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March 25, 2013

VIA OVERNIGHT MAIL AND ELECTRONIC MAIL

Michael Judge
Program Manager
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Comments of National Grid Regarding Proposed Changes to the Massachusetts Renewable Portfolio Standard Class I Program

Dear Mr. Judge:

On February 27, 2013, the Massachusetts Department of Energy Resources (“DOER”) issued notice of proposed changes to the Commonwealth’s Renewable Portfolio Standard (“RPS”), 225 C.M.R. 14.00. The notice sought public input on the proposed regulations, and as such Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid, (“National Grid” or the “Company”) are pleased to provide the following comments.

National Grid, on behalf of its customers, has a keen interest in the RPS and the Solar Carve-out component of the RPS. The Company strongly supports Governor Deval Patrick’s goal of developing 250 MW of solar installations in the state by 2017, and recognizes that this goal will likely be reached this year, well ahead of schedule, based on recent development trends. The Company offers this support along with our concern for the overall cost and cost-effectiveness of the RPS and its Solar Carve-out program. Our customers, and all citizens of the Commonwealth, should enjoy the benefits of solar electricity, and other renewable generation, but should do so knowing that the RPS program is designed to procure those resources at the best cost possible.

National Grid fully supports many of the proposed changes. Allowing renewable gas from landfills and anaerobic digesters to be carried over common carrier pipelines will provide new flexibility and convenience to utilizing those valuable resources. The system of assurance for the Solar Carve-Out program is a much needed improvement that will provide solar developers added certainty about their claim to the valuable designation as a qualified producer of Solar Renewable Energy Certificates (SRECs). The new clarity around solar PV systems that are relocated or repowered will provide helpful transparency for prospective developers. Likewise, lowering the

level of SREC Alternative Compliance Payments (“ACP”) by 5% per year will help to contain the cost of shortfalls in the supply of solar generation in future years.

In other areas, however, National Grid would urge DOER to consider the following suggestions regarding the proposed changes. First, in regard to renewable gas carried on common carrier pipelines, the third requirement, that the gas be physically deliverable to the generator (see 225 C.M.R. 14.05 (1)(a)5.c and 225 C.M.R. 14.05 (1)(a)7.g.iii of the proposed regulations), may limit the usefulness of this allowance. Segments of the gas system, including parts of National Grid’s own system, are not connected in such a way that gas injected at one point could be physically delivered to all other points. However, once injected, renewable gas does in fact offset natural gas that would have otherwise flowed into the region for heating or power generation needs, thus the environmental benefit is the same whether it can be physically delivered or not. As there is little chance the actual renewable gas molecules would ever be transported from an injection point to a consumption point even with physical delivery possible, the Company would encourage this third requirement to be removed for landfill, anaerobic digester or any other renewable gas.

Second, with respect to the Solar Carve-out Program, the removal of the portion of the annual demand formula that would reduce the quantity required by the level of ACP from two years prior (see 225 C.M.R. 14.07(2)(d) of the proposed regulations) will increase the number of SRECs needed this year and in all future years, making shortages more likely. Simultaneously, the proposed fixed schedule of ACP (see 225 C.M.R. 14.08 (3)(b)2), which utilities must pay in lieu of retiring SRECs when they cannot procure such certificates, is the same as that initially proposed in 2011, despite tremendous declines in the price of solar installations since that time. National Grid understands that ACPs are not meant to reflect a market entry price for solar, but rather an incentive price. With that in mind, the Company would still urge DOER to set the 2014 ACP rate at a much lower price. We suggest \$400 or less here, rather than the proposed \$523 – a level that is more than twice the current market rate for 2012 and 2013 SRECs. Further, the minimum clearing price of the Clearinghouse Auction should also be set to decline at 5% a year in tandem with the ACP schedule to provide symmetry to the market.

The schedule as proposed, combined with the added demand from the formula change, will very likely cause customers to pay substantially more than what most developers need to make a reasonable return over the life of a solar project. Altering the ACP and Clearinghouse Auction prices as suggested above, and retaining the ACP clause in the demand formula, would make the Program more sensitive to the total cost to customers and mitigate potential windfalls to solar developers, while still allowing the Administration’s goals to be met.

Finally, in determining the output of the program target installation of 400 MW of solar, we commend the notion reflected in the proposed language to base such an output level on actual observations of installed systems rather than simple formulas. However, instead of still mandating that the capacity factor be no less than 13%, the Company would encourage actual observations to determine the capacity factor. Moreover, rather than a single year observation, additional annual observations should also be made, and a rate of output degradation should be built into the future demand number. With solar PV system output declining anywhere from a tenth of a percent to

several percent each year depending on quality and technology of a given panel¹, and capacity factors varying greatly with aspect, angle, quality of componentry, and other technical factors, DOER should be wary to not to set a final output number that will guarantee a structural deficit of SRECs for the final years of the program.

National Grid respectfully submits these comments, which we believe suggest changes to the proposed regulations that are in the best interest of our customers and the Commonwealth as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian Springsteel", written in a cursive style.

Ian Springsteel

¹ "Outdoor PV Degradation Comparison," D.C. Jordan, R.M. Smith, et al., Conference Paper of the 35th IEEE Photovoltaic Specialists Conference, National Renewable Energy Laboratory, February 2011.