Agenda Date: 5/21/25
Agenda Item: 8E

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 EY24 COST CAP CALCULATION AND SETTING ADI PROGRAM MEGAWATT BLOCKS FOR EY26
IN THE MATTER OF CERTIFICATION OF ENERGY YEAR 2024 COST CAP CALCULATION AND SETTING ADI PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2026	)	DOCKET NO. QO20020184
	)	DOCKET NO. QO25030113

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") 2024 Cost Cap and sets the Administratively Determined Incentive ("ADI") Program megawatt ("MW") block allocations for EY 2026.

BACKGROUND

On February 9, 1999, the Electric Discount and Energy Competition Act ("EDECA" or "Act"), N.J.S.A. 48:3-49 et seq., was signed into law, creating the Renewable Portfolio Standard ("RPS") to spur demand for renewable energy and thus incentivize its development. The RPS represents a percentage of New Jersey's total retail electricity sales in a given EY that must be offset by the retirement of Renewable Energy Certificates ("RECs"). RECs may be based on Class I renewable energy ("RE"), Class II RE, or solar RE as those terms are defined in the statute and take the form of Class I RECs, Class II RECs, and Solar RECs or SRECs. Over the years, the Legislature has revised the RPS, most recently through the Solar Act of 2021 ("Solar Act").[1] As amended by that act, the Class I RPS was set at 21% beginning January 1, 2020, increased to 35% as of January 1, 2025, and will increase to 50% on January 1, 2030.[2]

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

[2] N.J.S.A. 48:3-87(d)(2).

The Board has codified the RPS in its rules. The RECs represent the environmental attributes of one megawatt-hour ("MWh") of renewable generation; they are created on the basis of RE generated by a facility that has been certified as compliant with New Jersey requirements. Pursuant to the Solar Act of 2021, these rules include an annual schedule of Class I RPS increases which lead to the statutory 50% Class I RPS in EY 2030.[3] The schedule also provides for a Class I RPS of 35% in EY 2025, increasing to 38% in EY 2026.

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 generating sources throughout the State. On July 9, 2021, Governor Murphy signed the Solar Act into law, which directed the Board to establish a program to incent the development of at least 3,750 MW[4] of new solar by 2026.

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 sub-programs:

1. the ADI Program for net metered residential facilities, net metered non-residential facilities of 5 MW or less, and community solar facilities, and
2. 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 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 second solicitation opened on November 27, 2023, and closed on February 29, 2024. The third solicitation will be open from May 14, 2025, through July 23, 2025.

The SuSI Program provides eligible projects with the opportunity to register to earn Solar Renewable Energy Certificates-II ("SREC-IIs") for each MWh of generation; in the ADI program, 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

[3] N.J.A.C. 14:8-2.3(a).

[4] All references to solar capacity in megawatts are measured in direct current.

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.[5] 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.[6]

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").[7] The Cost Cap Calculation Rule includes a definition of the programs subject to the Cost Cap ("Cost Cap-Applicable Programs"),[8] the manner for calculating applicable costs, and the method for estimating the value of the energy and environmental savings attributable to these programs. The Cost Cap Calculation 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-CO_2") value or to add additional environmental savings, after a public notice and comment period.[9]

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 net-metered 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 ("RNM") ("Act") and significantly modifying the existing RNM program, which the Board

[5] S. 4275 (2018), L. 2019, c. 448.

[6] N.J.S.A. 48:3-87(d)(2).

[7] N.J.A.C. 14:8-2.12.

[8] Cost Cap-Applicable Programs include the SRP Program; the TI Program, the ADI Program, the Class I RPS, and any future Class I program created as part of the RPS.

[9] N.J.A.C. 14:8-2.12(a)(2)(iii).

had approved in an Order issued September 17, 2018.[10] 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. The Act also amends N.J.S.A. 48:3-116 to establish a target of providing SREC-IIs to 50 MW per year of RNM facilities for each of the five years following the establishment of the SREC-II program. On December 18, 2024, the Board approved the launch of the RNM market segment in the ADI Program and directed Staff to establish an application process.[11]

On May 22, 2024, the Board certified the Cost Cap for EY 2023 and established the market segment allocations for EY 2025.[12] In certifying these costs, the Board relied on the SC-CO_2 contained in the 2016 report of a federal interagency working group, a value of $62 after adjusting for inflation.[13] In addition, the Board published its calculations using the updated SC-CO_2 recommended by a United States Environmental Protection Agency ("EPA") report on the social cost of greenhouse gases released in November 2023.[14] The Board also directed Staff to conduct a proceeding on the assumptions used in the Cost Cap calculations, specifically the federal estimate of the SC-CO_2, and the implications for the Cost Cap.

On March 19, 2025, the Board approved a reallocation of 75 MW of capacity from the net-metered non-residential market segment to the net-metered residential market segment.[15]

On March 17, 2025, the Board issued a Request for Information ("RFI") seeking comment on the proposed EY 2024 value for the SC-CO_2 of $245/ton in EY 2024 dollars.[16] That value was based on the EPA Report. The deadline for comments was April 16, 2025.

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[10] 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.

[11] In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c. 169; In re the Establishment of a Remote Net Metering Market Segment in the ADI Program and of an Application and Approval Process Pursuant to P.L. 2023, Chapter 190, BPU Docket Nos. QO20020184 and QO24070554, Order dated December 18, 2024.

[12] In re a Successor Solar Incentive Program Pursuant to P.L. 2021, C. 169; In re Certification of Energy Year 2023 Cost Cap Calculation and Setting ADI Program Megawatt Blocks for Energy Year 2025; In re the Establishment of a Remote Net Metering Market Segment in the ADI Program Pursuant to P.L. 2023, Chapter 190, BPU Docket Nos. QO20020184, QO24020117, and QO24030197, Order dated May 22, 2024 ("May 2024 Cost Cap Order").

[13] Interagency Working Group on Social Cost of Greenhouse Gases: Technical Support Document: - Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis, August 2016 ("IWG Report").

[14] EPA Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances, November 2023, Docket ID No. EPA-HQ-OAR-2021-0317 ("EPA Report").

[15] In re a Successor Solar Incentive Program Pursuant to P.L. 2021, C. 169, BPU Docket No. QO25020054, Order dated March 19, 2025 ("March 2025 Order").

[16] *Notice, In the Matter of Successor Solar 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, Request for Information,* https://nj.gov/bpu/pdf/publicnotice/Webposting-Notice_RFI_CostCap.pdf; The RFI can also be viewed under the NJBPU Docket Nos. QO20020184 & QO24070554.

SUMMARY OF COMMENTS FROM PUBLIC STAKEHOLDERS

Comments were accepted through April 16, 2025. Written comments were submitted by Mr. Alexandre Houcke, Atlantic City Electric Company ("ACE"), Carbon Solutions Group ("CSG"), and the New Jersey Division of Rate Counsel ("Rate Counsel").[17] The public comments are summarized below, along with Staff's responses.

General Comments

Comment: Mr. Alexandre Houcke, ACE, and CSG submitted comments that support the use of a $245/ton value for the SC-CO_2 for EY 2024.

Response: Staff thanks the commenters for their feedback, but notes that it is not necessary for the Board to choose between the two values provided by the IWG Report and the EPA Report.

Comment: ACE emphasized in their comments that Cost Cap policies be climate-aligned and publicly understandable so that the importance of climate-related costs and benefits embedded in the SC-CO_2 are effectively communicated to ratepayers.

Response: Staff agrees with ACE's recommendation and will ensure that communication regarding the SC-CO_2 and its value used to calculate renewable energy program incentives are accessible and comprehensive to the public.

Comment: CSG further recommends the Board adopt the $245/ton SC-$CO_2$ as a minimum value in the future proceedings related to emission reduction and renewable energy programs.

Response: Staff thanks the commenter for its feedback and notes that the Cost Cap Rule provides the Board with the discretion to adjust the SC-CO_2 based upon society's evolving understanding of the costs imposed by global climate change.

Comment: Rate Counsel recommends that the Board reject the $245/ton SC-$CO_2$ value and keep the Board's existing SC-CO_2 value based on the IWG Report.

Response: Staff provides Cost Cap calculations using the SC-CO_2 from both the IWG Report and EPA Report that demonstrate that the Cost Cap is not breached under either metric.

Comments on the Methodology Used to Calculate the EY 2024 SC-CO2 Value:

Comment: Rate Counsel disagrees with the 2.0% discount rate used by the EPA. The commenter takes issue with the fact that this value was issued by the EPA rather than by the IWG and is lower than all three discount rates presented in the IWG Report. Rate Counsel believes that the lower rate inflates the present value of projected climate damages, inflates estimated environmental benefits, and underestimates the net costs of NJ clean energy programs. According to Rate Counsel, Staff is applying the 2.0% discount rate in a fashion inconsistent with "basic economic principles" that will result in both higher clean energy budgets and greater uncertainty for developers, uncertainty which will ultimately be passed down to NJ ratepayers in the form of higher costs. Rate Counsel also states that the 2.0% discount is much lower than the

[17] Comments received in response to the RFI can be accessed through the Public Document Search on the Board's website using docket number QO25030113. (https://publicaccess.bpu.state.nj.us/)

current inflation rate at which developers are financing projects. In addition, Rate Counsel argues that the greater cost of SC-CO_2 produced by the lower discount rate disregards the legislative directive to contain the cost of the Cost Cap-Applicable Programs at less than 7% of the total paid for retail electricity.

Rate Counsel also notes that the EPA's discount value reflects global damages, not damages specific to New Jersey or the United States, and asserts that using this value will result in New Jersey ratepayers paying for benefits to those outside the State.

Response: Staff does not believe that a figure developed by the EPA is a less appropriate input than one developed by the IWG. While the CEA directs the Board to use a social cost of carbon "at a value no less than the most recently published three percent [3.0%] discount rate scenario of the United States Government Interagency Working Group on Social Cost of Greenhouse Gases,"[18] that language does not require the Board to use the 3.0% discount value, much less to use only values produced by the IWG. Indeed, the choice of the phrase "most recently" appears to indicate that the Legislature intended the Board to use updated data in determining the Cost Cap.[19] The social cost of carbon derived using a 2.0% discount rate comes directly from the cited EPA Report and was further supported and recommended by the federal Office of Management and Budget in its 2023 update of Circular No. A-4.[20] However, for purposes of certifying the EY 2024 Cost Cap, it is not necessary for the Board to choose between the SC-CO_2 produced by the IWG Report and that produced by the EPA Report. Using either metric, the Cost Cap is not breached.

Rate Counsel is correct in noting that the lower discount rate increases the present value of projected climate damages, produces a higher SC-CO_2, and thus provides a higher estimate of environmental benefits; however, Rate Counsel errs in characterizing this value as "inflated" and alleging that these values will be "questionable." The use of more recent data has produced a higher estimate of the benefits of clean energy but updating the data is not "inflation" of the data and does not make the increased environmental benefits that result "questionable." It is true that these estimates result in a higher Cost Cap for the clean energy budget, but, as noted above, using either metric results in a cost below the Cost Cap. Staff also notes that Rate Counsel is misguided in comparing the discount rate used in estimating the SC-CO_2 to the rate of inflation in the market. The two rates have different functions and are used in different ways for estimating different types of impacts.

As to Rate Counsel's claim that the updated EPA value reflects global damages whose mitigation will not benefit New Jersey ratepayers, this argument both contradicts Rate Counsel's own position and does not reflect the relevant science, economics, or New Jersey law. Rate Counsel argues that the Board should continue to use the discount value and the SC-CO_2 from the 2016 IWG report, but that report and the damages it estimates are no more "New Jersey-specific" than the 2023 EPA Report.

[18] N.J.S.A. 48:3-87(d)(2).

[19] The IWG Report itself quotes a prior IWG recommendation that "the SC-CO_2 estimates be revisited on a regular basis or as model updates that reflect the growing body of scientific and economic knowledge become available." IWG Report at 6, citing Interagency Working Group on Social Cost of Carbon 2010 at p. 1, 3, 4, 29, and 33.

[20] Office of Management and Budget, Circular No. A-4 (Updated November 9, 2023). See Section 12, "Discount Rates."

As a matter of science, the atmosphere into which GHG are emitted, and damages that result from those emissions, do not include and are not limited by state or national borders. Just as a natural gas pipeline in New Jersey may result in methane emissions that warm the atmosphere well beyond the State a coal plant in Pennsylvania may produce carbon dioxide ("CO_2") that intensifies climate change in New Jersey. Thus, the argument that "global" damages should not be considered in estimating damage to New Jersey is a specious one. It is well understood and agreed among the scientific community that greenhouse gases collecting in the atmosphere is a global phenomenon and that the damages resulting from global warming are global in nature.[21]

In economic terms, the harms from climate change affecting New Jersey and its ratepayers are well documented. One study found that for Hurricane Sandy alone, approximately $8.1 billion of the over $60 billion in reported economic damages could be linked to sea level rise driven by climate change.[22]

Lastly, in objecting to the use of a report that looks to impacts other than those strictly limited to New Jersey, Rate Counsel takes issue not with the Board's choice of data but with the Legislature's drafting of the law. As the CEA provides, and Rate Counsel itself notes in its comments:

> In calculating the cost to customers of the Class I renewable energy requirement, the board shall reflect any energy and environmental savings attributable to the Class I program in its calculation, which shall include, but not be limited to, the social cost of carbon dioxide emissions at a value no less than the most recently published three percent discount rate scenario of the United States Government Interagency Working Group on Social Cost of Greenhouse Gases.[23]

If Rate Counsel wishes to dispute the choice of the IWG Report as a reference point, it must pursue a legislative remedy; the Board does not have the authority to overrule the statutory language.

Comment: Rate Counsel asserts that the EPA's SC-CO_2 value lacks the same level of procedural rigor as the IWG Report, noting that this estimate was published as part of a proposed rule and was not a final peer-reviewed analysis adopted by the IWG or approved by Office of Management and Budget. In Rate Counsel's opinion, the value is also inconsistent with prior values used by the Board. In addition, Rate Counsel believes that the proposed value may violate NJ statutes if benefits exit the State; as an example, the commenter quotes the offshore wind statute for the

[21] National Academies of Sciences, Engineering, and Medicine (National Academies). 2017. Valuing climate Damages: Updating Estimation of the Social Cost of Carbon Dioxide. National Academies Press. *See also* Plant, G., Kort, E. A., Gvakharia, A., Smith, M. L., and Conley, S. "Large Fugitive Methane Emissions From Urban Centers Along the U.S. East Coast." Geophysical Research Letters, vol. 46, no. 14, 2019, pp. 8500–8509. https://doi.org/10.1029/2019GL082635 (Such older urban centers as Newark, Jersey City, and Camden are fully integrated into the New York and Philadelphia metropolitan statistical areas, and their methane emissions fall within the measured urban methane plumes captured during aircraft surveys.

[22] Economic damages from Hurricane Sandy attributable to sea level rise caused by anthropogenic climate change, Nature Communications (May 18, 2021) (simulating water levels and damage both as they occurred and as they would have occurred across a range of lower sea levels corresponding to different estimates of attributable sea level rise and taking a point between the 5th and 95th percentiles).

[23] N.J.S.A. 48:3-87(d)(2) (emphasis added).

proposition that the cost-benefit analysis for offshore wind projects must demonstrate "positive economic and environmental net benefits to the State."[24] According to Rate Counsel, since the proposed SC-CO_2 looks at global damages, its use in a state-specific cost-containment mechanism may exceed the scope of authority under the CEA.

Response: Rate Counsel sets up a false dichotomy between the IWG and the EPA reports. The values used by the EPA following 2021 were consistent with those developed by the IWG.[25] Thus, the analysis in the EPA Report is consistent with the work of the IWG at the time the updated number was produced. Moreover, the EPA was a member of the IWG and participated in that work as an IWG member. The purpose of the EPA report was simply to present a set of GHG estimates that incorporated "methodological updates addressing near-term recommendations of the National Academies."[26] Although Rate Counsel asserts that this report was not peer-reviewed, the EPA Report documents an external peer review process with seven peer reviewers that produced multiple positive comments as well as extensive feedback.[27]

Nor does Rate Counsel's claim that the proposed SC-CO_2 is inconsistent with "historic" Board practice hold water. This claim is premised on the assertion that the proposed SC-CO_2 was derived using the 2.0% discount rate and that this discount, in turn, is lower than the three discount rates "historically" considered in the IWG Report. The history to which Rate Counsel appeals consists of a single IWG Report and the Board's reliance on that report in the two previous orders certifying the Cost Cap. As discussed above, the Legislature referred to a SC-CO_2 value based on a 3.0% discount rate in the IWG Report as an upper limit on the SC-CO_2 value to be used, not as an absolute value: the Board is directed to include an SC-CO_2 calculated "at a value no less than" that produced by use of the 3.0% discount. Thus, the Board may refer to the EPA Report as well as the IWG Report; there is no "inconsistency."

Finally, the inclusion of the cost of global damages in the proposed SC-CO_2 does not cause the calculation of the Cost Cap to exceed the Board's authority under the CEA. As previously noted, by referencing the IWG value, the statute explicitly instructs the Board to include damages beyond those that are New Jersey-specific in its evaluation. Further, the sole limitation placed upon the Board's authority to set the SC-CO_2 in calculating the Cost Cap is the directive that it shall not use a value less than that produced by the 3.0% discount rate.[28]

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[24] N.J.S.A. 48:3-87.1(b)(1)(b).

[25] EPA Report at 1; Memorandum from the Interagency Working Group on Social Cost of Greenhouse Gases (December 22, 2023).

[26] EPA Report at 1.

[27] EPA Report at 10; Final Comments Summary Report – External Letter Peer Review of the Technical Support Document: Social Cost of Greenhouse Gas. May 4, 2023; EPA Responses to Peer Review Comments on EPA's 2022 Technical Report, "External Review Draft: Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances."

[28] Rate Counsel's discussion of the Offshore Wind Energy Development Act ("OWEDA"), N.J.S.A. 48:3-87.1, is not on point as Staff is proposing a recommendation for the value of the SC-CO_2 for the purpose of calculating the Cost Cap. Nonetheless, Staff notes that Rate Counsel incorrectly paraphrases OWEDA, which requires that the cost-benefit analysis for offshore wind projects include "an analysis of the anticipated environmental benefits and environmental impacts of the project," without any requirement that such benefits and impacts be localized within the State. N.J.S.A. 48:3-87.1(a)(10)(c).

Comment: CSG believes that the proposed cost cap does not fully acknowledge the potential benefits of avoided emissions because it does not account for GHG emissions beyond carbon dioxide. CSG furthers its argument citing N.J.S.A. 48:3-87 which provides direction to include other environmental attributes in addition to SC-CO_2.

Response: Staff agrees that there are benefits of other avoided emissions beyond CO_2. Both the IWG Report and the EPA Report reference broader GHG emissions and impacts in addition to those of CO_2 and on the climate. However, there is administrative complexity of attributing reductions in sulfur dioxide, nitrogen oxides, methane, and particulate matter emissions to Class I RE generation and appropriately calculating their social costs, either as GHG or air pollutants. Staff recommends only using the SC-CO_2 but recognizes that even the updated value of the SC-CO_2 may substantially understate the environmental and social benefits of RE.

Comment: CSG recommends that the Board utilize the PJM Peak Marginal Emission Rate as opposed to the PJM Average Emission Rate in calculating the SC-CO_2. CSG believes that the Peak Marginal Emission Rate is most reflective of the true benefits of new solar installations, and it yields more accurate emissions savings than currently calculated by the Average Emission Rate for 2022.

Response: Staff refers to the Board's response to similar comments when the Cost Cap Calculation Rule was adopted:[29]

> The cost cap calculation requires that the Board include an estimate of the environmental savings associated with the clean energy generation in the Cost Cap-Applicable Programs. Estimating the tons of CO_2 not emitted by electric generators in the PJM region as a result of the Cost Cap-Applicable Programs means conducting a "but-for" analysis that compares the tons of CO_2 that were emitted compared with the tons of CO_2 that would have been emitted in the absence of these Cost Cap-Applicable Programs. PJM wholesale markets are cleared on price, rather than emissions, meaning that the emissions profile of the generating unit that is displaced will vary. It cannot be assumed that the Cost Cap-Applicable generation always displaces the highest source of emission. The Board is concerned that using "marginal" rather than "average" emissions would overestimate the environmental benefits associated with the clean energy generation measured under the cost cap. While it is possible that using "average" emissions may underestimate the environmental savings, the Board believes that this simpler and more straightforward approach is safer and more appropriate. Additionally, the Board notes that the environmental disclosure labels used to inform third-party supplier customers regarding the emissions profile of their energy purchases use "average" emissions. Therefore, the Board declines to make the change requested by the commenter.

Comments on the Credibility of Sources Used to Calculate the SC-CO_2 Value:

Comment: Rate Counsel also objects to the use of the updated number in the EPA Report on the grounds that SC-CO_2 estimates have fluctuated widely between the Obama, Trump, and Biden administrations: the commenter notes that the SC-CO_2 has swung from $1–$7 in the first Trump administration, to $233 in the EPA Report, and now to effectively zero (federal agencies

[29] 54 N.J.R. 1179(b).

have now been instructed to ignore the SC-CO_2 in the absence of a statutory directive). Rate Counsel states that that the Board should not "anchor" the Cost Cap calculation to such a volatile number because doing so will expose ratepayers to undue risk. According to Rate Counsel, relying on a federal SC-CO_2 will undermine the CEA's goal of ensuring that clean energy investment remains affordable for ratepayers.

Response: While Rate Counsel is correct in noting the volatility of the SC-CO_2 at the federal level, it errs in its claim that the Board is exposing ratepayers to risk by "anchoring" the Cost Cap calculation to that value. The statute does not mandate the use of a federal number and neither do the Cost Cap Calculation Rules. Rather, both the statute and the rule set a floor on the SC-CO_2 value that may be used. The Board has in the past and continues now to comply with the statutory directive to use an SC-CO_2 value based on a discount level that is no higher than the 3.0% discount "midpoint" of the IWG Report. In certifying the EY 2022 and EY 2023 Cost Caps, the Board looked to the IWG Report and what was then the most recent science provided by a federal report. In certifying the EY 2024 Cost Cap, the Board continues to look to the IWG Report and has also looked to the EPA Report and a higher SC-CO_2. However, in none of these proceedings has the Board "anchored" the Cost Cap calculation to a specific report or number. Instead, the Board has consistently looked to authoritative scientific data to inform its decisions on the appropriate evaluation of the costs and benefits of its solar programs.

Comment: Rate Counsel believes that adoption of the EPA's estimate is premature. In Rate Counsel's opinion, the value is not finalized, lacks formal interagency endorsement and was not adopted through a process "consistent with prior federal standards." In addition, Rate Counsel believes that there is a high risk of a policy mismatch between state and federal government and of "regulatory whiplash" that Rate Counsel believes will diminish ratepayer confidence in the stability of Board-administered programs. Finally, Rate Counsel notes that the Board is managing multiple additional programs and asserts that accepting the recommended SC-CO_2 would introduce a politically volatile metric into the Cost Cap calculation and lead to a higher clean energy budget and less cost-effective clean energy resources across a range of programs.

Response: First, Staff notes the Board is not adopting the SC-CO_2 value from the EPA Report. Rather, the Board finds that the Cost Cap was not exceeded using SC-CO_2 value from either the IWG Report or the EPA Report. To the extent that Rate Counsel critiques the value in the EPA Report as premature, Staff disagrees with this characterization. The EPA Report was years in the making and benefited from updated studies and data. Rate Counsel objects that the EPA Report was not "peer reviewed," but in fact the EPA submitted the report for external review, including a panel of experts.[30] In addition, the EPA conducted a multi-year public comment process that included responding to thousands of commenters.[31] Rate Counsel's claim that the updated number was not adopted through a process consistent with prior federal standards appears to mean that this number was not produced by the IWG; as discussed above, the Board is not bound to using numbers from any one source. Staff is not recommending the use of one value over the other. Rather, Staff recommends that the Board take note of the most recent science as well as the science available at the time of the IWG Report in 2016.

Comment: CSG commends the Board for using the 2023 EPA Report because it draws upon data from over 400 scholarly articles and sources plus provides much needed improvement in estimating the social cost of GHG from the last values produced by the IWG in May 2013.

[30] EPA Report at 10.

[31] https://www.regulations.gov/docket/EPA-HQ-OAR-2021-0317

However, CSG believes that the 2023 EPA Report likely understated the full economic costs of global warming because it omits severe weather impacts, wildfires, and ocean acidification.

Response: Staff thanks CSG for its support, but notes that the Board does not need to choose and is not choosing between the values in the two reports. Staff acknowledges that both reports may understate the full economic costs of global warming; however, at this time, the Board's primary concern is compliance with the Cost Cap.

Comments on the Risks of Adoption:

Comment: Rate Counsel claims that the SC-CO_2 value of $245/ton would undermine the Cost Cap and create the illusion of "negative" RE costs by netting the cost of the Cost Cap-Applicable Programs against environmental benefits whose dollar value exceeded those programs' cost. As an example, Rate Counsel points to a table in which the annual estimated marginal SC-CO_2 is compared to the annual marginal cost of Renewable Energy Credit ("REC") retirements and notes that the EPA Report SC-CO_2 for EY 2023 exceeds the marginal value of REC retirements in that year by $11.00. Such a result is unreasonable, argues Rate Counsel, for it appears to indicate that the Cost Cap-Applicable Programs are actually reducing ratepayers' bills, or at least providing dollar benefits far in excess of the program costs. In Rate Counsel's opinion, such benefits are theoretical and are far outweighed by the actual dollar cost of the programs to ratepayers; Rate Counsel estimates that ratepayers' bills are increasing by 6%-8% annually due to the clean energy programs. Rate Counsel calculates that the recommended SC-CO_2 would nearly double the spending cap, allowing program costs to rise by up to $2.6 billion, or an average residential ratepayer cost of $17.75 per month, before the cap was reached. On the other hand, were the Board to continue using the SC-CO_2 from the IWG Report, Rate Counsel states that the resulting cost cap would likely require the Board to reduce spending on RE.

Response: Staff notes that the Board is not adopting the SC-CO_2 value of $245/ton and that the Cost Cap will not be exceeded using either value. However, Rate Counsel is wrong to call the higher value "inflated" or "unreasonable." As previously discussed, the increased value of the SC-CO_2 in the EPA Report is based on sound science and a thorough public process. Both the Board and Staff take affordability concerns extremely seriously and are committed to carefully evaluating ratepayer impacts in the design of all Board programs. Finally, Staff notes that the Cost Cap-Applicable Programs act to directly reduce carbon emissions in the State and their associated cost. Staff estimates that in EY 2024 alone, if the total MWh generated by NJ solar systems[32] are multiplied by the average carbon emissions per MWh of emission in PJM,[33] the Cost Cap-Applicable Programs have reduced carbon emissions by over six million tons.

Comments on the Impact on New Jersey and Ratepayers:

Comment: Rate Counsel claims that the SC-CO_2 proposal will have ramifications that go beyond the renewable energy costs contained in the Cost Cap calculation, as this value will set the precedent for valuing environmental externalities. Noting that the SC-CO_2 is part of the New Jersey Cost Test used to evaluate energy efficiency and peak demand reduction spending, Rate

[32] *NJ RPS Compliance History*, https://njcleanenergy.com/files/file/rps/EY24/EY%2024%20RPS%20Compliance%20Results%202004%20to%202024(1).pdf

[33] *Emission Rates in PJM Reach All-Time Low*, PJM INSIDE LINES (Mar. 28, 2024), https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/

Counsel asserts that use of the updated SC-CO_2 in the Triennium 2 proceeding would have justified as cost efficient almost a billion additional dollars of expense. Rate Counsel also expresses concern about increased spending on offshore wind, stating that since environmental benefits such as avoided emissions of carbon and other GHG are quantified and included in the cost-benefit analysis for offshore wind projects, an increased SC-CO_2 could justify more expensive projects. In addition, Rate Counsel notes that just as higher SC-CO_2 values can lead to increased spending, higher values for other GHG emissions such as methane gas will have the same effect.

Response: Rate Counsel's concern regarding the valuation of offshore wind is irrelevant in this proceeding. The Board is not adopting the SC-CO_2 included in the EPA Report. With respect to the potential use of the updated SC-CO_2 in future energy efficiency and peak demand reduction proceedings, this lies outside the scope of this proceeding. Rate Counsel raises a valid concern regarding the cost of these programs to the ratepayer. As noted above, the Board continues to balance those costs against the benefits provided by the Cost-Cap Applicable Programs.

Comment: CSG alerts that New Jersey is at risk for significant climate-driven impact under global warming scenarios due to the State's robust coastal infrastructure and low-lying terrain, specifically flooding of homes and businesses, destabilized building foundations due to rising water tables, low air quality, and increase spread of infectious disease which are heightened during extreme weather (heat domes, hurricanes, and wildfires). Therefore, CSG asserts that these impacts represent real costs to New Jersey families and businesses and should be accounted for in the SC-CO_2 value as a first step of mitigating these impacts.

Response: Staff agrees with CSG that New Jersey communities are facing climate impacts that can result in increased costs for families and businesses. Staff agrees that these impacts should be mitigated but, as discussed above, declines to recommend including additional factors in the SC-CO_2 value at this time beyond those considered in the EPA report.

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[34], Staff trued up the estimated Cost Cap for EY 2024 and updated the forecasts of the Cost Cap for EY 2025 and EY 2026 to reflect new data that has become available. 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 such 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

[34] 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").

by the energy and environmental savings attributable to those programs. Staff has updated the data used as inputs to the calculation of the numerator to reflect the EY 2024 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 Transition Renewable Energy Certificates ("TRECs") retired, and the quantity and price of SREC-IIs retired.

As noted above, the energy and environmental benefits of these programs are subtracted from their costs as required by the CEA and the Cost Cap rules. To calculate energy savings, Staff used an estimate of the difference between actual energy and capacity costs reported by Pennsylvania-New Jersey-Maryland Interconnection ("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 used the same energy and capacity DRIPE values as were used in the Board's July 2021 Order and applied these values to updated solar installed capacity and total New Jersey electricity sales figures. To estimate environmental benefits, Staff calculated the CO_2 emissions reductions attributable to the Cost Cap-Applicable Programs by multiplying the tons of CO_2 reduced as a result of the Cost Cap-Applicable Programs by the value of each ton of emissions avoided, as published in the IWG Report and the EPA Report. In determining the reduction in CO_2 emissions, Staff relied on publicly available estimates of the average carbon intensity of electric generators in the PJM region produced by PJM, updated through 2023.[35] As noted above, in EY 2024 alone the total MW generated by the New Jersey systems, multiplied by the average carbon emissions per MWh of emission in PJM, produces a reduction in carbon emissions of over six million tons. Regardless of whether the value attributed to the avoided CO_2 emissions is based on values provided in the EPA Report or the IWG Report, the Cost Cap is not exceeded.

At the time the Cost Cap calculations for EY 2022 were performed, the SC-CO_2 was estimated to be $57/ton which, adjusted for inflation, was $62/ton in May 2024 dollars.[36] Had the Board used 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 have been approximately 6.29% of the total paid for electricity by New Jersey electric customers.[37] At the time the May 2024 Cost Cap Order issued, the most recent estimate of the SC-CO_2 was estimated to be $204/ton or adjusted for inflation, a value of $233/ton.[38] Had the Board used the most recent estimated SC-CO_2 value in calculating the net cost or net benefits of the Cost Cap-Applicable Programs for EY 2023, those programs would have yielded a net benefit equal to approximately 2.56% of the total paid for electricity by New Jersey electric customers.[39]

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[35] Emission Rates in PJM Reach All-Time Low, PJM Inside Lines (Mar. 28, 2024), https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/.

[36] 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 ("May 2023 Order").

[37] The cost cap calculation using the prior federal estimate for SC-CO_2 was attached to the May 2024 Cost Cap Order as Appendix A-1.

[38] 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.

[39] The cost cap calculation using the most recent SC-CO_2 was attached to the May 2024 Cost Cap Order

Using either metric, the amount spent on the Cost Cap-Applicable Programs for EY 2023 fell below the Cost Cap and complied with the statutory directive. The Board certified the calculations in Appendix A-1, which incorporated the SC-CO_2 used in calculating the Cost Cap in EY22, adjusted for inflation. For purposes of considering the use of the updated SC-CO_2 number in future calculations, the Board directed Staff to conduct a proceeding that would provide notice and an opportunity to be heard on the use of this metric. Staff has conducted that proceeding, and responses to the comments received are provided above.

Staff is providing calculations incorporating the SC-CO_2 from both the IWG Report and the EPA Report. As previously stated, the Cost Cap is not exceeded regardless of which metric is used. Thus, the Board does not need to choose between the values at this time and Staff does not recommend that the Board adopt either value.

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.[40] Staff used data from the most recent published report available at the time of the calculation, which provides data as of March 31, 2025.

With respect to forecasting the Cost Cap, Staff recommends maintaining the same underlying approach to estimating data inputs for future EYs as was used to inform the Cost Cap determinations made in the Board's July 2021, May 2022, May 2023 and May 2024 Orders.[41] The EY 2024 average SREC price represented 95% of the SACP. Staff recommends that the Board maintain the same approach to modeling future SREC prices and use a base assumption of 95% of the SACP for EY 2024.

However, Staff recommends adjustments to several other assumptions in order to match the most recent available data. Staff has adjusted the forecast for ADI Program costs to reflect the anticipated capacity of projects achieving commercial operation in EY 2025 (as opposed to merely registering). For example, 192 MW of net metered residential projects have registered in the ADI Program through April 21, 2025, but based on historical trends, Staff anticipates that roughly 70% or 134 MW will achieve commercial operation.

Additionally, in the prior iteration of the Cost Cap calculation, Staff used a fixed assumption of $25.67/Class I REC. The latest RPS compliance report indicates that the EY 2024 Class I weighted average price was $31.76. Accordingly, Staff recommends using the higher EY 2024 price to forecast Class I REC prices for future EYs.

Rather than using a multi-year average to forecast the total cost paid for electricity by all customers in the State as done in the past, Staff recommends looking at the current EY 2025 growth in data from the EIA to forecast EY 2025 and 2026. This methodology will produce more realistic estimates of the delivered electricity in comparison to the costs.

Staff's updated Cost Cap calculations and forecasts are provided in Appendices A-1 and A-2.

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as Appendix A-1.

[40] https://www.njcleanenergy.com/renewable-energy/project-activity-reports/project-activity-reports.

[41] In re a Successor Solar Incentive Program Pursuant to P.L. 2021, c. 169, BPU Docket No. QO20020184, Order dated May 22, 2024 ("May 2024 Order").

These appendices include the true-up calculation of the Cost Cap for EY 2024, an estimate for EY 2025, and a forecast for EY 2026. Appendix A-1 incorporates the SC-CO_2 from the IWG Report while A-2 incorporates the SC-CO_2 from the EPA Report. As demonstrated in both sets of calculations, the Cost Cap was not exceeded in EY 2024, nor is it forecast to be exceeded in EY 2025 or EY 2026.

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 allow the Board 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 added a new megawatt block allocation of 50 MW per year for projects eligible for the new RNM market segment in the ADI Program.

The Board considers several factors in setting the ADI Program MW blocks, 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;
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."[42] As noted above, the Board opened the revised RNM market segment in the ADI Program in December 2024.

The ADI Program opened for new registrations on August 28, 2021. Capacity allocations are made by Board Order prior to start of a new Energy Year on June 1. 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.[43]

Table 1 below shows Staff's recommended EY 2026 MW blocks:

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

[43] 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: MW Blocks for EY 2025[44] and 2026

System Type	Size	EY 2025 MW Block	EY 2026 MW Block
Net Metered Residential (1)	All sizes	275 MW	250 MW
Net Metered Non-Residential (all installation types) (2)	All sizes at or below 5 MW	125 MW	150 MW
Remote Net Metering	All sizes at or below 5 MW	50 MW	50 MW
Community Solar (3)	All sizes at or below 5 MW	500 MW	Unused EY 2025 capacity

Per the table above, Staff notes the following:

1) In establishing a MW allocation for the residential market segment in EY 2026, Staff recommends the Board consider the moderate project completion rate in the ADI Program, where approximately 70% of registered residential projects reached completion in the past 12 months. As of April 21, 2025, residential projects in EY 2025 have averaged approximately 4.2 MW per week. At this pace, annualized registration capacity would total 197 MW. Staff notes 192 MW of capacity has been registered with 6 weeks remaining in EY 2025. Weekly registration rates fluctuated between an average 3.7 MW in non-peak periods and 4.5 MW during peak months. The increased residential registration activity may be driven by moderating inflation, expectations of lower interest rates, heightened concern by solar developers as the end of the EY 2025 and its capacity allocation nears, and uncertainty surrounding tariff increases. EY 2025 also experienced continued bankruptcies in the market and the exit of several national solar developers.

2) During EY 2023, 2024, and 2025, registrations in the net metered non-residential MW block have continued to be lower than anticipated. Increased costs and interest rates continued in EY 2024 and EY 2025; 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 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.

3) Staff recommends that any remaining capacity from EY 2025 roll over at the start of EY 2026. Staff further recommends that the Board approve a new block allocation for Community Solar later in the year.

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 market segments within the non-residential MW block. This action was anticipated to increase the pace of

[44] EY 2025 MW block allocations reflect the reallocation approved in the March 2025 Order.

registrations within and the amount of capacity installed in the non-residential market segments. Therefore, the Board increased the allocation to 200 MW of capacity for this market segment. However, the anticipated increase in registrations did not occur, as evidenced by the need to reallocate capacity from the under-subscribed net-metered non-residential market segment in the March 2025 Order. In light of this experience, Staff recommends allocating 150 MW of capacity to the non-residential megawatt block.

The net-metered residential MW block, on the other hand, was on track to exceed its capacity allocation until the Board issued the March 2025 Order and increased its capacity by 75 MW. Staff, therefore, recommends increasing the capacity allocation for this market segment to 250 MW in EY 2026.

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 until after completion of the triennial review.

EY 2026 RPS Requirement

Finally, Staff recommends a waiver of the provision of the Board's rules increasing the RPS Class I REC requirement for EY 2026 from 35% to 38%. As set forth above, the Legislature has established as a goal for the State a 50% RPS by January 1, 2030, and the Board has codified in its rules a schedule of gradually increasing RPS percentages as steps on the path to that goal. However, recent developments have impacted both the supply and demand sides of New Jersey's energy market.

Although Staff's conclusion that the Cost Cap will not be breached means that the Board is not statutorily required to adjust the RPS requirement or take other steps to prevent exceedance of the cap, Staff is concerned about the impacts on New Jersey ratepayers of recent increases in electricity prices and of the contribution of the RPS requirement and the cost of Class I RECs to those costs, and recommends the Board use all available levers to control these costs.

The expansion of artificial intelligence and the data centers needed to support it has produced a sharp increase in the demand for energy across the country, including New Jersey. This jump in demand has come at a time when for several years the increase in energy supply, and in particular the increase in RE supply, has been severely constrained. Several factors contribute to this constraint, including in significant part the ongoing interconnection queue delays in PJM Interconnection, LLC ("PJM").[45] As a result of this delayed PJM interconnection process, there is currently a shortage of generation facilities creating energy eligible to serve as the basis for a Class I REC, which has sharply increased the cost of Class I RPS compliance. That cost is ultimately borne by ratepayers, who are also bearing increased costs based on the results of the latest PJM capacity market auction. Although PJM has been making some changes to address these issues following advocacy by the Board and other stakeholders, additional time is needed to see the results of the changes, and action to control costs for ratepayers is needed in the

[45] Letter from Mark Takahashi to PJM Stakeholders (Dec. 9, 2024), https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20241209-board-letter-outlining-action-on-capacity-market-adjustments-rri-and-sis.pdf.

immediate term. It is for this reason that Staff recommends a change to the RPS requirement.

Specifically, Staff recommends that, in light of the sharp increase in the cost of Class I RECs and in the context of other energy cost increases, the Board waive its rule that increases the RPS requirement to 38% for EY 2026, allowing the RPS to remain at 35% for the coming energy year. The State would benefit from allowing Class I REC prices stabilize in the near term and take advantage of potentially lower prices closer to the 50% compliance date in 2030.

In addition, Staff recommends that the Board direct Staff to conduct a public stakeholder proceeding to examine and, if necessary, recommend changes to the Board's rules that establish the schedule of increases in the RPS for EY 2027 through 2031.

DISCUSSION AND FINDINGS

After a careful review of the record and of Staff's recommendations, 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 notes that the federal estimate of the SC-CO_2 increased significantly from the IWG Report to the EPA Report. Pursuant to the Board's direction, Staff conducted a stakeholder proceeding that provided notice and an opportunity to be heard on the assumptions used in the Cost Cap calculations and the implications for the Cost Cap. The Board **FINDS** that the public has had notice and an opportunity to be heard on the change to the Cost Cap assumptions.

The Board has carefully considered the comments that were received as well as the data on the costs of climate change and the impact of New Jersey's solar programs on the costs. The Board **FINDS** that the Cost Cap-Applicable Programs have mitigated CO_2 emissions by over six million metric tons in EY 2024. The Board is bound by the statutory language – not only the language creating the Cost Cap but also the language directing it to offset the cost of the Cost Cap-Applicable Programs with their environmental and economic benefits. The societal understanding of those benefits, and the science informing that understanding, are dynamic and not static. However, the Board is also mindful of the cost of the State's solar programs and the impact on ratepayers and continues to look critically at the cost of all its programs. To mitigate the impact on ratepayers, especially low- and moderate-income customers, the Board explores all avenues to provide relief to them. Compliance with the Cost Cap is one way in which ratepayers are protected. For purposes of certifying that the Cost Cap has not been exceeded in EY 2024, the Board **FINDS** that both the values from the IWG Report and the EPA Report produce a result compliant with the Cost Cap. The Board **CERTIFIES** that the Cost Cap was not exceeded in EY 2024 and is not forecast to be exceeded in EY 2025 or EY 2026, as indicated by the calculations in Appendices A-1 and A-2. Therefore, the Board **FINDS** that the Cost Cap does not serve as a constraint for EY 2026 ADI Program incentive allocations at this time.

In light of these findings, the Board **ORDERS** Staff and the ADI Program registration manager to open new EY 2026 capacity allocations for the net-metered market segments, as defined in Appendix B, on June 1, 2025. 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, 2026, whichever occurs first.

Turning to Staff's recommendation to freeze the scheduled increase in the RPS, the Board **FINDS** that the Class I REC market is experiencing an unprecedented increase in Class I REC prices. The Board also agrees that this increase has occurred primarily as a result of the delayed PJM interconnection process, in conjunction with a sharp increase in demand. Mindful of the impact this increase has on New Jersey ratepayers, the Board will perform the analysis required to determine if a waiver of the RPS standard codified in its rules is justified.

The Board is authorized to relax or waive its rules pursuant to N.J.A.C. 14:1-1.2, which provides that the rules may be liberally construed to permit the Board to carry out its statutory functions. In considering whether to grant a waiver, the Board looks to the standards provided in this rule. In special cases upon a showing of good cause, the Board may relax or permit deviations from the rule. N.J.A.C. 14:1-1.2(b). Additionally, the Board shall waive sections of a rule that adversely affects ratepayers, hinders safe, adequate and proper service, or if the waiver is in the interest of the general public. N.J.A.C. 14:1-1.2(b)(1). In determining whether to waive the provision of N.J.A.C. 14:8-2.3(a) that increases the Class I REC requirement of the RPS from 35% to 38% for EY 2026, the Board weighs the State's renewable energy development goals and its interest in controlling the electricity costs borne by ratepayers.

In considering the scheduled increase to the RPS for the coming energy year, the Board is cognizant of the delay in growth of new renewable energy generation in the PJM territory. The Board **FINDS** that there is a shortage of new renewable generation facilities able to create energy eligible to serve as the basis for Class I RECs. In addition, the Board notes the increase in the price of Class I RECs from approximately $13 in EY 2019 to approximately $31 in EY 2024. Furthermore, the Board is mindful of the approximately 20% increase in retail electric rates that will take place on or shortly after June 1, 2025, for New Jersey ratepayers. Thus, the unprecedented increase in Class I REC prices is occurring in the context of an unprecedented increase in basic electric rates. In these conditions, the Board **FINDS** that there is good cause to permit a deviation from the schedule or RPS increases. The Board **FURTHER FINDS** that strict adherence to the rule will adversely affect the ratepayer. Therefore, the Board now **WAIVES** the requirement of N.J.A.C. 14:8-2.3(a) that the percentage of the electricity sold for EY 2026 that must come from Class I renewable energy sources increase from 35% to 38% and **ORDERS** that the RPS Class I REC requirement for EY 2026 shall remain at 35%.

In taking this action, the Board is mindful of the statutory mandate to arrive at a Class I RPS of 50% as of January 1, 2030, and remains committed to the State's 100% clean electricity goals. The Board, therefore, **DIRECTS** Staff to conduct a stakeholder proceeding to examine the increases in the RPS from EY 2027 through EY 2031 to determine how the cost to the ratepayer may best be mitigated in the achievement of the statutory goal.

The effective date of this Order is May 28, 2025.

DATED: May 21, 2025

BOARD OF PUBLIC UTILITIES
BY:

CHRISTINE GUHL-SADOVY
PRESIDENT

DR. ZENON CHRISTODOULOU
COMMISSIONER

MARIAN ABDOU
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 A SUCCESSOR SOLAR INCENTIVE PROGRAM PURSUANT TO P.L. 2021, C.169

IN THE MATTER OF CERTIFICATION OF ENERGY YEAR 2024 COST CAP CALCULATION AND SETTING ADI PROGRAM MEGAWATT BLOCKS FOR ENERGY YEAR 2026

DOCKET NOS. QO20020184 and QO25030113

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APPENDIX A-1: Estimates of Cost Cap and Applicable Incentive Costs EY 2019 – 2026 Using the Social Cost of Carbon from the 2016 IWG Report

	Numerator Costs				Numerator Benefits			Numerator: Total Net Costs	Denominator
Energy Year	SRECs ($)	TRECs ($)	Non-Solar Class I RECs ($)	SREC-IIs ($)	Energy DRIPE ($)	Capacity DRIPE ($)	CO2 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	9,694,400,000
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	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 (True-up)	653,253,442	129,670,848	458,896,788	31,439,809	3,240, 051	119,322,537	415,200,716	735,497,583	11,271,215,000
2025 (Estimate)	701,782,600	152,727,206	647,988,126	67,568,636	3,551,740	130,801,223	569,056,272	866,657,333	12,656,659,000
2026 (Forecast)	632,553,264	158,948,273	698,174,879	139,979,683	3,988,707	146,893,567	619,641,618	859,132,208	13,944,238,190

	Annual Cost Cap Calculation (%)	Annual Cost Cap Limit		Annual Head Room Available	Annual Head Room with Carry Over (EY19 – EY26)
Energy Year	((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	6.29%	7%	771,294,160	77,848,768	1,445,403,139
2024 (True-up)	6.53%	7%	788,985,050	53,487,467	1,495,537,606
2025 (Estimate)	6.85%	7%	885,966,130	19,308,797	
2026 (Forecast)	6.16%	7%	976,096,673	116,964,465	

Notes:
Actual values from the EY 2019 to EY 2024 Renewable Portfolio Standard are highlighted in gray.

APPENDIX A-2: Estimates of Cost Cap and Applicable Incentive Costs EY 2019 – 2026 Using the Social Cost of Carbon from the 2023 EPA Report

	Numerator Costs				Numerator Benefits			Numerator: Total Net Costs	Denominator
Energy Year	SRECs ($)	TRECs ($)	Non-Solar Class I RECs ($)	SREC-IIs ($)	Energy DRIPE ($)	Capacity DRIPE ($)	CO2 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	9,694,400,000
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	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 (True-up)	653,253,442	129,670,848	458,896,788	31,439,809	3,240, 051	119,322,537	1,564,987,313	(414,289,014)	11,271,215,000
2025 (Estimate)	701,782,600	152,727,206	647,988,126	67,568,636	3,551,740	130,801,223	2,144,904,410	(709,190,805)	12,656,659,000
2026 (Forecast)	632,553,264	158,948,273	698,174,879	139,979,683	3,988,707	146,893,567	2,335,572,254	(856,798,428)	13,944,238,190

	Annual Cost Cap Calculation (%)	Annual Cost Cap Limit		Annual Head Room Available	Annual Head Room with Carry Over (EY19 – EY26)
Energy Year	((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	6.29%	7%	771,294,160	77,848,768	1,445,403,139
2024 (True-up)	-3.68%	7%	788,985,050	1,203,274,064	2,645,866,814
2025 (Estimate)	-5.60%	7%	885,966,130	1,595,156,935	
2026 (Forecast)	-6.14%	7%	976,096,673	1,832,895,101	

Notes: Actual values from the EY 2019 to EY 2024 Renewable Portfolio Standard are highlighted in gray.

APPENDIX B: Summary of Energy Year 2026 Megawatt Blocks

Market Segment	**Size** (measured in MWdc)	**MW Blocks for EY 2026**
Net Metered Residential	All types and sizes	250 MW
Small Net Metered Non-Residential, Rooftop, Carport, Canopy, and Floating Solar	All projects smaller than 1 MW	150 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 2025 capacity)*

* The Board will open a new block allocation for Community Solar later in the year.