

SENATE, No. 431

STATE OF NEW JERSEY 220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

Senator BOB SMITH

District 17 (Middlesex and Somerset)

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District 14 (Mercer and Middlesex)

SYNOPSIS

Directs BPU to update interconnection standards for Class I renewable energy sources and develop fixed fee structure for interconnection costs.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** concerning Class I renewable energy and supplementing
2 Title 48 of the Revised Statutes.

3

4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6

7 1. a. No later than 18 months after the effective date of this
8 act, the Board of Public Utilities shall adopt, pursuant to the
9 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-
10 1 et seq.), rules and regulations that establish safety and power
11 quality interconnection standards for Class I renewable energy
12 source systems in the State. The interconnection standards shall
13 conform to the model standards promulgated by the Interstate
14 Renewable Energy Council in its "Model Interconnection
15 Procedures (2019)," including the pre-application process described
16 in the model standards, unless the board determines that there are
17 compelling reasons that a provision in the model standards would
18 be impracticable in New Jersey, in which case that provision may
19 be modified to the extent deemed necessary by the board. The
20 interconnection standards shall also conform to the provisions of
21 subsections b. through d. of this section, provided that, if any of
22 those provisions are inconsistent with the model standards
23 promulgated by the Interstate Renewable Energy Council, the board
24 shall adopt standards pursuant to the provisions of subsections b.
25 through d. of this section.

26 b. (1) The board shall establish a set of fixed, one-time
27 interconnection fees, to be known as "grid modernization fees," that
28 shall be paid by the owner of a Class I renewable energy project to
29 an electric public utility to defray the costs of the project's
30 interconnection to the grid, including, but not limited to, costs
31 related to administrative tasks, studies, infrastructure upgrades, and
32 grid upgrades carried out by the electric public utility. The grid
33 modernization fees shall be assessed per kilowatt of energy to be
34 produced by the Class I renewable energy source and may be
35 divided into tiers based on the total amount of energy to be
36 produced by the energy source, the type of energy source, or any
37 other category deemed appropriate by the board.

38 (2) For the first three years during which the grid modernization
39 fees are in effect, the fee for a residential, net-metered Class I
40 renewable energy source less than or equal to 10 kilowatts in size
41 shall be no more than \$50 per kilowatt.

42 (3) The board may adjust the fees every three years, and this
43 adjustment process shall be exempt from the requirements of the
44 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-
45 1 et seq.), provided that each adjusted set of fees is published in the
46 New Jersey Register prior to going into effect.

47 c. (1) Any interconnection costs paid by an electric public utility
48 in excess of the amount recovered through the Grid Modernization

1 Fee may be recovered by the electric public utility from its
2 ratepayers either in base rates or as a current expense recovery
3 through a customer surcharge or tariff rider, subject to the approval
4 of the board.

5 (2) The cost of any infrastructure upgrade that is necessary to
6 render a segment of the electric grid capable of interconnection to
7 an additional distributed Class I renewable energy source shall also
8 be recoverable by an electric public utility pursuant to this section,
9 provided that the utility demonstrates that the upgrade is necessary
10 and in the public interest at a rate case proceeding.

11 (3) The board is authorized to approve a rate increase, customer
12 surcharge, or tariff rider for the purposes enumerated in this
13 subsection.

14 d. The board shall establish maximum interconnection costs,
15 for each category of grid modernization fee, in per-kilowatts
16 amounts determined to be in the public interest by the board, such
17 that a Class I renewable energy project with estimated
18 interconnection costs in excess of this maximum amount shall be
19 eligible for cost recovery pursuant to subsection c. of this section
20 only up to the applicable maximum interconnection cost. The board
21 may update or adjust a maximum interconnection cost every three
22 years, and this process shall be exempt from the requirements of the
23 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-
24 1 et seq.), provided that each updated maximum interconnection
25 cost is published in the New Jersey Register prior to going into
26 effect.

27 e. No later than 12 months after the adoption of rules and
28 regulations pursuant to subsection a. of this section, the board shall
29 submit a report to the Governor and, pursuant to section 2 of
30 P.L.1991, c.164 (C.52:14-19.1), to the Legislature on the
31 implementation of the interconnection standards and grid
32 modernization fees pursuant to this section. The report shall
33 include an analysis of the economic impact of the standards and
34 fees, and their effect on the State's progress towards meeting the
35 goals established by the "Global Warming Response Act,"
36 P.L.2007, c.112 (C.26:2C-37 et seq.), and may include
37 recommendations for future legislative or regulatory action.

38 f. As used in this section:

39 "Board" means the New Jersey Board of Public Utilities or any
40 successor agency.

41 "Class I renewable energy" means the same as that term is
42 defined in section 3 of P.L.1999, c.23 (C.48:3-51).

43 "Electric public utility" shall have the same meaning as provided
44 in section 3 of P.L.1999, c.23 (C.48:3-51).

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46 2. This act shall take effect immediately.

STATEMENT

This bill would direct the Board of Public Utilities (BPU) to update the safety and power quality interconnection standards for certain renewable energy systems in the State, and to establish a fixed fee structure for the costs of interconnection of those projects to the electric grid.

Specifically, the bill would direct the BPU to adopt rules and regulations, no later than 18 months after the bill's enactment, which establish interconnection standards for Class I renewable energy source systems. "Class I renewable energy" is defined in the law as "electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, small scale hydropower facilities with a capacity of three megawatts or less and put into service after the effective date of P.L.2012, c.24, methane gas from landfills, methane gas from a biomass facility provided that the biomass is cultivated and harvested in a sustainable manner, or methane gas from a composting or anaerobic or aerobic digestion facility that converts food waste or other organic waste to energy."

The bill would direct the BPU to adopt standards that conform to the model interconnection procedures promulgated by the Interstate Renewable Energy Council in its "Model Interconnection Procedures (2019)" document, unless there is a compelling reason why a provision in that document is infeasible to adopt in New Jersey.

The bill would also direct the BPU to establish a fixed fee schedule for interconnection fees, which are paid by the owners or developers of renewable energy systems to electric utilities to defray the costs of interconnection, including administrative tasks or studies carried out by the utility, and infrastructure upgrades necessary for the safe operation of the renewable energy system. The bill would designate these fees as "grid modernization fees," and would authorize the BPU to develop tiers for the fees, for example based on the size of the system or the source of the energy (e.g. solar or wind). The bill would authorize the BPU to update the fee structure every three years. The bill would also stipulate that, for the first three years the fees go into effect, the fee for a residential, net-metered system of 10 kilowatts or less would be no more than \$50 per kilowatt.

The bill would authorize electric public utilities to recover interconnection costs in excess of the amount recovered through grid modernization fees from the customers of the utility, either through the utility's base rate or through a surcharge. In addition, the bill would authorize electric utilities to recover costs of any infrastructure upgrades that are necessary to render a segment of the electric grid capable of new interconnections by renewable energy

1 systems, provided that the utility demonstrates that the upgrades are
2 necessary and in the public interest at a rate case proceeding.

3 The bill would direct the BPU to establish a schedule of
4 maximum interconnection costs, and authorize the BPU to adjust
5 this schedule every three years. Utilities that incur interconnection
6 costs for a renewable energy project above this cost threshold
7 would only be authorized by the bill to recover an amount up to the
8 maximum cost from their customers.

9 Finally, the bill would direct the BPU to submit a report to the
10 Governor and the Legislature on the implementation of the
11 interconnection standards and grid modernization fees adopted
12 pursuant to the bill. The report would be required to include an
13 analysis of the economic impact of the standards and fees, and their
14 effect on the State's progress towards meeting the goals established
15 by the "Global Warming Response Act," P.L.2007, c.112 (C.26:2C-
16 37 et seq.). The report could also include recommendations for
17 future legislative or regulatory action.