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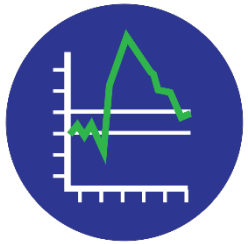
DEPARTMENT OF
ENERGY RESOURCES

SMART 3.0 Regulations

Program Overview

October 1, 2025

SMART 3.0 Program Goals



More responsive to quickly changing market conditions

Increase transparency, consumer protections and benefits, equitable outcomes

Ensure strategic balance of cost-effective development with land protection

Better project tracking and enforcement actions for non-compliance

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SMART Program Review Process

Winter/Spring 2024: Stakeholder working sessions, independent economic analysis

Summer 2024: Straw proposal, technical sessions

Fall 2024: Regulation drafting

Spring/Summer 2025: Emergency rulemaking and public input

Fall 2025: Program launch

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SMART 3.0 – Major Changes

Program Element	SMART (current)	Proposed Change in SMART 3.0
Cost Recovery Mechanism	Distributed Solar Charge	No change
Base Compensation Rates	Fixed (based on block)	Determined annually
Available Capacity	3,200 MW	Determined annually
Land Use	Greenfield subtractor	Mitigation fee

Structure

All projects will have a compensation term of **20 years**, with the following compensation rate calculations:

Project Type	Compensation Rate Formula
>25 kW Behind-the-Meter	*[(Base Compensation Rate + Adders) - Value of Energy] * total kWh generated*
>25 kW Standalone	*(Base Compensation Rate + Adders) * total kWh generated – Value of Energy generated*
<25 kW	*Levelized Revenue Requirement – Average residential Net Metering Credit value in previous year*
Low Income <25 kW	<25 kW rate + adder

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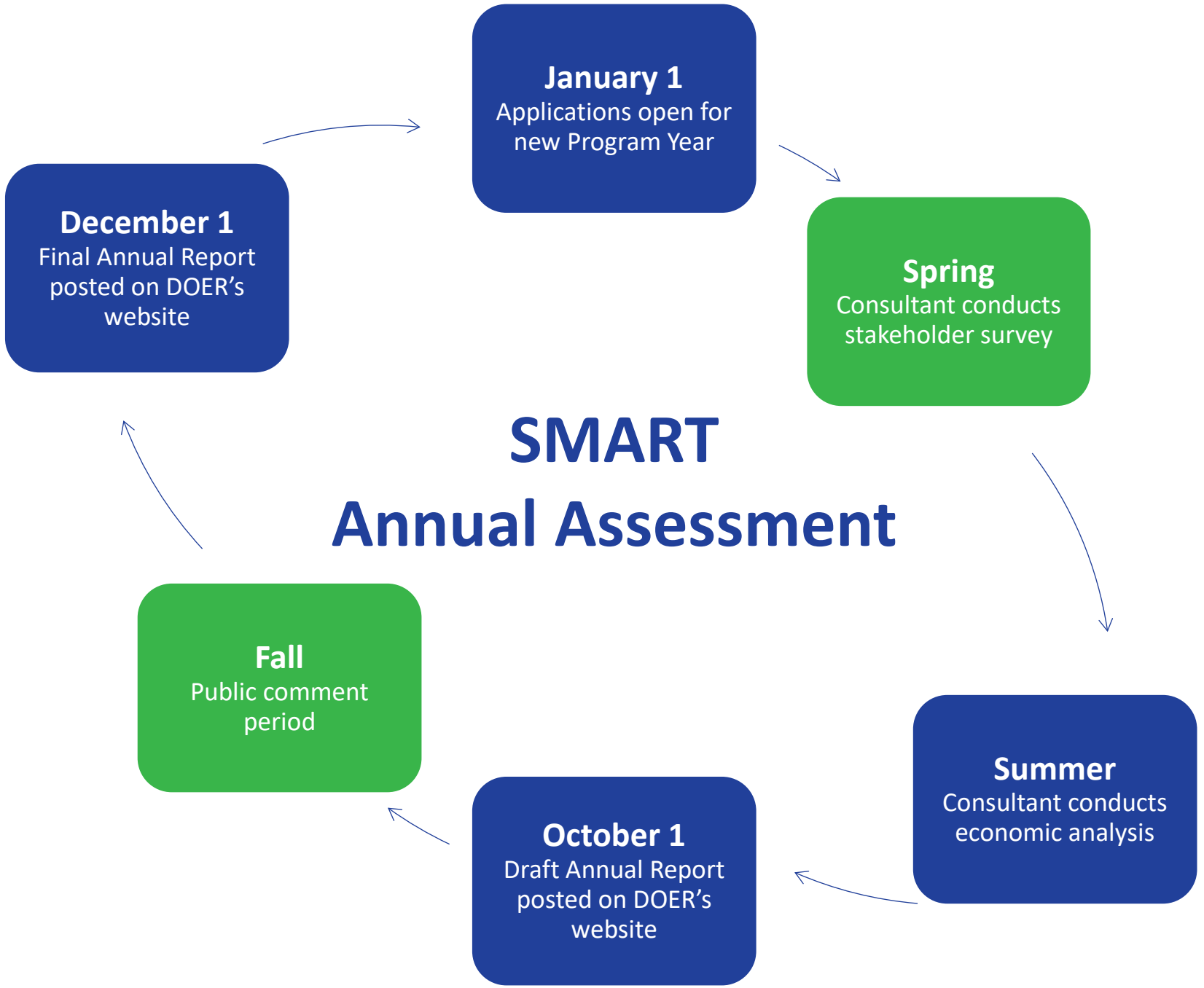
Structure: Annually Adjusted Elements

Program Element	Details
Total Capacity	• *Year 1: 900 MW* • All <25kW and <250 kW behind-the-meter projects are cap exempt
Capacity Allocation between EDCs	Minimum 5% to each EDC, with remainder allocated proportional to retail load
Capacity Set Asides	• 250-500 kW and standalone 25-250 kW: minimum 10% • Low Income Property: minimum 10% • Community Shared Solar: minimum 15%
Base Compensation Rates (capped at 20% or 1¢ annual change)	• 25-250 kW • 250-500 kW • 500-1000 kW • 1000-5000 kW
Compensation Rate Adders (capped at 20% or 1¢ annual change)	• ***Location-Based*** (Building Mounted, Large Building Mounted, Raised Racking, Brownfield, Landfill, Canopy, Agricultural, Floating) • ***Offtaker-Based*** (Community Shared, Low Income Property, Public Entity) • ***Other*** (Energy Storage, Solar Tracking, Pollinator)
Flat Incentive Rates	• <25kW • Low Income <25kW

SMART Annual Assessment



Key Considerations
(included in regulation)

- Progress toward greenhouse gas emissions limits
- Program participation rates
- Ratepayer impacts
- Regional/national solar costs
- Solar material & development costs
- Land use and environmental protection goals

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Program Transition

- Projects will be eligible for SMART 3.0 if:
  - Have not previously received incentive under SMART or RPS *AND*
  - Have not started on-site construction prior to June 20, 2025
    - Eligibility criteria for on-site construction will align with federal ITC requirements
- DOER will conduct a process for projects to opt into SMART 2.0 that would be disqualified under SMART 3.0 but can demonstrate significant investment into the development process
- Exception for Low-Income Properties
  - STGUs located on Low-Income Properties may be eligible for SMART 3.0 if they have not started on-site construction prior to July 1, 2024

Process

Application Processing

- Uncapped project categories may apply on rolling basis starting January 1 and will be processed in the order they are received
- Capped projects will have initial 10-day application window, sequenced by ISA application date, before moving to first-come first-served
- If all capacity is reserved, a waitlist will be publicly posted, and projects may be selected throughout the Program Year if sufficient capacity becomes available through denied or withdrawn applications
- Projects on the waitlist will be processed first at the start of the next Program Year

Reservation Periods and Extensions

- 24-month base reservation period for all projects
- 48 months for projects in approved CIPs
- Indefinite extensions for projects in interconnection studies and mechanical completion

Adders

Community Shared Solar (CSS)

- Combined Community Shared and Low-Income Community Shared STGU
- Requiring all CSS projects to allocate a minimum of 40% of output to Low Income Customers, or 15% Low Income customers at no cost
  - Still able to have one or two anchor offtakers (up to 50% of energy output)
  - Alternative CSS projects (e.g. utility, muni agg) must enroll 100% Low Income customers
- Guaranteeing meaningful benefits to CSS customers
  - *Market-rate residents*: minimum 20% discount on bill credits
  - *Low-income residents*: minimum 40% discount on bill credits

Canopy

- Expanded flexibility to include any modules that allow for continued use of a secondary function including, but not limited to, parking, walkway, transportation infrastructure, storage, or canal
- At least 75% of panels must be overlapping secondary function

Adders

Energy Storage

- Small projects (≤25 kW) will no longer be eligible to receive the Energy Storage adder
- Increased the project size required to construct an Energy Storage System from 500 kW to 1 MW
- Separated operational and functional requirements to better align with other state incentive programs
- Energy Storage Requirement does not apply to STGUs that receive a location-based adder

Agrivoltaics

- Expanded eligibility for newly created farmlands, particularly to support access to Historically Underserved Farmers
- Clarified tree clearance limitations to allow for routine agricultural activities
- Expanded flexibility of panel height and yield requirements

Adders

Building Mounted

- New adder for **large building-mounted** systems (>900 kW)
- New adder for **raised racking** systems to allow for secondary function on top of building

Brownfields and Landfills

- Brownfield projects may stack with an additional location-based adder
- Both brownfield and landfill projects may build up to 10 MW
- Multiple brownfield and landfill projects may be sited on the same parcel

Other

- **Floating** solar projects limited to 40 MW total and ISA application by June 20, 2025
- **Public Entity** projects on private property may allocate to other municipalities so long as at least 15% of output is assigned to host municipality

Land Use and Siting

- Ground-mounted projects >250 kW AC not sited on Previously Developed land are **ineligible** for SMART if:
  - Footprint overlaps with BioMap Core Habitat
  - >10% of footprint overlaps with areas in the top 20% of forest carbon
  - Footprint overlaps with other applicable state and nationally protected lands including protected open space, wetland resource areas, and properties in the State Register
- Eligible ground-mounted projects not sited on Previously Developed land will be subject to:
  - On-site visitation from an external **Environmental Monitor** (and related expense)
  - Updated **Performance Standards**
  - **Mitigation fee**
    - Fee will only apply to portion of project footprint that is not Previously Developed
    - Down payment to be paid 30 days following PSQ
  - Any new requirements established by the 2024 Siting & Permitting Bill

Land Use and Siting

- Eligible large, ground-mounted projects will pay a fee based on the impact of their development
- Mitigation fee calculation is informed by weighted criteria related to environmental impacts and policy goals
    - Carbon storage
    - Ecological integrity
    - Agricultural potential
    - Critical landscape
    - Geographical distribution
- Funds will be directed to a trust account to support conservation, ecosystem and biodiversity programs

			Score
			4 (Most Impactful) – 1 (Least Impactful)
Weight	3	**Carbon Storage**	Potential carbon emissions plus foregone sequestration in metric tons of carbon per forested acre through 2070
	3	**Ecological Integrity**	State Ecological Integrity score of Project Footprint
	2	**Agricultural Potential**	Project Footprint overlap with farmland soils
	2	**Critical Landscape**	Project footprint overlap with BioMap Critical Natural Landscape layer
	1	**Geographical Distribution**	MW/capita of large ground mounted SMART solar systems by county

Total Fee = *(Max per acre fee * (Carbon storage*3 + Ecological integrity*3 + Agricultural potential*2 + Critical landscape*2 + Geographical distribution)/40) * Acres impacted*

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Equity and Consumer Protection

Low Income

- Expanding Low Income adder to additional types of housing/facilities, as well as systems that provide 100% of output to qualified affordable housing properties
- Allowing Low Income customers to qualify based on other needs-based programs or through self-attestation

Residential Third-Party Owned

- Minimum per kWh savings on first year of solar contract equal to 10% of current residential Value of Energy
- Maximum rate escalator of 3% per year
- PPA per kWh rate can never exceed customer's utility per kWh rate throughout contract term