)	% of Total Paid for Electricity	Cost Cap Limit (\$)	(Cost Cap Limit Minus Total Net Costs) (\$)	(\$)
2019	3.26%	9%	911,412,000	581,331,552	581,331,552
2020	4.83%	9%	872,721,000	404,770,326	986,101,878
2021	6.31%	9%	917,523,000	274,259,111	1,260,360,989
2022	5.99%	7%	743,001,000	107,193,382	1,367,554,371
2023 (True-up)	6.29%	7%	771,294,160	77,848,768	1,445,403,139
2024 (Estimate)	6.34%	7%	797,843,904	74,959,727	1,520,362,867
2025 (Forecast)	6.17%	7%	828,452,558	97,834,933	

Notes: This calculation represents a conservative estimate. However, since the Cost Cap is not projected to force Board action even under this conservative scenario, any modifications to the calculations increasing the headroom would not have any impact on the implementation of the ADI Program. Actual values from the EY 2019 to EY 2023 Renewable Portfolio Standard are highlighted in gray.

**APPENDIX A-2: Estimates of Cost Cap and Applicable Incentive Costs EY 2019 – 2025
 Using the Most Recent Social Cost of Carbon**

Energy Year	Numerator Costs				Numerator Benefits			Numerator: Total Net Costs	Denominator
	SRECs (\$)	TRECs (\$)	Non-Solar Class I RECs (\$)	SREC-IIs (\$)	Energy DRIPE (\$)	Capacity DRIPE (\$)	CO ₂ Emissions Reduction Benefits (\$)	(costs minus benefits) (\$)	(includes adjustments) (\$)
2019	597,056,015	0	79,254,419	0	2,039,429	75,106,798	269,083,759	330,080,448	10,126,800,000
2020	718,628,584	0	89,997,891	0	2,288,518	84,280,092	254,107,191	467,950,674	9,696,900,000
2021	879,374,161	16,721,217	158,944,991	0	2,519,987	92,804,497	316,451,995	643,263,889	10,194,700,000
2022	812,595,198	60,332,026	180,933,237	261,900	2,802,455	103,207,037	312,305,251	635,807,618	10,614,300,000
2023 (True-up)	753,829,923	112,664,323	285,259,894	7,422,889	2,961,312	109,057,343	1,329,276,206	-282,117,832	11,018,488,000
2024 (Estimate)	733,934,658	150,662,881	372,772,628	34,017,720	3,194,242	117,635,532	1,682,387,535	-511,829,422	11,397,770,056
2025 (Forecast)	699,077,082	154,479,063	515,836,824	80,757,584	3,526,856	129,884,825	2,202,681,458	-885,942,586	11,835,036,548

Energy Year	Annual Cost Cap Calculation (%)	Annual Cost Cap Limit		Annual Head Room Available	Annual Head Room with Carry Over (EY 2019 – EY 2024)
	((Numerator / Denominator) * 100) (%)	% of Total Paid for Electricity	Cost Cap Limit (\$)	(Cost Cap Limit Minus Total Net Costs) (\$)	(\$)
2019	3.26%	9%	911,412,000	581,331,552	581,331,552
2020	4.83%	9%	872,721,000	404,770,326	986,101,878
2021	6.31%	9%	917,523,000	274,259,111	1,260,360,989
2022	5.99%	7%	743,001,000	107,193,382	1,367,554,371
2023 (True-up)	-2.56%	7%	771,294,160	1,053,411,992	2,420,966,363
2024 (Estimate)	-4.49%	7%	797,843,904	1,309,673,326	3,730,639,689
2025 (Forecast)	-7.49%	7%	828,452,558	1,714,395,144	

Notes: This calculation represents a conservative estimate. However, since the Cost Cap is not projected to force Board action even under this conservative scenario, any modifications to the calculations increasing the headroom would not have any impact on the implementation of the ADI Program. Actual values from the EY 2019 to EY 2023 Renewable Portfolio Standard are highlighted in gray.

APPENDIX B: Summary of Energy Year 2025 Megawatt Blocks

Market Segment	Size (measured in MWdc)	MW Blocks for EY 2025
Net Metered Residential	All types and sizes	200 MW
Small Net Metered Non-Residential, Rooftop, Carport, Canopy, and Floating Solar	All projects smaller than 1 MW	200 MW (4 segments)
Large Net Metered Non-Residential, Rooftop, Carport, Canopy, and Floating Solar	Projects 1 MW to 5 MW	
Small Ground Mount Net Metered Non-Residential	All projects smaller than 1 MW	
Large Ground Mount Net Metered Non-Residential	Projects 1 MW to 5 MW	
Remote Net Metering	Up to the 5 MW statutory limit	50 MW
Community Solar	Up to the 5 MW statutory limit	Unused EY 2024 capacity