

January 29, 2014

Massachusetts Department of Energy Resources via e-mail to DOER.SREC@state.ma.us
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Comments regarding the January 17, 2014 revisions to the 225 CMR 14.00 Renewable Portfolio Standard Class I regulation

Consolidated Edison Solutions, Inc. (“CES”) and Consolidated Edison Development, Inc. (“CED”) (collectively the “Con Edison Companies”), provide the following comments in response to the 225 CMR 14.00 Renewable Portfolio Standard Class I regulation revisions published January 17, 2014 (“January 17 Revision”) in the Massachusetts Register. Specifically, the Con Edison Companies’ comments address the Solar Carve-Out II (“SREC-II”) design and to propose further refinements to the January 17 Revision.

As background,

- CES is a retail electric power supplier that maintains an office in Burlington, Massachusetts, sells electricity to 150,000 customers in Massachusetts, and develops solar projects at large commercial and institutional facilities.
- CED is a developer and operator of ground-mounted solar projects.
- Collectively, CED and CES have fourteen operating solar generation facilities in Massachusetts totaling 25 MW.

First, the Con Edison Companies would like to commend the Massachusetts Department of Energy Resources (“MA DOER”) for the decision to include in the regulation a provision which exempts all retail supply contracts executed or extended prior to the effective date of the regulation from the SREC-II compliance requirement. This exemption will protect customers that made the decision to enter into long-term contracts at agreed upon rates from having to pay for a new compliance requirement that was unknown at the time the contract was executed. The

MA DOER's continuing policy of grandfathering existing contracts helps customers avoid paying risk premiums for unknown future compliance obligations.

Looking to the balance of the January 17 Revision, the Con Edison Companies offer the following suggestions to ensure that the new SREC-II program works cohesively with the existing markets and does not create undesirable results:

I. ALL SREC-II PROJECTS SHOULD BE ELIGIBLE TO MINT CLASS I RECS FOR ANY PRODUCTION NOT ELIGIBLE FOR SREC-II MINTING

The January 17 Revision would enable new qualifying solar projects to mint only a portion of their output as SREC-II credits and would give no REC credit for the remaining production, presumably because of the complexity to sell two different types of RECs from a single solar project. This approach is illogical and conflicts with the original premise of the SREC market which was to be a subset or carve-out within the overall Class I REC market. Solar projects clearly qualify as eligible to mint Class I RECs but typically choose to mint the more valuable SRECs when they are able to do so. Similarly, all their output will qualify for Class I RECs after each project's 10 year SREC program eligibility expires.

By limiting the ability of SREC-II eligible projects to mint only a subset of their production, the January 17 Revision would artificially raise the cost of the SREC-II market because qualifying projects would not receive RECs for all of their electrical production. Furthermore, the January 17 Revision could prevent SREC-II prices from converging with Class I REC prices if SREC-II projects find it more attractive to mint 100% of their production as Class I RECs rather than a subset of their production as SREC-IIs. For example, if Landfill / Brownfield projects can only mint 80% of their production as SREC-IIs with no REC credit for the remaining 20%, they would find it advantageous to opt out of SREC II program and mint 100% of their production as Class 1 RECs when the price for Class 1 RECs was greater than 80% of the SREC II price. Finally, preventing SREC-II eligible projects from minting Class I RECs for their non-SREC-II production could undermine an accurate recording of the state-wide RPS achievements.

For the reasons discussed above, the Con Edison Companies recommend that SREC-II eligible projects get Class I RECs for the non-SREC-II portion of their output. As indicated above, this approach will reduce the overall cost of RPS compliance, help promote price convergence between SREC-Is, SREC-IIs and Class I RECs, make it more transparent as to how many RECs are being produced in Massachusetts and help projects transition to being pure Class I producers beginning in year 11 when they are no longer eligible to produce SREC-II credits.

II. SREC-II REQUIREMENTS SHOULD BE DEFINED THREE YEARS FORWARD

The January 17 Revision establishes SREC-II requirements for 2014 and 2015, which allows retail markets to factor the anticipated compliance costs into customer contracts and allow consumers to make informed purchase decisions. While two years of certainty is a welcome start, many customers sign retail supply contracts of three years or more. The Con Edison Companies recommend that the final regulation defines the SREC-II total compliance obligation for 2016. In addition, the MA DOER should publish the total compliance obligation for each subsequent Compliance Year (CY) three years forward to avoid or reduce the need for further grandfathering. This approach will allow retail markets to factor the anticipated compliance costs into customer contracts and allow consumers to make more informed decisions about investment in efficiency measures and electricity-consuming equipment. Unexpected year-over-year changes in requirements undermine the ability of customers and their suppliers to control costs and make rational investment decisions. Given the long-term focus of the renewable market, a longer term time-step to make changes is appropriate.

III. SREC-I CREDITS SHOULD BE ELIGIBLE TO SATISFY SREC-I OR SREC-II COMPLIANCE REQUIREMENTS

The existing SREC-I product should be considered at least as valuable as the new SREC-II product just as the SREC-I is at least as valuable as the existing Class-I REC. The Con Edison Companies are concerned that, when the SREC-II market is tight, SREC-IIs could clear at or near the applicable ACP and exceed the price of SREC-I credits. This outcome, which is a very real possibility in the initial SREC-II Compliance Years, would be counter-productive to an

efficient policy goal if, at the same time, there was a surplus of SREC-I credits from existing projects. Therefore, the Con Edison Companies recommend that the implementing regulations explicitly state that an SREC-I can be used to meet either SREC-I or SREC-II requirements to prevent the SREC-II market from clearing higher than the SREC-I market. This one-directional fungibility of SRECs (where surplus SREC-I credits could be used to meet SREC-II obligations but not vice versa) would allow more flexibility in compliance strategies and reduce overall consumer costs.

Respectfully submitted,



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