

Comments of Kearsarge Energy

SMART 400MW Review and Expansion Proposal 9/27/2019

We would like to thank the Department for its work to implement the SMART Program and to devise the Straw Proposal for the 400 MW Review. We continue to believe Massachusetts can be a leader in Solar and Energy Storage in the nation but to continue on this pass, there is the need for some substantial changes to the SMART Program. Please find some of our suggestions that will help grow the program but also ensure that the developers and owners are not only large national companies but also local companies.

Here is aa summary of recommendations and questions:

1. STGU Qualification under Post 400 MW Review Emergency Regulations.
2. Minimum Solar Project Size to Require ESS should be increased to 2 MW AC.
3. For behind the meter systems, we suggest an alternative mechanism for addressing the incentive shortfall.
4. Small systems (under 25kW) as a part of a campus or portfolio procurement should be exempt from the requirement to provide a contract as evidence of site control.
5. For behind the meter systems with a combination of location technologies (canopy + rooftop + ground mount) we recommend the elimination of utility owned production meters consistent with the recommendation for solar + storage business models.
6. For public projects, allow application for SOQ reservation with binding award letter and submission of interconnection applications.

1. Our fundamental concern relates to the way in which the changes contemplated in the 400MW Review will be implemented and applied to STGUs. We commend DOER for recognizing certain sectors of development and project category require further incentive for large-scale adoption, including BTM STGUs and Public Adder STGUs. In parallel, DOER has identified large-scale ground mounted arrays on “greenfield” sites to be overrepresented in the first wave of SMART applications and has therefore proposed an increased subcontractor for these types of STGUs.

As we understand, DOER has proposed grandfathering into the current SMART regime those STGUs that have achieved a “SMART-ready” level of development prior to the promulgation of the regulations. Thus, DOER has recognized the level of development effort and cost expenditure that has gone into these developments that were envisioned to slot into the current SMART regime. This makes sense, though we request, as do most other developers, an extended grace period due to the long-lead times and complexity of many development processes and the fundamental interconnection issues that are causing extreme disruption and potential cancellation of projects throughout the state.

With regards to the sectors DOER has proposed to enhance, including BTM and Public Adder projects, we strongly recommend a modified standard for determining which “regime” an STGU will be eligible for. For example, these projects, either already on waitlists or being currently developed, may not elect to pursue a BTM application or a Public Adder qualification unless they are eligible for the post 400 MW regime (amended AOBC/QF value and increased Public Adder). In addition, some projects were being developed in anticipation of resolution to the challenges posed by the original BTM compensation mechanism and the \$0.02 Public Adder.

Therefore, we recommend allowing STGUs that have the required permits and approvals for SOQ submission but are not operational as of the date the Emergency Regulations are promulgated, to opt into the new regime or to be grandfathered into the original SMART regime. Projects that are not SMART-ready by such date would automatically be governed by the new regime.

Alternatively, a project that has submitted for and is waitlisted or has received SOQ should be able to withdraw and reapply for SOQ under that new regime – in this instance the developer would be exposed to the risk of the declining block and the new requirements.

2. DOER is proposing that any STGU in excess of 500kW must be paired with Energy Storage. Kearsarge appreciates the DOER’s interest in expanding the co-location of storage with large solar however we expect that the 500kW threshold will negatively impact the broader DOER and industry goal of deploying public and private C&I scale solar in high load areas. At this point, the storage adder in Block 4 does not adequately balance the additional procurement, EPC and operating costs associated with the type of small format storage that would be paired with a 500kW system. The requirement will add cost to already challenged canopy and rooftop installations in the 500kW – 2MW range. We suggest that the threshold be raised to 2MW AC with consideration given to freezing the value of the storage adder at Block 4.
3. DOER has proposed adjustments to address inequities for Behind the Meter proposals related to both the exported energy compensation and the calculation of incentive values.

Kearsarge Energy supports the DOER proposal to expand the AOBC to behind the meter systems as an alternative mechanism for compensation of exported energy. This reflects an understanding of the difficulty faced by developers who are focusing on distributed generation coupled to load, but who are unable to advance projects because of a lack of a viable export energy pathway.

Kearsarge also supports the DOER proposal to modify the calculation methodology for the incentive in a way that acknowledges the difference in value between energy consumed onsite and exported energy. The proposed formula for the calculation of the incentive suggests that on average a facility with a behind the meter installation will use 65% of the solar production onsite and will export 35% at the AOBC value. Based on

feedback from our financial partners and standard return metrics, this ratio of onsite use / exported energy, as a method for setting the incentive, is not viable and will not close the current incentive gap.

A common example where this ratio will continue to penalize load coupled generation is a campus application, where a single customer with multiple buildings / loads is seeking to achieve net zero and physically offset energy use where possible. It will typically not be possible to match an individual STGU with each facility to fully offset load. The likely solution is to oversize one or more of the arrays and transfer the export energy credits to the remaining facility accounts. This can result in an array that is significantly larger than required for the coupled BTM load – in this instance the 35/65 ratio breaks down. Splitting the system into a BTM and Standalone solution is generally not feasible due to project segmentation rules. The net result is that the customer, if electing to remain BTM, receives materially less incentive than a standalone installation, and if electing to go standalone loses the additional value of the offset energy, demand management (particularly when paired with storage) and interconnection efficiency.

Kearsarge agrees with the recommendation included in the Joint Comments of the Solar Energy Industries Association, the Coalition for Community Solar Access, MassSolar, the Northeast Clean Energy Council, the Solar Energy Business Association of New England and Vote Solar. We think DOER should provide a netting of electricity imports and exports for BTM systems that opt for AOBC's whereby the calculation of the incentive value delivered to the customer is based on the actual volumes used behind the meter and exported.

4. While not addressed in the straw proposal, Kearsarge Energy would encourage the DOER to consider an exemption from the documentation requirement (completed contract) for small (<25kW) systems if they are part of a larger portfolio transaction but just multiple buildings for example. The specific issue at hand is that in working with both public and private entities, the small system permitting and interconnection process is normally ahead by substantial months of the completion of the larger parts and it is not feasible to complete a contract until all the elements of the project are known. Individual, specific contracts for these small projects are unwieldy, expensive and thereby diminish in value the overall project. In some cases, this may cause the overall project to not be viable. It is also important to the site owner, such as a school district to have multiple schools with solar and they should be viewed collectively. As it currently stands, a 1MW system that is part of a campus installation can apply for SOQ with appropriate permits and interconnection agreement and evidence of site control in the form of a letter of intent. A 25kW system forming a part of that same campus installation similarly needs appropriate permits and interconnection agreements but requires an executed contract (vs. a letter of intent), defining a range of detailed commercial terms, before securing allocation. Kearsarge understands the consumer protection principles behind requiring such documentation for standalone small systems. Kearsarge recommends, however, that if a small system (<25kW) falls within a larger procurement or campus installation, that the DOER allow an exemption from the completed contract standard to the extent the

small system is referenced in the letter of intent or the letter of award that evidences site control and a commercial relationship for the portfolio.

5. Consistent with the findings for Solar + Storage systems, projects where the solar portion is split across multiple location categories (ground / canopy / rooftop) face the economic challenge of requiring a utility owned production meter on each of the solar legs. A good example of this is a behind the meter installation that has a canopy, rooftop, ground mount and storage. Each requires an individual utility owned production meter, paired with a customer owned metering system for operations, all behind an upgraded utility owned service meter. In this project, a total of nine metering systems are being used – four of them are utility owned and are redundant if customer metering could be used. Eliminating the need for a utility owned production meter on each of the three solar legs in addition to the storage leg has a material impact on the cost of interconnection. For any multi leg installation, whether simple Solar + Storage, or a multi system solar design (Ground / Canopy / Roof) behind a single service meter, we recommend the elimination of utility owned production meters at the individual STGU's consistent with the recommendation for solar + storage business models.
6. Kearsarge supports the DOER in providing an extension to the reservation period for public projects by reducing the requirements for SOQ submission. We recommend, however, that rather than requiring completed contracts for reservation, a letter of award or letter of intent and evidence of interconnection application would be the appropriate criteria. Negotiation of the final contract terms in a public process can extend well into the development cycle due to the review and approval process at a municipal level. This is reflected in the fact that a key criteria for selection through a public RFP is often a developer's willingness to advance the development of the project in parallel with development of a PPA and/or Lease agreement. Positioning the completion of key project agreements as the requirement for submission into SMART will likely prove as significant a hurdle as non ministerial permits and an ISA. We recommend the threshold be letter of award/LOI and proof of interconnection application

Submitted on behalf of Kearsarge energy by,



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