SENATE ENVIRONMENT AND ENERGY COMMITTEE

STATEMENT TO

SENATE, No. 212

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 2024

The Senate Environment and Energy Committee reports favorably Senate Bill No. 212.

This bill directs 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 directs 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 directs 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 also directs 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 designates 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 authorizes the BPU to update the fee structure every three years. The bill also stipulates 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 authorizes 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 authorizes 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 systems, provided that the utility demonstrates that the upgrades are necessary and in the public interest at a rate case proceeding.

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

The bill also directs the BPU to establish provisions in the interconnection standards which provide for greater enforceability of interconnection timelines promulgated by electric utilities, including monetary penalties for utilities that fail to meet the timelines.

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

This bill was pre-filed for introduction in the 2024-2025 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.