



November 5, 2009

Phil Giudice, Commissioner  
Department of Energy Resources  
100 Cambridge Street, Suite 1020  
Boston, MA 02114

**Re: Comments of SEBANE regarding the Solar RPS Carve-Out  
Price Support Mechanism**

Dear Commissioner Giudice:

The Solar Energy Business Association of New England (SEBANE) appreciates the opportunity to submit these Joint Comments regarding the Solar RPS Carve-Out Price Support Mechanism presented by the Department of Energy Resources (DOER) on October 23, 2009.

**INTRODUCTION**

SEBANE is a business association of solar energy companies based or doing business in New England. SEBANE's 100 member companies include manufacturers of solar panels and inverters and solar system developers, designers and installers. SEBANE members will manufacture and install the systems that will generate the Solar RECs.

SEBANE commends DOER for offering an innovative Price Support Mechanism to create and sustain an S-REC market. As other states have experienced, the challenges to creating such a market are many. DOER has learned from the experience elsewhere and has offered a comprehensive solution designed to be implemented quickly to sustain the solar market in 2010 and beyond.

As DOER knows well, to be successful an S-REC program must produce a revenue stream that is sufficiently secure to support the financing of solar projects. Accordingly, SEBANE offers the following suggestions designed to enhance the security of the S-REC revenue stream and the ability of the program to support financing.

# **1. Utility- and Stimulus-Funded Projects should not Qualify for S-RECs**

Utility- and Stimulus-funded projects should not qualify for S-RECs because allowing such projects to qualify would make it more difficult for other projects to obtain financing and would create an unequal playing field in the S-REC market.

Extending S-REC eligibility to utility- and stimulus-funded projects would impair the ability of other projects to obtain financing because it would create tremendous uncertainty with regard to the carve-out remaining for other solar projects. Stimulus funding could support over 20 MW of solar and utilities could develop another 50 MW each by 2012. This capacity would far exceed all of the S-REC requirements through 2012. While it is optimistic to assume that all of these projects will be developed, the prospect that they could be, and the likelihood that a significant portion will be, creates tremendous uncertainty. If those projects are eligible for S-RECs, the availability of S-RECs for other projects becomes much less certain and thus makes those projects less financeable.

In addition, utility- and stimulus-funded projects would have an unfair advantage over other projects competing in the S-REC marketplace. Utility and stimulus projects are able to tap into revenue sources that are not available to other projects. This reduces the revenue that utility- and stimulus-funded projects would need from S-RECs in order to be viable. It would thus enable them to price their S-RECS below those of traditional projects, giving them a distinct advantage.

SEBANE recommends that utility- and stimulus-funded projects simply be ineligible for S-RECs. This is the cleanest solution. If instead utility- and stimulus-funded projects are made eligible, the Minimum Standard should be increased each year by the size of those projects. That way, the amount of S-RECs available to other projects will be known, and will not vary according to how much utility- and stimulus-funded capacity is built.

**2. DOER should have the Ability to Increase the Minimum Standard to Ensure that the Auction Clears**

As currently designed, there is a significant risk that the auction will not provide the price-certainty necessary to support financing. Bankers have indicated to SEBANE members that they believe that the auction will not clear under some scenarios. For example, when the market is long, it is possible that Load Serving Entities will not be motivated to buy S-RECs at \$300/MWh even if DOER extends the S-REC shelf-life indefinitely. In fact, under such conditions, the auction may create a de facto price ceiling for non-auction transactions, but not a floor. As a result, the mechanism does not create the certainty regarding the minimum S-REC value that is needed to support financing.

In order to ensure that the Opt-In Auction will clear and to incentivize non-auction transactions above the \$300/MWh, SEBANE recommends that the mechanism be adjusted as follows: In the event that an Opt-In Auction does not clear, DOER should both increase the shelf-life and increase the Minimum Standard immediately -- before the next auction is held. The increase of the Minimum Standard would be similar to the Auction Account Reliance Trigger, only it would occur immediately after each Opt-In Auction that does not clear. This would help to ensure that the auction clears at \$300, creating the price floor that is needed to support financing.

In the first round of comments, SEBANE submitted jointly with the Solar Alliance, another solar industry association. While there was not time to develop a single set of joint comments for this round, the two organizations will continue to work closely together to present a consistent message from the solar industry.

Thank you for the opportunity to provide comments.

Sincerely yours,

*/s/ Paul W. Gromer*

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