



Conservation Services Group

Ms. Susan Leavitt
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Re: Comments on Solar RPS Carve-Out STRAW PROPOSAL

Dear Ms Leavitt,

Conservation Services Group (CSG) appreciates this opportunity to submit comments regarding the DOER's Solar RPS Carve-Out Proposal.

CSG represents renewable generators located within ISO-NE and in adjacent control areas many of which qualify as a Class I new renewable resource eligible to satisfy Maine's new renewable resource portfolio requirement pursuant to Chapter 311, § 3 of the Commission's rules. CSG has experience installing and operating both residential and commercial scale solar installations and currently aggregates Renewable Energy Credits (RECs) from on-site solar units throughout New England.

CSG is a member of SEBANE and the New England Clean Energy Council (NECEC) and supports the comments submitted by these organizations particularly the goal that SREC securitization strategies be financeable, low risk, transparent, and easy to deploy in a timely manner. As noted in the NECEC comments, many analysts equate REC securitization with some type of long-term contracting mechanism. CSG is keenly aware that while DOER does not have the authority to commit the state or any other entity to such long term contracts, it does have the authority under the Green Communities Act to craft a solar renewable energy credit (SREC) system. We would like to take this opportunity to introduce some regulatory concepts for consideration.

The original MA RPS regulations included two mechanisms designed to mitigate market volatility, the alternative compliance payment (ACP) and banked compliance.

- The ACP mechanism was created in response to Retail Electricity Supplier's legitimate concern that under supply in a nascent REC market would result in price spikes and that unlimited rate payer exposure was not politically tenable. Experience has shown that the ACP mechanism has provided a critical safety valve for REC buyers and has served as a defacto price cap in the market.
- Banked compliance allows Retail Electricity Suppliers to purchase RECs in a compliance year and apply them toward their compliance obligation in future years, but does not provide comparable flexibility for renewable generators who are forced to sell 100% of REC within a compliance year. While Banked Compliance serves an important role in dampening price volatility, the fact that only Retail Electricity Suppliers have access to this important ability to move RECs into future compliance periods, puts renewable generators at a disadvantage in the market.

Because such a large portion of the RPS compliance load is held by competitive retail suppliers, CSG is concerned that even utility long term contracting to cover standard offer service load will not provide sufficient securitization for the program to succeed. We therefore strongly recommend that DOER incorporate a regulatory mechanism in the SREC carve out design that will protect the market from price collapse.

A potential regulatory strategy for a price floor might be structured so a seller could have the option to transfer the SRECs to DOER at an Alternative Compliance Offer (ACO) price. DOER could then use its regulatory authority to make the ACO SRECs eligible for compliance in future years when the RPS obligation will be larger and prices will presumably be higher. DOER could then facilitate the sale of the ACO SRECs through an annual ACO auction. The minimum price paid for ACO SRECs, or auction reserve, could be set at the ACO plus a fee to cover program costs. Total auction revenues minus fees could be returned to the sellers. Both buyers and sellers would have the incentive to strike deals between the ACO price and the ACO price plus fee, with the buyer then taking advantage of the Banked Compliance mechanism to move the SRECs into a future compliance year.

CSG appreciates the opportunity to present these preliminary concepts for a regulatory price floor in the SREC market. I am of course available if you have any questions or suggestions.

Respectfully submitted,

Patricia D. Stanton
Vice President

CC: Ian Bowles, Secretary, EOEEA
Philip Giudice, Commissioner, DOER