

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF ENERGY RESOURCES

MASSACHUSETTS SOLAR MARKET –
RPS SOLAR CARVE-OUT II

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JANUARY 29, 2014

**COMMENTS OF
TRANSCANADA POWER MARKETING LTD
RE SREC II PROPOSED REGULATIONS**

TransCanada Power Marketing Ltd. (“TCPM”) hereby submits its comments in response to the Department of Energy Resources’ (“Department” or “DOER”) Notice of Public Hearing and Comment (“Notice”) in connection with proposed amendments to portions of 225 CMR 14 – Renewable Energy Portfolio Standard. TCPM appreciates the opportunity to comment on this matter.

INTRODUCTION

TransCanada has been granted a license as a competitive electric supplier in the Commonwealth of Massachusetts by the Department of Public Utilities. As a duly licensed supplier serving retail customers in the service territories of each of the regulated Distribution Companies, TransCanada will be obligated to comply with legislative and administrative obligations as they pertain to Massachusetts’ Renewable Portfolio Standards.

BACKGROUND

Pursuant to Massachusetts General Law Chapter 25A, Section 11F, Retail Electricity Suppliers must provide a specified percentage of electricity generation from renewable energy

sources. Section 11F(g), as administered by the DOER, requires a certain amount of these renewables to be solar photovoltaic (“solar PV”). In accordance with this requirement, the Department issued final regulations in June 2010 that, among other things, established the current Program (“SREC-I Program”).

On January 3, 2014, the Department announced proposed changes to the current Program regulations to implement the Solar Renewable Energy Credit II program (“Proposed SREC-II Regulations”) and offered interested persons an opportunity to comment on those regulations. In response to the Notice, TCPM hereby submits its comments on the Proposed SREC-II Regulations.

COMMENTS

1. The DOER’s Economic Analysis of the SREC-II Program is Severely Flawed and the Program Should be Suspended Until a Competent and Independent Analysis is Conducted

TransCanada has previously provided comments on the DOER’s economic analysis of its SREC-II program. The DOER’s “Task 3b Report: Analysis of Economic Costs and Benefits of Solar Program” of September 30, 2013 purportedly presented “an analysis of Massachusetts solar photovoltaic (PV) deployment costs and benefits.”

Among TransCanada’s findings in comments provided to the DOER on November 22, 2013 was that the DOER’s study:

1. Failed to make the proper base case / change case comparison, and should have compared the cost of the solar expansion to the cost of on-shore wind;
2. Misidentified the beneficiaries of the solar program's capacity credits, erroneously crediting ratepayers in general for the capacity credits when, in fact, the credits would be received by solar project owners;
3. Attributed economic value of the solar expansion to wholesale market price manipulation and price suppression, concepts that have been well-discredited by some of the nation's best economists;
4. Claimed avoided emissions benefits where none exist due to the solar expansion's displacement of on-shore wind development;
5. Conducted a one-sided jobs analysis; and
6. Inappropriately applied a questionable avoided Transmission and Distribution costs analysis that had been developed for energy efficiency programs.

Despite these flaws in its study, the DOER has represented publicly that the SREC-II program has a benefit / cost ratio greater than 1 over its term. This is a flat misrepresentation of the program's actual economics and an independent and competent economic review of the program must be conducted before the huge commitment of ratepayer dollars associated with SREC-II is made.

2. Further Review of the Largest Category of SREC-II Purported Benefits, Avoided Construction of Transmission and Distribution Facilities, Reveals Large Flaws in Study Methodology

The DOER's study claims avoided T&D benefits from the solar expansion that range from \$150/kW-year in 2014 to \$250/kW-year in 2044 (Figure 10, page 21). In fact, these avoided T&D benefits represent the largest category of benefits claimed to offset the SREC-II costs. The study represents that the Net Present Value of avoided T&D benefits is \$949 Million, or 45% of total benefits (Table 10, page 24).

In effect, the DOER's study claims that each solar kWh will produce avoided T&D benefits ranging from 4.3 cents/kWh in 2014 to 7.1¹ cents/kWh in 2044. This is a remarkable conclusion, since at present the entire cost of T&D services for a residential customer on National Grid's system, for example, is about 6 cents/kWh.

As previously discussed in our November comments, the DOER's consultants performed a cursory, imprecise, and completely invalid analysis to determine avoided T&D benefits. Simply extracting numbers from another study and running some simple math does not represent a valid approach to determining avoided T&D benefits. Fortunately, at least two other utilities have conducted thorough and professional studies to assess avoided T&D benefits on their systems from solar installations. These utilities are Arizona Public Service and Public Service of

¹ \$250/kW-yr x 400 MW/1200 MW x .13 cf x 8760 = \$71/MWH, or 7.1 ¢/kWh

Colorado². Notably, both of these utilities are located in a far superior solar regime than Massachusetts (see NREL solar insolation charts, for example).

These two utilities cast hourly solar production profiles against hourly load profiles for both residential and commercial customers to understand the solar contribution to offsetting the peak load for each of these customer classes. The utilities then examined distribution feeders and transmission lines on their systems to assess the ability from solar installations to delay otherwise needed facility upgrades – in other words, the avoided T&D benefits. These utilities found avoided T&D benefits were limited to less than 10% of the values found by the DOER study.

The difference in results between thorough and well documented studies from utilities that operate T&D systems versus the DOER's study is stunning, calling into question the legitimacy of the entirety of the DOER's study.

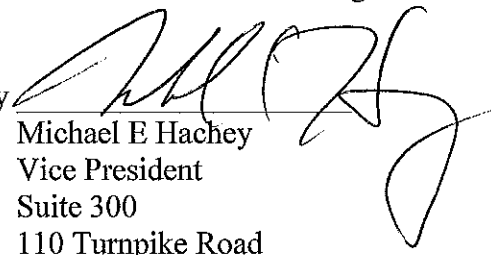
CONCLUSION

The DOER has a good faith obligation to prepare information for public review that is thorough, accurate, and truthful to the best of their ability. This is especially critical when it involves programs that will create hundreds of millions of dollars in expense on ratepayers' electric bills. Further, they have the same responsibility with respect to state administrative decision-makers and legislators. TCPM believes the DOER's economic analysis is

² http://www.azenergyfuture.com/getmedia/77708c68-7ca6-45c1-a46f-84382531bae3/2013_updated_solar_pv_value_report.pdf?ext=.pdf ; http://votesolar.org/wp-content/uploads/2013/12/11M-426E_PSCo_DSG_StudyReport_052313.pdf

fundamentally flawed and fails to provide useful information with respect to the costs and benefits of the SREC-II solar program expansion within Massachusetts. Until a competent and thorough analysis is done, on par with what any entity in the private sector would do before it embarked on such a venture, the SREC-II program should be suspended.

Respectfully submitted,
TransCanada Power Marketing Ltd.

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