

*Helping Massachusetts Municipalities Create a Cleaner Energy Future*



**COMMONWEALTH OF MASSACHUSETTS**

*Deval L. Patrick, Governor  
Richard K. Sullivan, Jr., Secretary  
Mark Sylvia, Commissioner*

*DOER Green Communities  
Webinar*

*February 12, 2014*

# **RPS Solar Carve-Out II Program Overview**

# Green Communities Division

Serves as the hub for all Massachusetts cities and towns on energy matters



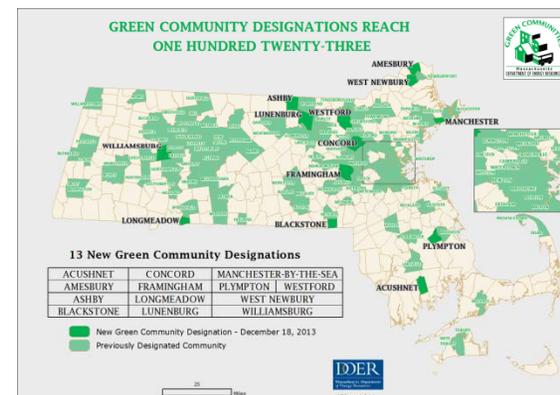
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# Green Communities Division

## Programs & Resources for Municipalities

- Green Communities Designation and Grant Program
- **MassEnergyInsight** energy tracking tool  
● ● ● ● ● POWERING EFFICIENCY
- Municipal Energy Efficiency Program
- Energy Management Services Technical Assistance (EMS)
- Mass Municipal Energy Group (MMEG)
- Website filled with tools & resources - [www.mass.gov/doer](http://www.mass.gov/doer)
- Email updates via listserv – Sign up by sending an email to: [join-ene-greencommunities@listserv.state.ma.us](mailto:join-ene-greencommunities@listserv.state.ma.us)



# Outreach - Regional Coordinators

- Regional Coordinators act as direct liaisons with cities and towns on energy efficiency and renewable energy activities
- Located at each of the DEP Regional Offices:



SERO – LAKEVILLE: Seth Pickering  
[Seth.Pickering@state.ma.us](mailto:Seth.Pickering@state.ma.us)

NERO – WILMINGTON: Joanne Bissetta  
[Joanne.Bissetta@state.ma.us](mailto:Joanne.Bissetta@state.ma.us)



CERO – WORCESTER: Kelly Brown  
[Kelly.Brown@state.ma.us](mailto:Kelly.Brown@state.ma.us)

WERO – SPRINGFIELD: Jim Barry  
[Jim.Barry@state.ma.us](mailto:Jim.Barry@state.ma.us)



# Recording & Presentation

- The webinar is being recorded and will be available on our website in approximately 48 hours at:

[www.mass.gov/energy/greencommunities](http://www.mass.gov/energy/greencommunities)

- The slide presentation will also be posted at:

[www.mass.gov/energy/greencommunities](http://www.mass.gov/energy/greencommunities)

- Website and contact information is listed at end of presentation



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# Poll Question # 1

We'd like to know a little bit about today's audience and why you've tuned in. Are you:

1. A municipality considering your first solar energy project
2. A municipality with existing solar, considering adding more
3. A private citizen or company interested in solar power
4. A member of the solar energy industry
5. Other

## What is a Renewable Portfolio Standard?

- State program requiring a certain percentage of the in-state load served by Load Serving Entities (LSEs) come from renewable energy
- LSEs meet their yearly obligations by procuring Renewable Energy Certificates (RECs)
- One REC = 1 MWh
- Obligation typically expressed as percent of total electric load

Example:

Utility serves 1,000,000 MWh of load in 2013 and has an obligation to procure 8% of that through the purchase of RECs

$1,000,000 \text{ MWh} \times 0.08 = 80,000 \text{ MWh}$  (number of RECs they must procure)



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# REC Pricing

- Market driven
- State usually sets two variables:
  - Minimum Standard
  - Alternative Compliance Payment (ACP) Rate
- Minimum Standard refers to yearly percentage obligations placed upon compliance entities
- ACP rate is the price LSEs must pay for every MWh they are short of meeting their obligation



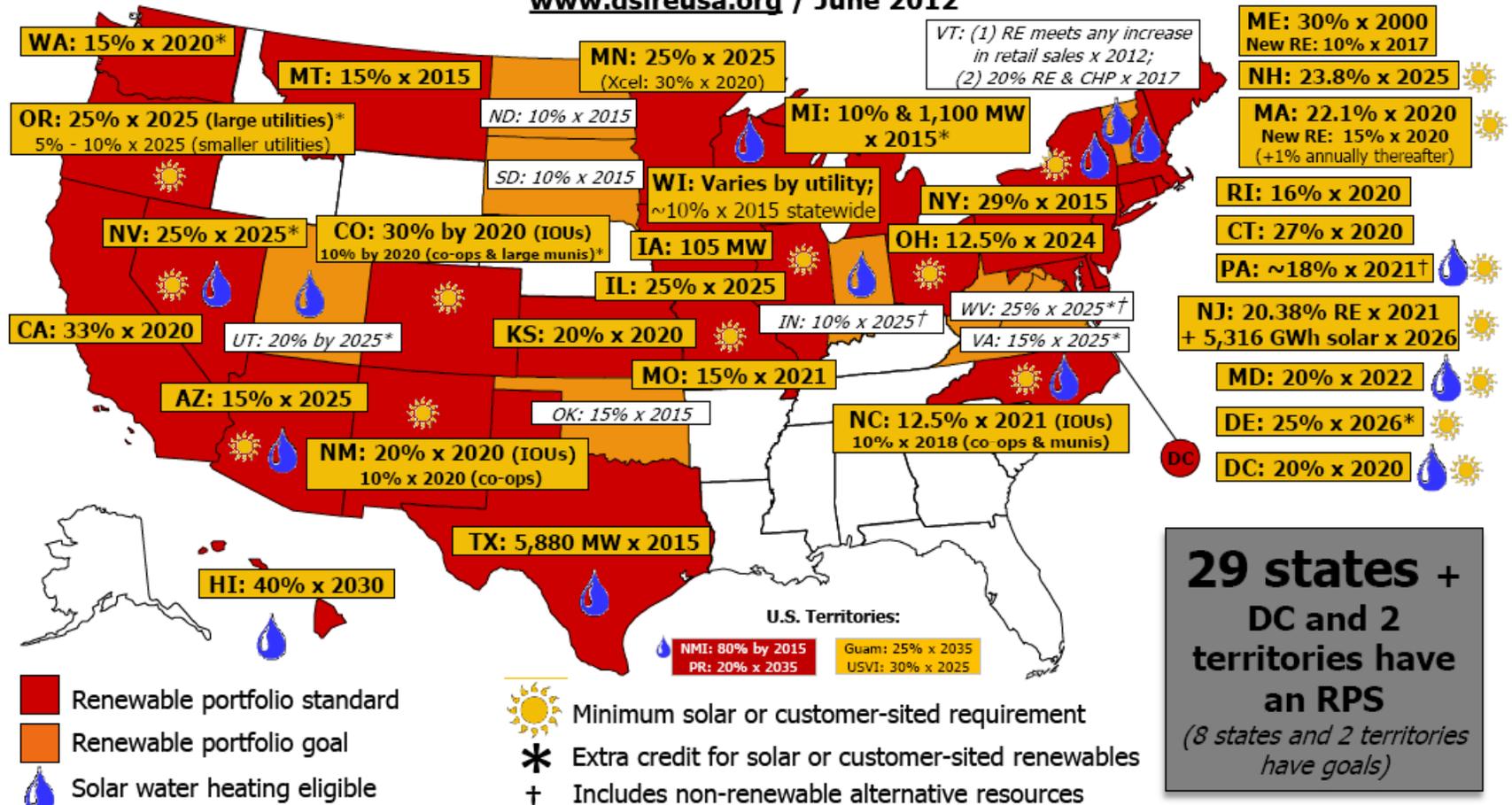
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# RPS Programs Nationally

## RPS Policies

[www.dsireusa.org](http://www.dsireusa.org) / June 2012



**29 states + DC and 2 territories have an RPS**  
(8 states and 2 territories have goals)



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# MA RPS Class I Program

- Established in 1997, first year of compliance in 2003
- Eligible technologies include solar PV, solar thermal electric, wind, ocean thermal, wave or tidal energy, fuel cells, landfill methane gas, small hydro, low-emission biomass, marine or hydrokinetic energy, and geothermal electric
- Generation Units from New England and adjacent control areas (i.e. New York, Quebec, and New Brunswick) may qualify
- Minimum Standard of 9% in 2014
- Set to increase by 1% each year going forward



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# MA RPS/APS Programs

- In 2008, 3 new classes were added to the RPS
  - Class II Renewable Energy for facilities in operation prior to 1998 (mostly small hydro, LFG, and wind)
  - Class II Waste-to-Energy for waste-to-energy facilities located in MA
  - Alternative Portfolio Standard (primarily CHP projects)
- In 2010, a Solar Carve-Out was added to Class I
- Obligation is part of the Class I total, but has different market parameters and qualification process



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# Summary of MA Portfolio Standard Programs

RPS Class	Sub Class	Technology	Minimum Standard	2014 ACP Rate, \$/MWh
Class I		Wind, LFG, Biomass, Solar PV, Small Hydro, AD, etc.	9% in 2014, increases 1%/year	\$66.16; increases with CPI
	Solar Carve-Out	Solar PV; 6 MW or less, in MA	set by formula to grow installed capacity to program cap	\$523; reduced annually according to 10-year schedule
Class II	Renewable	same as Class I	3.6%, stays constant	\$27.16; increases with CPI
	Waste Energy	Waste to Energy Plants, in MA	3.5%, stays constant	\$10.86; increases with CPI
APS		CHP in MA, flywheels, storage, etc.	3.5% in 2014; increases to 5% in 2020	\$21.72; increases with CPI



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# Solar Carve-Out I (2010-date)

Program designed to ensure market stability and balance

- Adjustable Minimum Standard
  - maintains SREC demand/supply in reasonable balance
- Forward ACP Rate Schedule
  - provides investor certainty
- Solar Credit Clearinghouse Auction Account
  - essential price support mechanism to assure SREC floor price
- Opt-In Term
  - provides right to use Auction, adjusted to throttle installation growth rate
- Program Cap
  - Enables sufficient market growth opportunity (exceeds Governor's goal of 250 MW by 2017)



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# Price Support – Auction Mechanism

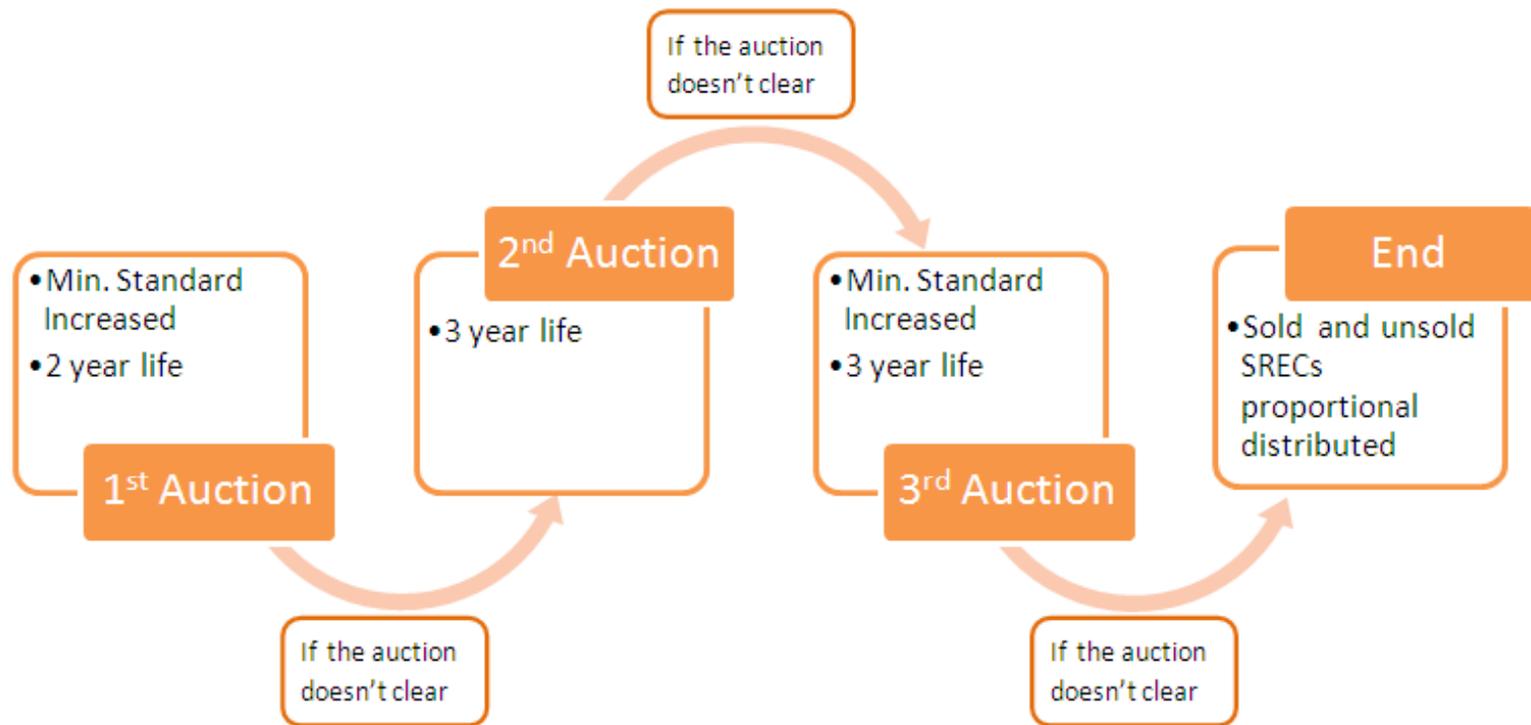
- Solar Credit Clearinghouse Auction Account
  - Open every year from May 16<sup>th</sup> – June 15<sup>th</sup>
  - Any unsold SRECs may be deposited into the Account
- Auction held no later than July 31<sup>st</sup>, but after the Minimum Standard adjustment is announced
- Deposited SRECs are re-minted as “extended life” SRECs (good for compliance in either of the following two Compliance Years)
- SRECs are offered to bidders for a fixed price of \$300/MWh before being assessed a \$15/MWh auction fee by DOER. Bidders bid on volume willing to buy at the fixed price
- SREC owners will be paid \$285/MWh for each SREC sold through the Auction



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# Price Support – Auction Mechanism



# SREC Market Update

- Current program oversubscribed in May/June 2013
- Emergency Regulation was filed on June 28<sup>th</sup> and extended eligibility to projects that had met certain project development milestones
- Currently about 675 MW qualified under SREC I
- Qualified projects over 100 kW were able to receive an extension through June 30<sup>th</sup> if they could demonstrate 50% of construction costs have been incurred by December 31<sup>st</sup>
- Projects <100 kW can qualify if interconnected prior to start date of SREC II
- No new projects will qualify under SREC I as of effective date of SREC II



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# SREC-II Policy Objectives

- Provide economic support and market conditions to maintain and expand PV installations in MA
- Control ratepayer costs
- Maintain robust, progressive growth across installation sectors and manage growth to reach 1600 MW by 2020
- Maintain competitive market of diverse PV developers, without undue burdens of entry
- Address financing barriers limiting residential and non-profit direct ownership, without compromising third-party ownership model
- Minimize regulatory complexity and maintain flexibilities to respond to changing conditions



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# Key Differences Between SREC I & SREC II

- Larger program capacity cap (1,600 MW – Final SREC I Cap).
- No more Opt-In Terms. Qualified projects generate SREC IIs for 40 quarters (10 years) from quarter in which they qualify.
- Both ACP Rate and Auction Price decline over time.
- SREC Factors differentiate market sectors and provide different incentive levels to different types of projects.
- Managed Growth sector helps control market growth. Qualification under this sector will be limited by Annual Capacity Blocks made available on a two year forward schedule by DOER.
- Compliance Obligation and Minimum Standard set in regulation for 2014 and 2015. Annual calculations thereafter based on actual and projected supply, constrained by Yearly Installed Capacity Targets, which help determine Annual Capacity Blocks for Managed Growth sector.



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# Auction and ACP Rate Schedules

Year	\$/MWh		
	Auction Price Bid	Auction Price <u>After</u> 5% Fee	ACP Rate
2014	300	285	375
2015	300	285	375
2016	300	285	350
2017	285	271	350
2018	271	257	350
2019	257	244	333
2020	244	232	316
2021	232	221	300
2022	221	210	285
2023	210	199	271
2024	199	189	257
2025	Values announced by DOER each year to maintain 10-year forward schedule.		
2026			
2027			
2028			
2029			
2030			



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# Market Sectors and SREC Factors

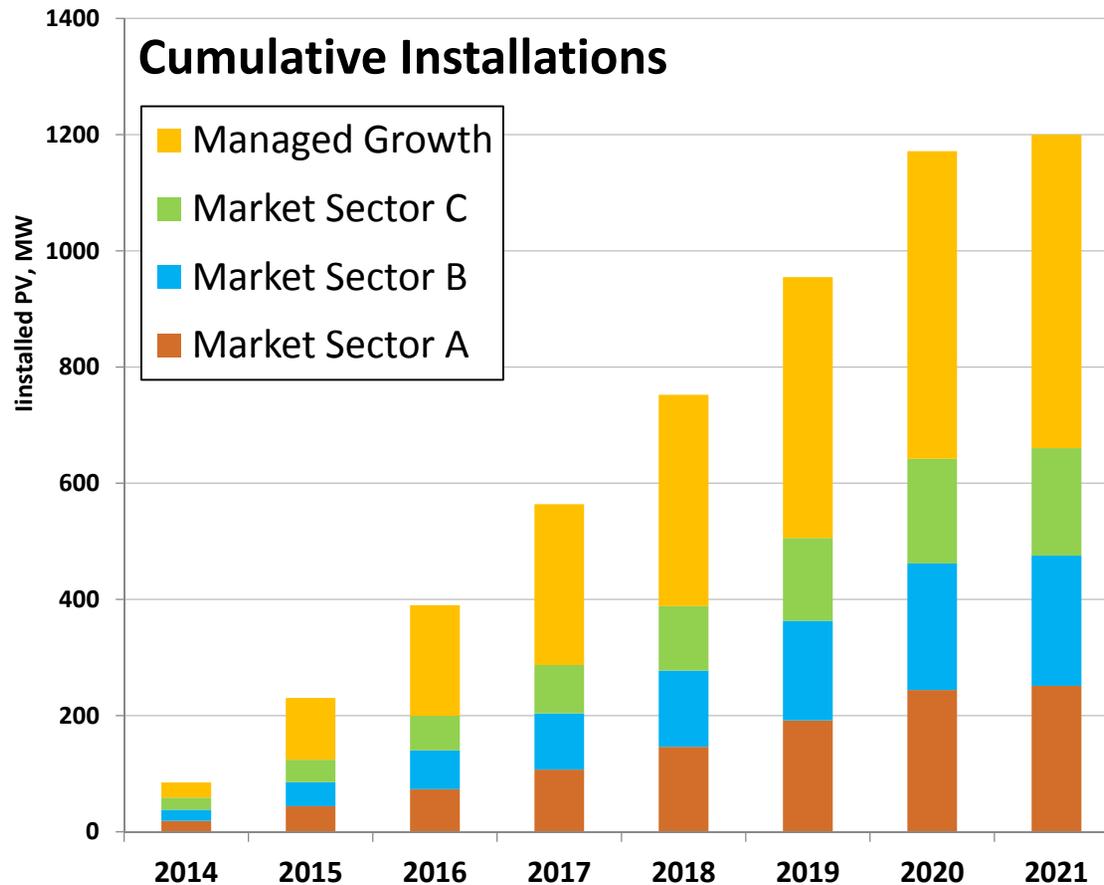
Market Sector		SREC Factor
A	Generation Units with a capacity $\leq 25$ kW, Solar Canopies, Emergency Power Generation Units, Community Shared Solar Generation Units, low or moderate income housing units.	1.0
B	Building Mounted Generation Units, ground mounted Generation Units with a capacity $> 25$ kW with 67% or more of the electric output on an annual basis used by an on-site load.	0.9
C	Generation Units on Landfills or Brownfields, or Generation Units with a capacity of $\geq 650$ kW with less than 67% of the electrical output on an annual basis used by an on-site load.	0.8
Managed Growth	Unit that does not meet the criteria of Market Sector A, B, or C.	0.7



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# Projection of Market Growth



DOER anticipates Managed Growth Blocks will support significant market share.

Other Market Sectors will impinge on available Blocks depending on actual growth.

SREC-II generation will peak in 2020/2021, and then begin to decline to zero by 2030/2031, as 10-year eligibilities expire.

*This projection represents one sample future outcome. While these data reflect DOER's analysis of market trends, DOER does not endorse or suggest this to be the most likely outcome.*



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# SREC-II Anticipated Rulemaking Process

- RPS Class I regulation revisions were filed in early January.
- DOER held a public hearing on January 24<sup>th</sup> and accepted comments through January 29<sup>th</sup>.
- DOER has sent an updated version of the draft regulation to the Joint Committee on TUE for their review.
- DOER projects changes to the regulation to be promulgated in early Spring 2014.



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# Residential Direct Ownership

## ACP-funded Support Program

- DOER estimates that a robust residential direct ownership market would need to be supported by \$20-50 million in loans at the start of SREC II, and \$300-600 million cumulatively through 2020. This represents a significant opportunity for the financing/banking industry.
- DOER announced, in parallel with the SREC-II rulemaking, a financing support program using ACP funds. Final development of the program will be done in coordination with stakeholder input, including direct discussions with the banking industry.
- DOER anticipates using approximately \$30 million of ACP funds for this purpose. Leveraging funds will be important, along with strategies to enable banking sector to sustain lending as ACP support is diminished.
- MassCEC will maintain CommSolar II rebate program through the development of the financing program.

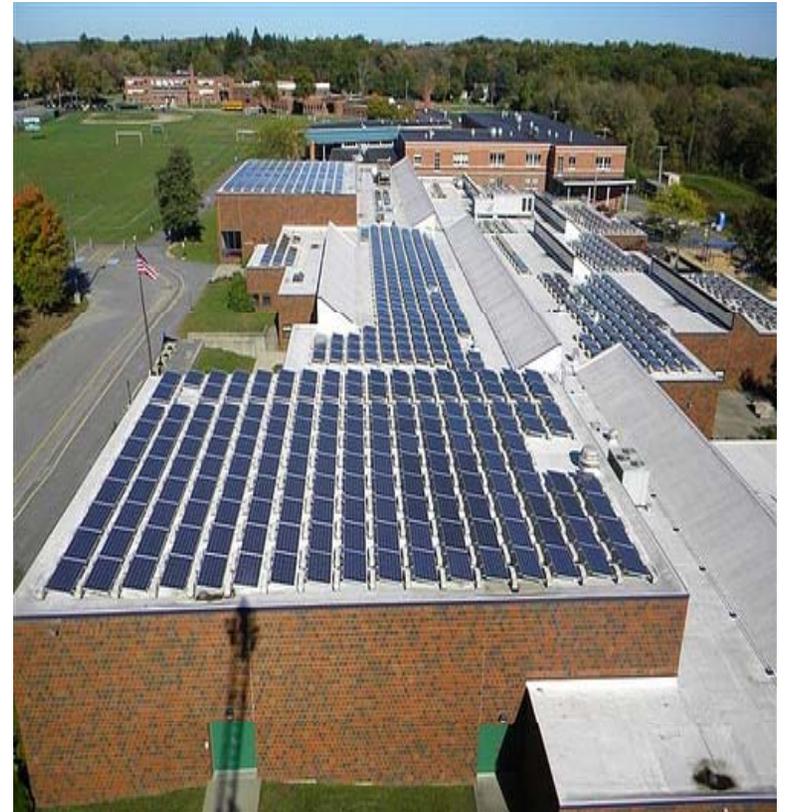


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# SREC-II and Net Metering

- Many non-residential and most municipal solar projects depend on the net metering credit incentive, along with SREC revenue
- MA market is non-uniform in the availability and value of Net Metering credits by utility territory
- DOER is cognizant of Net Metering caps being reached and impact on solar (and other renewables) economic feasibility
- DOER currently has no policy stance on the raising of the NM caps
- Any change to the Net Metering caps or other related provisions must be made by the legislature



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## Poll Question #2

What's your experience so far with net metering in MA? Are you:

1. In an existing net metering agreement
2. Currently negotiating a net metering agreement
3. Aware of the net metering program, but haven't engaged with it
4. Learning about net metering for the first time
5. Someone who explored net metering, but decided against it



# MA Ranks High Among States Supporting Solar

- Governor's goal of installing 250 MW by 2017 met four years early; new goal of 1600 MW by 2020.
- 348 of 351 MA cities and towns have a solar installation. Over 130 municipalities are hosting solar projects on town facilities.
- Solarize Mass program has supported 9 MW of residential solar in 33 towns (another 15 towns are underway).
- More solar was installed in 2013 than in all prior years combined
- Massachusetts is well ranked nationally (SEIA 2012 and 2013)
  - 6<sup>th</sup> in solar capacity installed in 2012
  - 6<sup>th</sup> in cumulative installed capacity
  - 3<sup>rd</sup> in commercial installations; 6<sup>th</sup> in residential installations
  - 2<sup>nd</sup> lowest weighted average commercial installation costs
  - 4<sup>th</sup> in total solar jobs; 8<sup>th</sup> in per capita solar jobs
- Over 1800 firms in MA work primarily in the renewable energy sector, employing over 21,000 workers. Nearly 60% of renewable energy workers support the solar sector (*2013 MassCEC Jobs Report*).

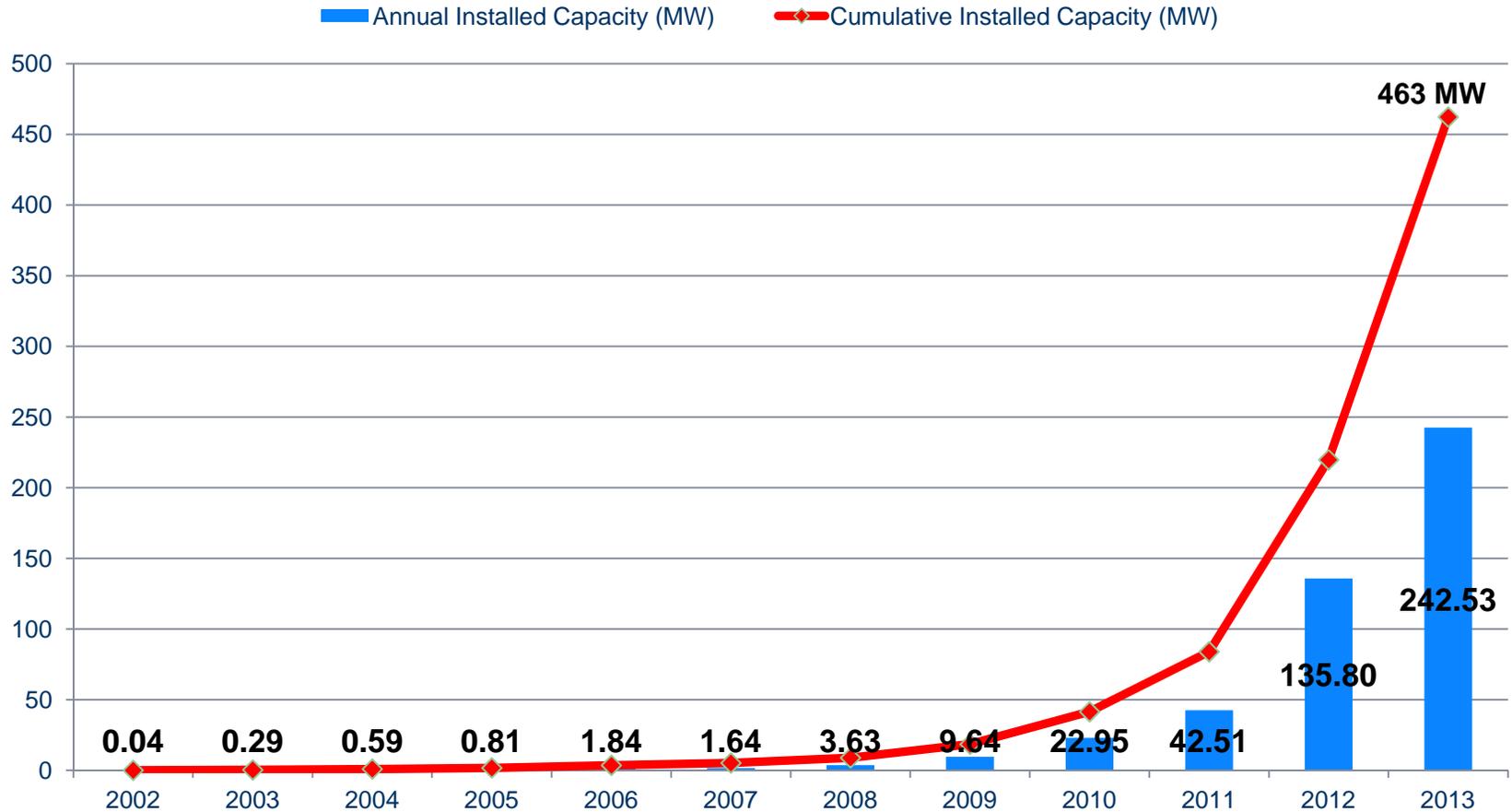


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# Solar Growth in Massachusetts

## Installed Solar Capacity in Massachusetts (as of January 1, 2014)



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# Thank You

**DOER RPS Website:** [www.mass.gov/energy/rps](http://www.mass.gov/energy/rps)

**RPS Contact:** [DOER.RPS@state.ma.us](mailto:DOER.RPS@state.ma.us)

**DOER Solar Website:** [www.mass.gov/energy/solar](http://www.mass.gov/energy/solar)

**SREC Contact:** [DOER.SREC@state.ma.us](mailto:DOER.SREC@state.ma.us)

