

November 5, 2009

Michael Pleasant, Executive Assistant
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Comments on Solar RPS Carve-Out Proposal

Dear Mr. Pleasant:

These comments are provided on behalf of Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid ("National Grid") at the invitation of the Massachusetts Department of Energy Resources ("DOER") to comment on the proposed Solar RPS Carve-Out S-REC Price Support Mechanism Proposal presented by DOER at a public stakeholder meeting held on October 23, 2009. This carve-out is proposed as a part of the MA Renewable Portfolio Standard ("RPS"), as provided for in Section 32 of Chapter 169 of the Acts of 2008, Act Relative to Green Communities (the "Green Communities Act" or the "Act"). We appreciate the opportunity to provide these written comments.

With some modifications as described below, National Grid supports the concept of a price support mechanism as a means to continue the expansion of solar PV development in the Commonwealth and to achieve the Administration's goal of reaching 250 MW by 2017. National Grid believes the Proposal, if designed to work in conjunction with other mechanisms, including utility participation in on-site generation, net metering, and long term contracting under Section 83 of the Act, as part of an overall plan intended to cultivate solar development and develop a sustainable solar market in the Commonwealth, may be an effective mechanism to accomplish the goal.

Solar ACP

National Grid supports the concept of establishing an Alternative Compliance Payment ("ACP"). While the Company recognizes that DOER has lowered the initial ACP Rate from \$700/MWh to \$600/MWh, the Company views the proposed initial ACP Rate of \$600/MWh in 2010 set forth in the Proposal as too high and is concerned about the impact this will have on its customers. As the Company has previously stated, when compared to other states, specifically Maryland and Pennsylvania, and taking into account that these projects will also be eligible for net-metering with a value of \$100 to \$150 per MWh, we recommend an ACP starting at \$400. The Company supports the concept of allowing DOER the discretion to reduce the ACP Rate in any current year; however, the Company believes that DOER should have the discretion to reduce the ACP Rate to an appropriate rate based on the experience gained under the program, rather than being limited to a maximum ACP Rate reduction of ten percent (10%) in any year. The Company believes DOER should have the discretion to fully take into account the expected decline in installation costs

of solar projects of this type, potential participation in the Forward Capacity Market, and the fact that the developers can take advantage of the 30% investment tax credit.

Opt-In Auction Account

The Opt-in Auction Account is an interesting concept that National Grid could support on a year on year basis so long as participation in the S-REC auction is voluntary. National Grid would consider participating in the S-REC auction to the extent there is a benefit to its customers. National Grid believes that customers would benefit to a greater degree if DOER had the discretion to reduce the Auction Fixed Minimum Price in any year in the same manner as DOER has the discretion to reduce the ACP Rate in any year. In addition, National Grid believes that the distribution companies should also be provided the option to deposit their S-RECS into the Auction Account for the term of years that is applicable in the year the project is installed. This would provide the distribution companies the ability to obtain the Auction Fixed Minimum Price for excess S-RECs. While this ability would enhance the attractiveness of the auction and potentially the appeal of entering into multi-year contracts for S-RECs, as the Company has previously stated, long-term contracting for RECs (i.e. more than three years) is incompatible with retail choice. The long-term contracting provisions of the GCA are currently the only way in which the Company could make long-term commitments to purchase RECs.

Project Eligibility for S-RECs

National Grid believes that DOER's Proposal should apply to all solar generation, regardless of owner, in order to further the goal of the Green Communities Act to have utilities build solar resources that can be used to satisfy REC requirements. The Green Communities Act allows for distribution company ownership of solar and the ability to satisfy RPS requirements with company-owned solar. National Grid suggests that DOER make clear in its regulations that the scope of eligible projects includes those owned by the distribution companies such that all solar projects that satisfy the criteria set forth in the Act would qualify for S-RECs.

National Grid supports DOER's intention to cultivate solar development and develop a sustainable solar market in the Commonwealth and, to that end, hopes that its comments will benefit DOER in its efforts.

Thank you very much for the opportunity to provide these comments. National Grid looks forward to continuing to participate in this matter.

Very truly yours,



Celia B. O'Brien