

Rhode Island REG Program:

Update regarding 2026 PY

August 25, 2025

Sustainable Energy Advantage, LLC

Update on “Begin Construction” Treasury Guidance



Treasury Guidance

- As discussed at the July 28 Board meeting, [Public Law 119-21](#) (Reconciliation Bill) removed ITC eligibility for projects placed in service after December 31, 2027, **except for facilities that began construction within 12 months of the Law's enactment (i.e., July 4, 2026)**
- Following passage of the Bill, President Trump issued [Executive Order 14315](#), directing the U.S. Department of the Treasury to provide guidance to *“ensure that policies concerning the ‘beginning of construction’ are not circumvented...”*
- On August 15, 2025, the Treasury issued [Guidance](#) regarding the definition of “begin construction” as it applies to the July 4, 2026 deadline to qualify for the tax credits

Treasury Guidance (2)

- **Solar 1.5 MW_{AC} and above**

- Projects must verify that construction has begun before July 4, 2026, by passing the “physical work test”
- Does not include preliminary activities such as securing financing, obtaining permits, or excavating to change the contours of the land

- **Solar below 1.5 MW_{AC}**

- May qualify as having begun construction if at least 5% of costs were incurred
- May also qualify for the tax credits by passing the physical work test as described above

- **Continuity requirement**

- All facilities must maintain continuous construction to retain tax credit eligibility
- Delays including severe weather, permitting, interconnection, and equipment shipments are exempt from the continuity requirement
- Safe-harbored facilities must be placed in service no more than four calendar years after the calendar year during which construction began
- For projects taking more than four calendar years to complete construction, the Treasury will determine whether the facility met the continuity requirement according to the “relevant facts and circumstances.”



Treasury Guidance (3)

- Overall, the market has responded positively to the Guidance, given that it provides financiers with clarity to make investment decisions
- SEA is currently in the process of surveying market participants to understand implications for the 2026 PY



MW Allocation Plan Development



2026 MW Allocation Plan Development Process

- To develop the draft 2026 MW allocation plan, OER attempted to balance the objectives of ensuring healthy program competition with providing a robust plan that would not unnecessarily constrain the deployment of DG
- SEA's research focused on evaluating the competitive dynamics of each renewable energy class given the current IC queue
- In doing so, SEA (in consultation with RI Energy) considered:
 - The number of unique developers with projects in the interconnection pipeline in each class, and the relative share of capacity owned by each developer
 - The total capacity of projects expected to be able to bid into the 2026 PY, based on
 - Each project's stage in the interconnection pipeline
 - Each project's involvement in ASO studies
 - The ability for net metering projects at various interconnection stages to switch to REG

Interactions with ASO studies

- In PY 2025, a “Plan A” and “Plan B” MW allocation plan was approved to address uncertainty regarding the timing of ASO #3’s finalization
- Subsequent ASO studies are either highly likely to conclude prior to the 2026 PY (ASO #3b) or highly unlikely to conclude prior to the 2026 PY (ASO #4) → less need for Plan A/B construct in 2026 PY
- However, collaboration with RIE on this question is ongoing

Draft 2026 MW Allocation Plan

- The draft MW allocation for 2026 is provided below for **stakeholder comment, due August 28**
- Consistent with PY 2025, SEA plans to complete a benefit-cost analysis of the proposed plan after OER's recommended program plan is finalized

Renewable Energy Class	2026 MW Draft Allocation
Large Scale IV (15 - <39MW)	0
Large Scale III (10 - <15MW)	15
Large Scale II (5 - <10MW)	20
Large Scale I (1 - <5MW)	25
Commercial Scale II (>500 - <1000kW)	8
Commercial Scale I (>250 - 500kW)	7
Medium Scale (>25 - 250kW)	9
Small Scale II (>15 - 25kW)	6
Small Scale I (0 - 15kW)	
Total	90

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