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Solar Massachusetts Renewable Target 3.0 Annual Program Year Report: Program Year 2026

Massachusetts Department of Energy Resources

December 2025

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Acronyms

AC	Alternating Current
ATB	Annual Technology Baseline
CSS	Community Shared Solar
DOER	Department of Energy Resources
EDC	Electric Distribution Company
GHG	Greenhouse Gas
ITC	Investment Tax Credit
kW	Kilowatt
LBNL	Lawrence Berkeley National Laboratory
LCOE	Levelized Cost of Energy
MW	Megawatt
NREL	National Renewable Energy Laboratory
SAM	System Advisory Model
SMART	Solar Massachusetts Renewable Target
STGU	Solar Tariff Generation Units

Introduction

On June 20, 2025, DOER filed emergency regulations establishing the SMART 3.0 Program under 225 CMR 28.00.[1] A key change in the SMART 3.0 Program is the yearly setting of the Program Year's components through the Annual SMART Program Assessment and the publication of the Annual Program Year Report under 225 CMR 28.05(2). The Annual Program Year Report sets the following components for the Program Year: the Annual Capacity Block, annual capacity allocation between EDC service territories, capacity set asides, the Base Compensation Rates, the Compensation Rate Adder values, the Flat Incentive Rate for STGUs less than or equal to 25 kW, and the adder value for Low Income STGUs less than or equal to 25 kW.

On August 29, 2025, DOER published the Annual Program Year Report for Program Year 2025 (PY25). DOER will ~~accept~~continue accepting applications under Program Year 2025 ~~from October 15, 2025, to~~until December 31, 2025.

On October 1, 2025, DOER published the draft Annual Program Year Report for Program Year 2026. As part of DOER's Annual SMART Program Assessment, DOER accepted public comments on the draft report until October 31, 2025, and received 15 sets of public comments.

This report contains the ~~proposed~~final program details for Program Year 2026 (PY26), which will be open for applications from January 1, 2026, to December 31, 2026. ~~DOER will accept public comments on this draft report until **5:00 PM on October 31, 2025**. Details on how to submit public comments can be found on DOER's website. After reviewing public comments, DOER will publish the final version of the Program Year 2026 Report on December 1, 2025.~~

All capitalized terms in this report are defined terms under 225 CMR 28.00.

Revisions from Draft 2026 Program Year Report

In their public comments, commenters raised concerns with the draft Base Compensation Rates, Energy Storage and Community Shared Solar Adders, and Annual Program Capacity, amongst other topics. Stakeholders also met with DOER to discuss their comments in further detail. In their feedback, stakeholders emphasized

[1] DOER filed an updated version of 225 CMR 28.00 with the Secretary of the Commonwealth on August 28, 2025, which went into effect upon publication in the Massachusetts Register on September 12, 2025.

the unique circumstances and uncertainty created by the passage of P.L. 119-21, One Big Beautiful Bill Act (Act), and the subsequent Treasury Notice 2025-42.[2] Among other provisions, the Act eliminated the solar investment tax credit (ITC). The Treasury Notice – published on August 15, 2025, following the completion of the industry survey DOER conducted under 225 CMR 28.05(1)(b) – defines the credit termination date for large projects that begin "physical work of a significant nature" prior to July 5, 2026.[3] Stakeholders have generally indicated that securing a Preliminary Statement of Qualification is a critical path item for project financing. This is even more so in Program Year 2026 given the need to secure the financing so that projects can start construction prior to the July 2026 deadline. Stakeholders in the solar development community have indicated to DOER that, given the additional risk of solar financing after the elimination of the ITC, they are no longer looking to develop "new" projects and are instead focusing on ensuring their current portfolio of projects come to fruition.

Massachusetts has rigorous emissions mandates for 2050.[4] Solar deployment across Massachusetts is a key pillar of Massachusetts strategy to meet these mandates. It is critical that Massachusetts capture the portfolio of projects currently in the development pipeline. In addition to supporting our emissions mandates, these projects will provide long-term benefits to ratepayers because they represent a significant source of clean energy generation that will transition the Commonwealth to a more resilient and affordable electric grid as electricity demand rises.[5]

DOER also now has the benefit of its preliminary application numbers for Program Year 2025, which were not available at the time of the draft report. As of the date of this report, DOER has received 387 applications for Program Year 2025 for 191.9 MW of total capacity, 21.3% of the available PY 2025 capacity. This number is significantly lower than initial estimates from Stakeholders during the SMART 3.0 rulemaking of approximately 750 MW of existing project pipeline capacity and indicates the

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[2] One Big Beautiful Bill Act, Pub. L. No. 119-21, H.R. 1, 119th Cong. (2025); Treasury Department & IRS, *Notice 2025-42: Beginning of Construction Requirements for Purposes of the Termination of Clean Electricity Production Credits and Clean Electricity Investment Credits for Applicable Wind and Solar Facilities* (Aug. 15 2025).

[3] Low output facilities, defined as less than 1.5 MW_{AC} capacity, may alternatively comply by demonstrating at least 5 percent of total project costs have been expended by the deadline.

[4] Massachusetts Clean Energy and Climate Plan for 2025 and 2030, June 30, 2022, https://www.mass.gov/doc/clean-energy-and-climate-plan-for-2025-and-2030/download

[5] Press Release, Executive Office of Energy and Environmental Affairs, Governor Healey to Solar Industry: Massachusetts is Open for Business, Sept. 29, 2025, https://www.mass.gov/news/governor-healey-to-solar-industry-massachusetts-is-open-for-business.

existence of a significant pipeline of projects that could be captured in Program Year 2026.

Based on the finalized Annual SMART Program Assessment and the public comments and stakeholder feedback received, DOER has revised the following elements of the PY 2026 Report:

- PY26 Base Compensation Rates
- PY26 Energy Storage Multiplier
- PY26 Annual Capacity Block
- PY26 Capacity Allocations and Capacity Set Asides

Program Year 2026 presents an extraordinary confluence of DOER's first Annual SMART Program Assessment amid substantial uncertainty in the clean energy market. This report reflects the work DOER did to balance the factors required to encourage the continued development of solar energy in a manner that maximizes benefits for the Commonwealth's ratepayers.

DOER will continue to refine the Annual SMART Program Assessment process for future Program Years and looks forward to working with stakeholders on that process.

Annual SMART Program Assessment

Per 225 CMR 28.05(1)(a), DOER ~~must consider~~considers several factors when determining the programmatic elements for the following Program Year. DOER ~~shall evaluate~~evaluates these factors in conjunction with the results of the annual survey of solar development costs and stakeholder comments to achieve a strategic balance between policy goals, desk research, and real-world conditions. This flexibility was intentionally built into the assessment process by DOER to account for externalities or anomalies that exist in the solar development marketplace.

Progress Toward GHG Emissions Limits

Pursuant to the Global Warming Solutions Act (St. 2008, c. 298, as amended and codified at M.G.L. c. 21N, "Chapter 21N") on December 21, 2022, the Secretary of the Executive Office of Energy and Environmental Affairs established a statewide greenhouse gas emissions limit and sector-specific sublimits for 2050.[6] The Clean

[6] Massachusetts Executive Office of Energy and Environmental Affairs, *Determination of Statewide Greenhouse Gas Emissions Limit and Sector-Specific Sublimits For 2050* (Dec. 21, 2022), https://www.mass.gov/doc/determination-letter-for-the-2050-cecp/download.

Energy and Climate Plan for 2050[7] (2050 CECP) identified pathways to achieve the established Power Sector Sublimit of 93% emissions reduction compared to 1990 levels. The 2050 CECP identified that Massachusetts will need an ~~estimate of~~estimated 8,360 MW of solar capacity installed in 2030 to stay on track to meet the established sublimits. Currently, Massachusetts has an estimated installed capacity of 5,556 MW of solar[8], resulting in a need for approximately 2,804 MW or 468 MW per year installed between now and 2030.

Historic Program Participation

DOER ~~begins~~began accepting applications under the SMART 3.0 Program ~~on October 15, 2025,~~ for Program Year 2025 ~~and therefore does not have historic program participation data to evaluate. Some evaluation~~on October 15, 2025. As of the ~~volume~~date of ~~initial~~this report, DOER has received 301 applications ~~will be~~ for STGUs >25 kW, accounting for 190.8 MW, and 86 applications for STGUs ≤25 kW, accounting for 1.1 MW. This accounts for 191.9 MW total, 21.3% of the available ~~and useful for setting Program Year 2026. DOER will make any necessary adjustments to the Program Year 2026 Annual Report before publishing the final version on December 1,~~PY 2025~~:~~ capacity.

Ratepayer Cost Impacts

DOER works with BW Research Partnership (BW) to develop a model ~~for estimating~~to estimate the net program costs and the associated impacts on electric ratepayers in the Commonwealth. The model ~~takes into account~~accounts for both direct and indirect costs and benefits of the program. The total estimated net program cost will then be used to estimate the monthly and annual impacts on an average ratepayer's electric bill.

~~Program Year 2026 will provide lower ratepayer costs over Program Year 2025 while providing stable financing for projects.~~

Additionally, DOER considered the ~~pending~~ phase-out of federal ~~Investment Tax Credits~~investment tax credits for solar projects that do not reach certain construction or investment milestones ~~prior to~~before July 2026~~, as it~~. It is critical to ensure there is sufficient capacity available under the SMART program to capture all projects that can meet the federal criteria to retain ~~Investment Tax Credit eligibility, thus saving~~

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[7] Massachusetts Executive Office of Energy and Environmental Affairs, *Clean Energy and Climate Plan for 2050* (Dec. 2022), https://www.mass.gov/doc/2050-clean-energy-and-climate-plan/download.
[8] Wood Mackenzie, *US Solar Market Insight Q3 2025*, (Sep. 8, 2025), https://www.woodmac.com/industry/power-and-renewables/us-solar-market-insight/

~~ratepayer dollars.~~ITC eligibility. Maximizing the number of projects with the ITC reduces risk for solar project development, and mitigates ratepayer costs, two key factors in the DOER assessment.

Program Year 2026 will provide lower ratepayer costs in pursuit of Massachusetts 2050 CECP emissions mandates and solar deployment, while providing stable financing for projects.

Material and Development Costs

As detailed in the Annual Program Year Report section, BW conducted a survey of Massachusetts market participants to collect data on the current material and development costs for different project sizes and installation types. BW received 51 survey responses from market participants, which resulted in 267 individual project cost data points. These primary data were supplemented with secondary data from NREL's Annual Technology Baseline (ATB) for solar cost and performance ~~data.~~ The primary and secondary data were used as inputs to ~~the~~ NREL's System Advisor Model (SAM~~,~~), resulting in a total of 660 data points for the modeling process. SAM is a desktop software developed by experts at NREL that produces financial models for residential, commercial, and utility-scale solar projects based on installation and operating costs and system design parameters that can be customized within the tool. The following table shows the weighting of ~~the~~ primary and secondary data in the modeling, based on the number of survey respondents for each project type.

Table 1: Weighting of Cost Data

Survey Respondents for Project Type	Weights
Zero	100% ATB cost data
1-2	20% survey responses, 80% ATB cost data
3-4	40% survey responses, 60% ATB cost data
5-7	75% survey responses, 25% ATB cost data
8 or more	100% survey responses

Regional and National Solar Costs

In addition to the modeling of material and development costs, BW's analysis also compared the results to third-party data on regional and national solar costs. The third-party sources included NREL's state-level installed cost data, LBNL's installed cost data, and Lazard's LCOE data. These comparisons showed that the modeling results are aligned with national trends ~~and reflect true costs~~.

Land Use and Siting

~~DOER does not have land use and siting trends to evaluate yet. After~~ As of the ~~initial application periods during Program Year 2025 and Program Year 2026, DOER will have data on~~date of this report, 88.8% of the ~~locational trends~~applications for ~~projects enrolling in the program. DOER will assess the proportion of projects qualifying~~STGUs >25 kW qualify for Locational Compensation Rate Adders ~~and the proportion of projects~~, accounting for 51.7% of the capacity. 4.3% of the applications for STGUs >25 kW will be subject to the Mitigation Fee ~~and~~, accounting for 25.1% of the capacity. DOER will ~~make any necessary adjustments~~continue to ~~ensure development~~monitor siting trends ~~are aligned with the Commonwealth's policy objectives.~~

throughout PY26.

Annual Program Year Report: Program Year 2026

Program Year 2026's Annual Program Year Report is based on the Annual SMART Program Assessment ~~and,~~ the analysis performed by BW and summarized on DOER's website~~.~~, and the public comments and stakeholder feedback on DOER's draft Annual Program Year Report for Program Year 2026

Annual Capacity Block

Capped Capacity

Program Year 2026 will have ~~**450**~~**600 MW AC** of available capacity for STGUs subject to the capacity cap.

After reviewing the submitted comments and the preliminary data for PY25, DOER increased the 450 MW AC of available capacity subject to the capacity cap in the draft PY26 Report. DOER concluded that increasing the capacity available was reasonable given the limited PY25 enrollment numbers to date, stakeholder feedback on the challenge of projects having all requirements ready to apply for a shortened PY25,

and to ensure sufficient capacity to continue to capture all projects that can qualify for the ITC.

Uncapped Capacity

Per 225 CMR 28.05(3)(c), STGUs less than or equal to 25 kW and Behind-the-Meter STGUs greater than 25 kW and less than or equal to 250 kW shall not count toward the Annual Capacity Block unless DOER imposes a capacity set aside for those project types. For Program Year 2026, DOER will not impose a capacity set aside for those project types and therefore the following STGU types will not be subject to the capacity cap and may submit applications for Program Year 2026 without regard to the capacity cap:

- ≤25 kW AC
- Behind-the-Meter STGUs >25 and ≤250 kW AC

Capacity Allocation

Per 225 CMR 28.05(4), each EDC will be allocated at least 5% of the available capacity block. The remaining capacity will be allocated proportional to the total retail electric load served to Massachusetts customers by each EDC. The distribution of capacity for Program Year 2026 is based on the March 2025 retail electric load of each EDC.

The ~~450~~600 MW AC of capacity available under the 2026 capacity block will be allocated amongst the three EDCs' territories as follows:

Table 2: Program Year 2026 Capacity Allocations

Electric Distribution Company	Percentage of MA Electric Load Served	Percentage of Capacity Block	Total Available Capacity
Eversource	51.78%	49.01%	~~220.55~~294.06 MW
National Grid	47.23%	45.15%	~~203.18~~270.9 MW
Unitil	0.99%	5.84%	~~26.28~~35.04 MW

Capacity Set Asides

Per 225 CMR 28.05(5), a minimum percentage of the available capacity block will be set aside annually for the following STGU types:

- Standalone STGUs >25 kW and ≤250 kW
- STGUs >250 and ≤500 kW
- Low Income Property STGUs
- Community Shared Solar STGUs

The percentages set aside for the above STGU types will ~~stay~~remain the same throughout the Program Year, and DOER will not reassign unused capacity from one set aside category to another during the Program Year. These set asides are minimum percentages. DOER will continue to accept applications for STGU types above these minimum set aside amounts if there is unallocated capacity available in that Program Year's Annual Capacity Block.

For Program Year 2026, DOER retained the minimum percentages from 225 CMR 28.05(5) to establish a baseline for program participation rates. Future set aside percentages may be informed by ~~the~~ participation rates from the first two Program Years. The capacity set asides for 2026 will be as follows:

Table 3: Program Year 2026 Set Asides

STGU Type	Percentage of Capacity Block	Total Capacity
Standalone >25 and ≤250 kW; and >250 and ≤500 kW	10%	~~45~~60 MW
Low Income Property	10%	~~45~~60 MW
Community Shared Solar	15%	~~67.5~~90 MW

These capacity set asides will then be distributed between the EDCs' available capacity according to their respective capacity allocations:

Table 4: Program Year 2026 Set Asides by EDC

STGU Type	Unitil	Eversource	National Grid
Standalone >25 and ≤250 kW; and >250 and ≤500 kW	~~2.63~~3.5 MW	~~22.05~~29.41 MW	~~20.32~~27.09 MW
Low Income Property	~~2.63~~3.5 MW	~~22.05~~29.41 MW	~~20.32~~27.09 MW
Community Shared Solar	~~3.94~~5.23 MW	~~33.08~~44.11 MW	~~30.48~~40.64 MW

Base Compensation Rates

For Program Year 2026, the Base Compensation Rates for STGUs >25 kW AC are based on the levelized revenue requirements for each project size category and take into account the following inputs:

- Capacity factor and production degradation
- Installed costs
- Financing costs
- Operation and maintenance costs
- Project management costs
- Land lease costs
- Incremental operating and capital expenditure costs for certain project types

Information on these inputs was obtained via a survey of solar installers and developers in Massachusetts. This information was then integrated with high-quality public secondary data on solar costs and inputted into NREL's SAM, which modeled anticipated levelized revenue requirements for project types based on project size, battery storage, and project type.

Respondents were asked to provide Massachusetts specific project costs for each current SMART project size, and Compensation Rate Adder categories. The survey collected the following project cost data:

- **Total installed cost** - costs associated with installing the photovoltaic system, and include equipment, labor, engineering, permitting, customer acquisition, marketing, interconnection and any other costs that apply in Year 0 of the project cash flow.
- **Total fixed costs** - annual costs associated with the operation and maintenance of the photovoltaic system over the lifetime of the project, including annual costs associated with the replacement of solar photovoltaic inverters.
- **Total solar photovoltaic plus energy storage installed cost** - cost of purchasing and installing all photovoltaic and battery-related equipment, including labor and other associated costs.
- **Total energy storage fixed costs** - annual costs associated with the operation and maintenance of the energy storage system over the lifetime of the project, including annual costs associated with the replacement of battery-related equipment.
- **Solar photovoltaic financing data** – project financial and debt structure.
- **Solar photovoltaic project ownership** - project financial and debt structure under varying ownership structures.

This analysis indicated the majority of Base Compensation Rates for Program Year 2026 should be reduced (see "Calculated PY26 Base Compensation Rate" below). ~~However, based on the overall SMART Program Assessment, DOER will reduce Base Compensation Rates by 10% from Program Year 2025 ("PY26 Base Compensation Rate" below). Base Compensation Rates for Program Year 2026 will be as follows:~~The Draft Annual Program Year Report for 2026 recommended using the PY25 rates for PY26, with a 10% reduction across all Base Compensation Rates to be reflective of the outcome of the BW Research analysis. These draft rates represented approximately a 10% increase over the Calculated PY26 Base Compensation Rates as DOER attempted to balance the analysis results with the desire to avoid a significant shift in the Massachusetts solar market in the first full year of SMART 3.0 in light of growing federal destabilization of the solar and storage markets.

DOER received significant public comments and stakeholder outreach on the draft PY26 Report, indicating that the draft Base Compensation Rates are insufficient to develop the existing portfolio of projects in the development pipeline. Part of DOER's consideration in the assessment for PY26 is the unique circumstances of the repeal of the ITC and how to minimize the negative impacts of this federal change on Massachusetts solar projects. The increased additional risk associated with non-ITC projects as part of this transition will likely add costs that would be passed on to ratepayers. In reviewing the federal guidance for projects seeking to maintain ITC

eligibility, DOER determined it is highly likely that the existing portfolio of projects eligible for the expiring ITC will be the last set of projects to be developed for the foreseeable future. Enrolling projects with the ITC will result in lower-cost projects for ratepayers.

In reviewing results of the Annual SMART Program Assessment, the significant public comments and stakeholder feedback, the additional information regarding the ITC repeal, and the fact that this is DOER's initial implementation of the Annual SMART Program Assessment under SMART 3.0, DOER has set the PY26 rates to 20% over the Calculated PY26 Base Compensation Rate.[9] DOER balanced all the factors under 225 CMR 28.05(1)(a) in making this determination to support a program that secures clean energy generation, provides long-term benefits to ratepayers, and continues the Commonwealth's progress towards achieving the statewide greenhouse gas emissions reduction mandates. As seen in Table 5, these revised PY26 rates should provide additional stability to the solar market in a time of sweeping change with the resulting minimal change from PY25.

Based on the above, the Base Compensation Rates for Program Year 2026 will be as follows:

Table 5: Program Year 2026 Base Compensation Rates ($/kWh)

STGU Capacity (kW AC)	PY25 Base Compensation Rate	Calculated PY26 Base Compensation Rate	Draft PY26 Base Compensation Rate	Final PY26 Base Compensation Rates
>25 and ≤250 ~~kW AC~~	0.2821	0.2339	0.2539	**0.2807**
>250 and ≤500 ~~kW AC~~	0.2482	0.2025	0.2234	**0.2430**
>500 and ≤1,000 ~~kW AC~~	0.2113	0.1931	0.1931[10]	**0.2317**
>1,000 and ≤5,000 ~~kW AC~~	0.1729	0.1492	0.1556	**0.1790**

~~This modified reduction of Base Compensation Rates acknowledges Massachusetts commitment to achieving emissions reductions and reducing ratepayer costs while~~

[9] This 20% is also consistent with the goal to minimize year over year spikes within the program. *See e.g.*, 225 CMR 28.05(6).

[10] In the instance where the calculated PY26 Base Compensation Rate is higher than a 10% reduction from PY25 Base Compensation Rate, DOER will utilize the higher value.

~~supporting the solar industry in the wake of growing federal destabilization of the solar and storage markets, the need to accelerate development of new electric supply like solar energy, and in consideration of the economic development and jobs solar provides.~~

Compensation Rate Adders

The Compensation Rate Adders for STGUs >25 kW AC were developed by comparing the average levelized cost of energy of all project types >25 kW AC for each respective adder category to a baseline value.

Based on the Program Year 2026 analysis, DOER found that there was variation in whether Compensation Rate Adders for Program Year 2026 ~~varied in whether they~~ should be reduced, kept the same, or increased (see "Calculated PY26 Adder Rate" below). As with the Base Compensation Rates, based on the overall Annual SMART Program Assessment, DOER ~~made the decision~~decided to maintain or increase the value of Compensation Rate Adders (see "PY26 Adder Rate" below). Some Compensation Rate Adders, including Floating, Low Income Property, and Pollinator were limited in their adder increases pursuant to 225 CMR 28.05(6) which limits changes to Base Compensation Rate or Compensation Rate Adder to up to 20% of the value for the same category of Base Compensation Rate or Compensation Rate Adder from the prior Program Year or one cent per kWh, whichever is greater. Based on stakeholder comments on the draft Program Year 2026 Annual Report, DOER revised the Energy Storage Multiplier, as reflected in the table below.

Projects may only qualify for one location based adder and one off-taker based adder at a time. The one exception is for Brownfield projects, which may qualify for one additional location based adder.

The Compensation Rate Adders for Program Year 2026 will be as follows:

Table 6: Program Year 2026 Compensation Rate Adders ($/kWh)

Adder Type	STGU Type	PY25 Adder Rate	Calculated PY26 Adder Rate	Draft PY26 Adder Rate	Final PY26 Adder Rate
Location Based	Brownfield	$0.03	$0.04	$0.04	**$0.04**
	Building Mounted	$0.03	$0.02	$0.03	**$0.03**
	Canopy	$0.08	$0.08	$0.08	**$0.08**
	Dual-use Agricultural	$0.08	$0.09	$0.09	**$0.09**
	Floating	$0.03	$0.14	$0.04	**$0.04***
	Landfill	$0.06	$0.04	$0.06	**$0.06**
	Large Building Mounted (≥900 kW AC)[11]	$0.04	--	$0.04	**$0.04**
	Raised Racking[12]	$0.04	--	$0.04	**$0.04**
Off-taker Based	Community Shared	$0.07	$0.07	$0.07	**$0.07**
	Low Income Property	$0.04	$0.06	$0.05	**$0.05***
	Public Entity	$0.04	$0.00	$0.04	**$0.04**
Other	Pollinator	$0.0025	$0.06	$0.01	**$0.01***
	Solar Tracking[13]	$0.01	--	$0.01	**$0.01**

* Pursuant to 225 CMR 28.05(6) Compensation Rate Adder changes across program years are limited to up to 20% of the value for the same category of Base Compensation Rate or Compensation Rate Adder from the prior Program Year or one cent per kWh, whichever is greater.

[11] DOER introduced the Large Building Mounted STGU adder after the completion of BW's analysis. The adder value is based on the Building Mounted STGU adder.

[12] DOER introduced the Raised Racking STGU adder after the completion of BW's analysis. The adder value is based on the Building Mounted STGU adder.

[13] BW's analysis did not include the Solar Tracking adder. DOER retained the Tranche 1 adder value from the previous version of the SMART program under 225 CMR 20.00.

	Energy Storage Multiplier	$0.~~0265~~045[14]	$0.0363	$0.03	**$0.04**

[14] On November 7, 2025, DOER modified the Program Year 2025 Energy Storage Adder Calculator to change the Energy Storage Multiplier from $0.0265 to $0.0450.

Flat Incentive Rates for ≤25 kW AC

To simplify program participation for residential participants, 225 CMR 28.05(7) establishes a flat $/kWh incentive rate for all STGUs ≤25 kW AC. STGUs serving Low Income Customers will receive an adder on the Flat Incentive Rate.

The Flat Incentive Rate ~~is intended to compensate~~compensates the system owner for the Renewable Energy Certificates that the EDC retains from their system. The $/kWh value is locked in at the time of qualification and is guaranteed to the system owner for a 20-year tariff term. The Flat Incentive Rates were developed by calculating the difference in the levelized cost of energy between rooftop systems ≤25 kW AC relative to the cost per kW for systems >25 and ≤250 kW AC.

Based on the Program Year 2026 analysis, DOER found that the Flat Incentive Rates for Program Year 2026 varied in whether they should be reduced or kept the same (see "Calculated PY26 Flat Incentive Rate" below). ~~As with the Base Compensation Rates and Compensation Rate Adders, based~~Based on the overall Annual SMART Program Assessment, DOER made the decision to maintain the value of the Flat Incentive Rates (see "PY26 Flat Incentive Rate" below).

For Program Year 2026, the Flat Incentive Rates will be as follows:

Table 7: Program Year 2026 Flat Incentive Rates ($/kWh)

STGU Type	PY25 Flat Incentive Rate	Calculated PY26 Flat Incentive Rate	Draft PY26 Flat Incentive Rate	Final PY26 Incentive Rate
STGUs ≤25 kW AC	$0.03	$0.02	$0.03	**$0.03**
Low Income STGUs	$0.06	$0.06	$0.06	**$0.06**