

September 27, 2019

Massachusetts Department of Energy Resources

RE: Associated Energy Developers, LLC - Public Comments on SMART 400 MW Review

To Whom it May Concern,

Associated Energy Developers, LLC is a commercial solar developer based out of Plymouth, MA. We have developed and built over 12 MW of solar projects in Massachusetts and have been intimately following the development and rollout of the SMART Program. We appreciate the opportunity to comment on the proposed changes in the 400 MW review, and have the following comments to offer:

800 MW Capacity Addition

While we are glad to see the addition of 800 MW into the SMART Program, we feel that this target falls far short of what is needed to ensure a stable and predictable solar market in MA for the next several years. Given the amount of MW currently in the interconnection queue, especially applications for multi-megawatt arrays, we feel that 7 years is a gross underestimate of the time it will take to reach 2400 MW in the SMART Program.

If the DOER is to stick with only 800 MW in additional capacity, we strongly advocate for the creation of a carve-out(s) for 'Small to Large Commercial' systems between 26 kW and 999 kW AC. These systems are being shut out by the large-scale Groundmount systems and often have higher costs associated with them that the increased Base Compensation Rate is unable to account for. Our neighboring state of Rhode Island has integrated carveouts for 'Medium Scale Solar' projects between 26 – 250 kW, 'Small Commercial Solar' for projects between 251 – 500 kW, and 'Large Commercial Solar' for projects between 501 – 999 kW. They recognize that costs and economics between these different-sized systems are variant enough to the point where they each have their own carveout and are compensated differently, and we strongly believe that the Commonwealth should do the same. If it is the intent of the Baker Administration and the DOER to drive the growth of distributed generation on already-existing rooftops and parking lots, then these projects cannot be competing for capacity with industrial 5 MW ground-mounted arrays. There needs to be a separate carveout.

Storage Mandate on Projects > 500 kW AC

While we agree that storage will be a critical mechanism to ensuring the continued growth of solar in the Commonwealth in the face of rising interconnection costs and our own miniature duck curve, we are deeply concerned that the mandate for storage on projects greater than 500 kW AC will negatively impact project economics in the next several years. Storage costs are continuing to decrease across all markets, but in our experience SMART projects are not able to perform economically without the ES adder. With every project over 500 kW required to have storage (and the ES adder already on



Tranche 4), the entirety of the adder will be claimed in a very short period of time. If this mandate is to be implemented, we strongly recommend that the ES adder not be decreased any further – similar to DOER’s proposal to eliminate the decline for location-based adders.

Community Solar

We have serious reservations about the proposed rule that Applicants will lose their queue position if they do not demonstrate compliance with the Community Solar Adder when operational. We recognize that the initial design of the application portal was flawed in that applicants could simply “click the button” for Community Solar and reserve their spot in a Community Solar Tranche “just in case” they decided to go Community Solar down the line. This resulted in a very large number of projects applying for their Preliminary SoQ with the Community Solar Adder who will likely forfeit that adder at their incentive claim. This caused the Community Solar Adder to fill up all the way through Tranche 11 to the point where the Adder (now at approximately \$0.033/kWh) is barely enough to cover the increased costs of doing a Community Solar Project – such as applying a 10-20% discount on the Net Metering Credits / AOBCs, the cost of acquiring and onboarding offtakers, the annual subscription management costs, and increased financing costs from lending institutions and project buyers who view Community Solar as risky.

The DOER is well-intentioned in proposing new ideas to alleviate these concerns, but we feel that revoking queue positions of Applicants that initially subscribe to the Community Solar Adder and then drop it is not the way to go about fixing these problems. Many developers, including ourselves, felt forced to go for Community Solar in order to make project economics work. With the time it takes to process SMART SoQs, the developers do not know with confidence which Block they will end up in and are forced to apply for a Community Solar adder as a precaution.

Instead of revoking a developer’s SoQ – and thus causing the delay and/or cancellation of potentially dozens of megawatts of projects – the DOER should consider a measure less extreme, such as requiring proof of ‘Anchor’ tenant contracting within a certain timeframe during the 12-month SoQ reservation period. This will force the developer to choose whether or not to pursue Community Solar after they’ve been awarded an SoQ and can make an informed determination as to whether or not their project will be able to pencil financially without it.

Base Compensation Rates

We are concerned with the anticipated Base Compensation rates in Blocks 9-12 of National Grid and Eversource West territories. With the initial Block 1 rates in National Grid and Eversource West lower than that of Eversource East, these regions of the state were already at a disadvantage from the outset of the program. Now, with all of their capacity consumed by large-scale Groundmount projects that should have been built during the SREC II years, the industry now finds itself in a position where



projects' financial viability is almost entirely dependent upon which utility load zone it finds itself lucky (or unlucky) enough to be located in.

For example, a Block 3 250kW AC Rooftop project in Eversource East has a high enough rate (\$0.25421/kWh) where it is able to make economic sense to the developer, site owner, and system owner; whereas the exact same project two miles away in Block 9 of National Grid only pays \$0.18760/kWh (a drop of over 26%). The cost to build the project is still the same, the site host will still be looking for the same lease payment, and the owner of the system will still be looking for the same IRR. With the Base Compensation Rates pushed down far ahead of the anticipated natural filling of the blocks (and accompanying lower costs that come with it), our company is telling customers that the project they keep calling us about asking when it will begin development will now indefinitely be on hold.

We strongly feel that DOER needs to reconsider the Base Compensation Rates for National Grid and Eversource West if it is to encourage sustainable commercial solar development over the next several years.

Address Behind-the-Meter vs. Standalone Issues

DOER's 400MW Review presentation states that 60% of large Building-Mounted and Canopy systems are being installed as standalone instead of behind-the-meter and points to what it believes the two major barriers to behind-the-meter systems as 1.) the exported energy compensation method, and 2.) the 'negative incentive' for behind-the-meter systems in later blocks. While these are both valid arguments, we feel that DOER is failing to recognize the core reason that systems are being built as standalone – the fact that standalone systems are much more financeable than behind-the-meter systems. With the Investor-Owned Utility as the credit-worthy offtaker and the existence of a fixed, guaranteed 20-year revenue stream, investors and system owners – who play a key role in allowing systems to be built by providing the funding for them – overwhelmingly prefer standalone systems to behind-the-meter facilities.

The DOER wishes to incentivize solar development on already-improved land (i.e. rooftops and parking lots). Most of the larger rooftops and parking lots are owned by property owners who rent their buildings to tenants and have zero interest in the electric bill savings of their tenants because no discernable benefit will come to them. With the existence of standalone systems, these property owners are able to realize revenue from their unused space and will lead to more projects actually being built.

We feel that the DOER is unfairly treating standalone systems by proposing to keep the rate of decline at 4% for standalone and 2% for behind-the-meter. While behind-the-meter systems do have several key benefits including resiliency and alleviating interconnection issues, standalone is far more financeable and will ultimately provide the solar industry with the tools it needs to get 2400 MW of solar actually funded and built.



Preferred Interconnection Adders/Subtractors

We appreciate the DOER's intent behind wanting to drive C&I solar development towards areas of low congestion and where the maximum benefit to the grid can be realized. However, we are skeptical of the need for an additional adder/subtractor to properly incentivize this. Developers are already heavily incentivized/disincentivized from developing in certain areas of congestion with the exorbitantly high interconnection and study costs that can single-handedly derail a project.

What we feel would have been more helpful towards the onset of the SMART Program would have been if the DOER provided developers with a more detailed "heatmap" of areas of congestion so that we could conclude ourselves where or where not to try and interconnect. We feel that such a map would negate the need for additional complexity in the SMART Program through the incorporation of an interconnection adder/subtractor.