

January 29, 2014

**Via Electronic Mail**

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

Dear Mr. Judge:

On January 3, 2014, the Department of Energy Resources released proposed revisions to the Renewable Portfolio Standard (“RPS”) regulations, mainly intended to expand the Commonwealth’s support of new solar photovoltaic (“solar PV”) installations through Solar Renewable Energy Certificates (“SRECs”). In support of Governor Patrick’s new goal, the proposed regulations for the second phase of solar support, known as SREC II, sets out a cumulative target of 1,600 MW of installed capacity across the Commonwealth by 2020. On behalf of National Grid,<sup>1</sup> I am pleased to offer the following comments on the proposed regulations, and suggest additional elements that would help to advance the goals of this regulatory proposal.

First, National Grid recognizes DOER’s aim to provide a comparable program that seamlessly transitions from the first phase of solar support, known as SREC I. Furthermore, the Company recognizes that DOER intends for the new regulations to better reflect the declining cost of installed solar, the differences in cost between different types and sizes of installations, and encourage matching solar PV arrays with on-site load. However, certain aspects could be improved upon to lower costs, and thus provide greater net benefits, to all customers.

**Providing for a Competitive Program for Large Scale Solar**

Consistent with our comments filed earlier in the SREC II development process, National Grid believes there is a significant opportunity to lower the costs of the program by introducing more competition for large scale solar, while at the same time providing price certainty for those projects. Larger scale projects tend to be developed by sophisticated entities which are essentially wholesale suppliers of power, as opposed to the smaller sized projects that are intended for rooftop installations for customers of various sizes to provide some part of their energy needs. Because of a lack of price certainty, investors who finance these projects substantially discount the outer years of SREC revenue. This results in projects needing a much higher price per megawatt-hour in the

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<sup>1</sup> Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid.

early years to be financed. In turn, this results in higher costs to customers who fund the program through their energy bills. By implementing a competitive program that provides long-term price certainty to the bidders, the prices needed to finance and build projects would decline.

National Grid proposes an amendment to the proposed regulations that would allow for competition to become a part of the SREC II program. The competitive program could be implemented prospectively by creating a conditional carve-out provision in the regulations that allows for the movement of a specified class of large scale solar projects to a competitive program that would be subject to approval by the Department of Public Utilities (“DPU”). Specifically, in order for the carve-out to take effect, the participating utility or utilities would need to make a filing setting forth all the parameters of the proposal. The DPU would have complete discretion to either approve or disapprove the program after a full proceeding occurs with all stakeholders being able to participate. All of the proposed program parameters would need to be transparently disclosed in the filing and subject to a comprehensive review.

The DOER would not need to specify in its regulations precisely how the carve-out would be implemented because the details would be provided completely in the filing with the DPU. While the details of any competitive program would be left to that process, National Grid envisions a tariff-based program involving periodic procurements of SRECs from suppliers in a designated carve-out class. Each procurement event would have megawatt targets and the utility would accept bids per megawatt-hour. The prices bid would reflect what the developer needs to finance the project. National Grid anticipates long-term arrangements of between 15 to 20 years. Tariffs would be filed with the DPU containing all the terms and conditions that would apply to the winning bids once awarded. The terms would specify that the winning bidder will be entitled to the payments per megawatt-hour that were awarded in the bidding process for the term of years specified in the tariff for every megawatt-hour of production. Thus, in many ways, the tariff approach would mirror the price certainty of long-term contracts. But instead of these long-term payments being provided through contracts that are subject to the jurisdiction of the civil courts, they would instead be payments that are under the exclusive jurisdiction of the DPU, supervised and enforced by the Department like any other rate issue over which the DPU has jurisdiction today.

The DPU would include in its order approving the tariff conditions language that makes clear that the winning bidders have a right to the payment stream for the entire term of years that can be relied upon for financing. The costs of the program would be accounted for by the utility and recovered in rates from distribution customers in a manner approved by the DPU. The SRECs could be used to meet the utility’s obligations under the Solar Carve-Out provisions of the Renewable Portfolio Standard, or could be resold into the market and the difference netted and passed through rates to all customers in the form of a credit or charge, much like what is set forth in the Department’s rules for Section 83 and Section 83A long-term contracting for wholesale renewable generation.

National Grid proposes that the generic carve-out in the regulations be broad enough to capture all or any subclass of large-scale solar. Thus, the language in the regulations should designate the potential carve-out class to include all managed growth systems, as well as all other systems with a DC nameplate capacity of 500 kilowatts or more without at least 67% of the energy used on-site on

an annual average basis within its service territory. This would include rooftop, landfill, brownfield and canopy systems that meet the above criteria. In addition, the Company believes it would be beneficial to allow smaller systems to opt in to the program, perhaps down to 100 kW in nameplate size. While this is a broad carve-out authorization, the actual definition of systems that would be subject to the competitive process would be determined by the DPU after a full review with all stakeholders participating.

If the program is approved by the DPU, such systems would need to prevail in such competitive solicitations as a condition of receiving their statement of qualification under the SREC II program. Winners would sell all of their SRECs to the utility under the tariff, and could not revoke or opt out of the arrangement at a later time. The utility in turn would pay all winners their fixed price for the SRECs as bid for the entire term of the applicable tariff.

While there are several ways that a carve-out provision can be drafted, National Grid proposes the following:

Notwithstanding any other provisions of these regulations, the following solar facilities seeking qualification under the provisions of 225 CMR 14.05(9) shall be subject to a prospective and conditional carve-out exception: (i) all Managed Growth market segment units and (ii) other units with a DC nameplate capacity of 500 kilowatts or more without at least 67% of the energy used on-site on an annual average basis. Any electric distribution company may make a filing with the Department of Public Utilities, proposing competitive procurements of SRECs through processes and under terms and conditions specified in the filing applicable to all or any subset of the carve-out classes specified above for projects that have not already been granted Assurance of Qualification or placed in service (if no Assurance of Qualification had earlier been granted), as of the time the proposed program takes effect. If the Department of Public Utilities approves the competitive proposal or a modified version thereof, the solar units to which the competitive proposal applies must meet the conditions of the approved program as a condition of receiving or maintaining their Assurance or Statement of Qualification to receive SRECs. Other sized units, and those units with Assurance of Qualification, but not yet placed in service, will not be precluded from participating in such a carve-out, if the utility proposes such in its filing with the Department, and such opt-in is approved.

It is important to emphasize that National Grid is not proposing that the SREC II regulations be suspended or postponed for the large scale units. Rather, they would go into effect. Moreover, if projects receive their Assurance of Qualification or are placed in service prior to any competitive program going into effect, they would retain eligibility to continue in the SREC II program without being affected by the competitive proposal. Only prospective projects would be required to participate. Further, no competitive program could be implemented unless and until the DPU opened a docket on the utility filing, allowed full participation by affected parties, and issued an order approving the conditions. But even then, the DPU would be under no obligation to approve any program. The decision would be entirely discretionary after hearing the views of all participants. National Grid is simply asking the DOER to provide the Company an opportunity to make a case to the DPU with full participation of all parties and, if found by the DPU to be

beneficial to consumers in the Commonwealth, implement the carve-out without affecting the release of the SREC II regulations as proposed on DOER's current schedule.

### Grandfathering of Pre-Contracted Energy

In addition, National Grid noted that the proposed regulations at §14.07 (3)(b) would exempt from the initial requirements any load under contract by a competitive retail supplier of energy. National Grid asks that such an exemption be expanded to include all contracts for retail electric supply, including those from wholesale competitive suppliers to provide energy for Basic Service customers. National Grid receives bids for Full Requirements Service both with and without required RECs, including SRECs. With portions of 2014 and potentially 2015 load already under contract prior to the proposed regulations being finalized, it would not be possible to evaluate bids that would include SRECs complying with the new program, nor could suppliers know what to include in their bids. Thus it would only be equitable for Basic Service customers if such contracted loads were also exempt. The benefits of this exemption should not be reserved only for those customers with the size and sophistication to engage in the competitive retail energy market. This will aid in the phase in of the SREC II program with the existing regulations and processes of procuring supply for customers opting for Basic Service.

### Definitional Issues

National Grid believes the definition of "building mounted" should be greater than 50% of the energy generation equipment on the building, such as at least 75%, or even 100%. If a valuable distinction is to be made between building and ground mounted, there should be a higher bar determining what this means. In addition, "community solar" units should be located near the end use customers, and thus in the community, where its owners will receive the SRECs from such systems. National Grid proposes that all customers wishing to benefit from ownership in a community solar facility should be on the same electric feeder, or downstream of the same substation, of its distribution utility. This will help to ensure that any such projects are replicating as much as possible the location of the solar generation at the point of use.

In addition, the Commercial Operation Date of January 1, 2012 in proposed §14.05 (9)(b) should be changed to some time much closer to the present, such as the date these regulations were proposed. While it seems unlikely that some solar PV facilities were placed in operation without qualification under the SREC I program since that time, we do not believe it is appropriate to make this program available retroactively to developers that made decisions based on other expectations. Such units would likely qualify for net metering, under present regulations, and are able to generate Class I eligible RECs under the MA RPS regulations, and may have received other federal or state subsidies prompting the system to be completed.

### SREC II Factors and Review Policy

In regards to more central elements of the SREC II program design, National Grid believes the SREC factor and market segments approach proposed in §14.05 (9)(l) brings complexity, but also a

meaningful differentiation between projects of different sizes and types, and emphasizes the use of solar PV energy on-site. However, the DOER should have the ability to quickly and more easily adjust the factors in a timely way, and have those changes apply to projects in the nearer term so that the benefits of such changes are not lost due to bureaucratic process. Factors should be reviewed in the fall of 2015, and changes should be made for all projects receiving an Assurance of Qualification effective after July 1, 2016, and should be reviewed annually on such a cycle thereafter.

Additionally, we would ask for DOER to clarify its intent in the proposed definition of “Market Segment B,” at §14.05 (9)(1)(3) as to whether all building mounted PV arrays would qualify for the 0.9 factor, regardless of their size or level of on-site energy usage. Currently, this would appear to be the intent of the language. National Grid would suggest that the same lower factors for larger systems, and rules regarding on-site usage, apply to building mounted systems, in terms of lower SREC factors. DOER should also consider additional language that would provide a higher factor, or adder to a project’s factor, for tracking systems or permanent facing of the panels to the southwest or west, in such a way as to promote systems that will better reduce distribution system and ISO-NE peak loads, which tend to occur in summer in late afternoon, when the sun is lower and to the west.

#### Alternative Compliance Payment and Auction Floor Prices

Both Alternative Compliance Payment (ACP) levels and Clearinghouse Auction Floor Prices specified in the proposed regulations should be lowered, as they provide incentives that are too high, and among the highest in the nation. Moreover, doing so will not endanger the Commonwealth’s new solar goal; instead it will strengthen it and make the growing solar industry more cost conscious and provide more long-term policy sustainability. In terms of the ACP, prices for the SREC II program should be lower than proposed, especially in the initial years. DOER should also seize this opportunity to lower the ACP schedule for SREC Phase I projects, which, if short-term SREC prices were to rise back to such levels, would represent a material and unnecessary increase in supply costs for electric customers, and a windfall for solar array owners and developers.

Auction floor prices for the SREC II program (and ideally SREC I as well) should be much lower or removed to create a real incentive for sellers to enter agreements for SRECs at prices that better reflect their actual return needs, and provide greater incentive for compliance entities to enter any future SREC auctions. As National Grid and other commenters have pointed out in earlier comments on this matter, the competitively set prices for the renewable and energy attributes of solar PV projects in other states are lower than the auction floor prices alone as proposed at present by DOER, not including the value of net metering, or the upside of potential ACP level pricing. The DOER, as an energy advocate for the public, seeking to create the greatest public benefits it can, should look at such prices and lower its schedules for SREC prices.

#### Conclusion

In conclusion, National Grid asks the DOER to include a provision in the regulations for it to propose that all projects in its service territory that meet the proposed definition would need to participate in the competitive solar tariff program, and would not be eligible to opt out and participate in the SREC II program as laid out. The Company further asks DOER to consider its other suggestions on definitions, load exemptions, price schedules, and commercial operation date eligibility, and make such changes in the final regulations. We believe these changes will benefit customers, have minimal long term impact on the pace of solar PV development, and make the implementation of the SREC II program more sustainable.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian Springsteel". The signature is fluid and cursive, with the first name "Ian" written in a smaller, more compact script than the last name "Springsteel", which is more expansive and features a prominent, sweeping flourish at the end.

Ian Springsteel