**Net Metering Solar Task Force Meeting**

**Thursday February 12, 2015**

**9:30am-1:00pm**

Task Force members in attendance: Dan Burgess, Angie O’Connor, Eric Krathwohl, Janet Besser, Fred Zalcman, Amy Rabinowitz, Bill Stillinger, Paul Brennan, Geoff Chapin (arrived late), Camilo Serna, Bob Rio, Christina Fisher, Charles Harak, David Colton (arrived late), Lisa Podgurski, Liam Holland

Dan Burgess: We’re going to get started. Happy to be here at DPU. New co-chairs and new task members with us today, we’ll introduce ourselves.

Angie O’Connor: Thank you for coming and being here, thank you for your time energy and hard work here. I have been briefed from my staff on this and many things and want to thank everybody and they’ve let me know about the comments from the public. On behalf of the administration we appreciate the support on this. I have a lot of questions and will be learning from your questions. We’ve got a very tight timeline let’s get started.

Dan Burgess introduces Liam Holland replacing Stolle Singleton.

Task Force members go around the room introducing themselves.

Dan Burgess: Any corrections to be made to the December minutes

No corrections noted. Motion to proceed.

Yes. William Stillinger Seconded

Meeting minutes adopted unanimously (12-0) with Liam Holland and Charlie Harak abstaining.

Same for January 6th minutes. Motion to adopt, seconded.

Meeting minutes adopted unanimously (12-0) with Liam Holland and Charlie Harak abstaining.

Angie O’Connor: Task force members hold questions until the end of the updates.

Consultant begins presentation

Bob Grace: Thanks for being here, you’ve provided a lot of information. Today we’re going to give a quick status update and summary of focus group interviews (Task 0). Task 1 overview and policy type review to make sure everyone understands the vocabulary we will be using. Will do a quick status update on Task 2, jump to Task 5, and the bulk of our discussion will be on Task 4. And we’ll wrap up with Task 3 Cost benefit analysis.

Our original plan was to present cost benefit results for Task 3, but that is not on the agenda today.

Andy is going to take us through Task 0. Let us know if you have clarifying questions. We have received many comments from folks on the task force and have incorporated that into our report. There’s a lot of detail and a lot of well though out perspectives, it is definitely worthwhile to look at the transcripts.

Some of the themes we heard from task force members in our sessions were:

* An interest in transparency
* Minimize market disruption
* Minimize ratepayer impact
* Ensure cost effectiveness
* Encourage supplier diversity
* Encourage participant diversity
* Minimize complexity
* Maximize solar PV installation growth
* Create permanent in-state jobs
* Fairness to those who have made past commitments
* Supporting steady industry growth
* Support market-based approaches
  + Bob: Different groups voiced this differently in terms of allowing all sectors to have access with limited numbers of constraints vs utilities
* Transition to sustainable market
* Encourage low cost financing
* Prioritize competitive market structures
* Protect low income ratepayers
* Minimize cost-shifting between participants and non-participants
* Focus on feasible implementation
* Support PV location where most needed

Andy Belden: We heard a lot of support for grandfathering for people who have past investments. We had a lot of perspectives, hopefully that gave you a flavor.

Dan Burgess: Folks have not been sent the transcripts yet

Janet Besser: Focus group summaries are not posted yet?

Dan Burgess: No

Amy Rabinowitz: Can they expedite what’s in writing first?

Dan Burgess: I think we can get the written comments out quicker, we can work on a quick turnaround for those.

Andy Belden: Going over Task 1; Solar incentive policy summaries. We did 8 policy case studies, and so today we’ll briefly go over policy types that came out of those studies.

Bob Grace: This will be a refresher of what the policy options are.

Andy Belden: Declining Block Incentives: The idea is by the end of the budget there is no incentive left in the market. You can do this through performance based incentives.

Next are Volume Adjustment Mechanisms. The timeline for this is uncertain and the budget is unknown. There is limited implementation history. The benefit here is transparency about near term incentives.

Bob Grace: Shifting gears to competitive solicitations. We’ve seen this in Massachusetts with RPS programs. We’ve studied a variety of variations of competitive solicitation programs.

A few observations we wanted to convey here: the competitive approach holds out a lot of hope. Having a long term set price will be an enabler to a big development in finance. A lot of experience in other places gives us insight on this; there are a lot of different price functions and prices aren’t uniform, you can’t always assume the prices will be the same for small volume and large volume.

Attrition is an issue not just in solar but all renewable energy solicitations. This has been a recurring theme and we’ve seen it in the solar world as well.

As for market impacts, we have seen falling participation and falling competition. It’s just an issue you tend to get. We’ve seen this in Rhode Island and Connecticut. There tends to be a market evolution, there tends to be a rhythm to these things. With SRECs you start to see investors treat the market as more stable.

The point here is that as we’ve been looking at this, the differences between cost to ratepayers are contracting somewhat.

Bob Grace: With other forms of Standard Offers Performance Based Incentives

competitively derived pricing is tricky…too much or too little will disrupt the market.

Value of Solar Tariffs: seen implementation in Texas and Minnesota. Theoretically can be a cost neutral option.

Amy Rabinowitz: Thank you for this. Can we provide written feedback?

Bob Grace: We’ll probably plan on communicating a process but we’d welcome that.

Dan Burgess: Yes, we’d ask you to do that through Mike Judge.

Amy Rabinowitz: Do these other states have virtual net metering?

Bob Grace: All these states we’ve talked about have net metering and virtual net metering. MA is on the extreme end on inclusiveness with net metering.

Amy Rabinowitz: I don’t remember seeing Connecticut.

Camilo Serna: Connecticut only has it for agricultural accounts for now.

Fred Zalcman: Thanks. Some of the concerns can be mitigated for example with Performance Based Incentives you can impose convention in the market…maybe this is more for Task 4 but are you looking for ways to adjust these paradigms?

Bob Grace: Yes we are proposing options for the challenges. You hit on an important point, design details matter a lot and some might argue that by tweaking the details you can have similar outcomes; to a degree that may be true. We had to select some discrete roads but you can pick and choose the most effective way.

Fred Zalcman: You raised attrition with competitive solicitation; to me it’s sort of an overarching thing. It’s really not intrinsic to any of these models but it is an important detail; I’d encourage you to think about project maturity.

Bob Grace: I’d say that’s nearly universally true. There are a lot of best practices out there we can certainly keep track.

Charles Harak: Has this been posted or will it be?

Dan Burgess: We will post after the meeting. It hasn’t been sent to the task force before the meeting. We’ll make sure this is posted after.

Camilo Serna: This presentation was very helpful. It would be good to put some of these highlights in the executive summary. It would be good to see conclusions presented separated from the analysis. It would be great for each of these programs for the past three to five years we could see historical data on the megawatts usage and figure out what is the cost effectiveness. And each of these has some underlying net metering.

Bob Grace: We grabbed a lot of what was available for data and one of the challenges is we can’t time travel and see how these things play out and even comparing SRECs is going to look very different. I’m not sure we’re going to be able to get to where you’d like but we can talk about it.

Janet Besser: It would be useful to see how the programs fall out for low income customers. How does it work for the values through the stakeholder process?

Bob Grace: (Missed answer)

Dan Burgess: Thanks again for the work going into this

Andy Belden: Briefly on Task 2. We will be delivering this to task force chairs tomorrow and they will distribute.

Task 5 Analysis of minimum bill provisions. We’ll probably have a draft by the beginning of next week. Look at California and Hawaii; each have operating minimum bill rates. Four other states with active minimum bill discussions: Oklahoma, Arizona, Texas and Kansas.

Another proposal for raising minimum bill is reducing volumetric charges.

For part 2 we are going to do some quantitative analysis. Feedback from utilities said that any minimum bill or similar mechanisms should be set through the DPU ratemaking process (rate specific to different rate classes).

Dan Burgess: Can you clarify on California the increase in the SMUD program, it will increase over time?

Andy Belden: Yes by 2020.

Janet Besser: This is really confusing to people. It would be helpful to know what we mean. Example the terms minimum bill versus minimum charge…in the solar community the minimum bill could be $100/month versus utilities companies that think it will be $10-15 per month. It would be helpful to have a clear outline of what these terms mean and describe exactly what we’re talking about.

Angie O’Connor: Thank you Janet yes that would be helpful.

Charlie Harak: Second Janet’s comments we need to know exactly what we are talking about. We need to be very clear about terminology. It’s hard to keep customer charge and minimum bill separate.

Paul Brennan: When you’re talking about these states just make note of which states are vertically integrated.

Eric Krathwohl: Would be good to outline what you hope to achieve by the different cost recovery methods. If you can explain all of that I think it becomes more understandable.

Janet Besser: In MA it’s not a matter of cost recovery as it is in some other states, it’s about distribution impacts.

Camilo Serna: It is very important to differentiate because it will be different in Massachusetts. How do they integrate with net metering? It is important when we talk about policy options that we define exactly what minimum bill means. It is going to be critical to redefine what you are going to evaluate and how you are going to model that.

Bob: I agree we will have to be specific.

Bob Rio: I think if we do talk about a minimum bill, the number we come up with has to come up from some legitimate calculation. It should be calculated based on a legitimate cost that goes through the DPU to serve a customer. If that hurts solar development, we need to find another way to subsidize we shouldn’t reduce the minimum bill. To Charlie’s point the minimum bill was only designed for people who net meter out of the bill, not just somebody who doesn’t use a lot of electricity.

Bob Grace: On that last thing I’m not sure everyone agrees on that.

Bob Rio: I’m saying it should be done for people who are metering out. The minimum bill should be a separate calculation that goes through the DPU. If that impacts solar development, still keep it as the minimum bill it should be permanent.

Fred Zalcman: I think it’s really important when we were talking about the minimum bill we were talking about on non discriminatory bill not just isolated on solar. The impact may fall disproportionately on solar customers but just from an equity standpoint it’s important not to isolate on part of the customer base.

Andy Belden: Our understanding was to use H.4185

Bob Grace: But we are taking your directions.

Charles Harak: My office opposed H.4185 because we thought it would apply to everybody…if you have a minimum bill that applies to everybody, you’re harming African Americans, Asian Americans, low income customers….we are terribly concerned about bills with concern to those customers.

Amy Rabinowitz: Minimum bill suggests the costs are relatively fixed. This conversation tells us it is important to have a definition from a DPU setting. There’s a balance that we have to get right.

David Colton: Significantly concerned about the aggressive nature of any minimum bill; I agree with Amy. The reason is to offset the cost for people who are taking themselves out. There are still general benefits to society. A low income or a low user shouldn’t be paying the minimum bill because that will be a huge rate increase that’s got to be out of the questions.

Bob Rio: A low user is different that a high user that temporarily uses more. I’m with Charlie, we should certainly find out what that cost is. A low user should not pay a minimum bill. On the other side, a person who can go from 100 kW a month to 1,000 kW if their system breaks down we have to figure that out.

Janet Besser: I agree with the last part definitions are key; there should be considerations on adjustments. Even low users use distribution. We’re going to be on the lower end if we’re talking distribution.

Dan Burgess: Thank you everyone we are going to move on to Task 4. We got this out yesterday. There is a spreadsheet that outlines the options presented in front of you.

Bob Grace: What we’re trying to do here is to provide a range of options for appropriate structures to reach the 1,600 MW goal.

Ultimately we are going to be using the subset of options that you decide and want us to use. DOER has been considering expanding the modeling to 2,500 MW by 2025 just to have something to compare, not as a policy recommendation. Those are yours to make. We have limited time and limited budget to do everything. We want you to focus on what you want from the modeling - what do you want to learn?

We looked at current regimes on how to reduce costs without reducing benefits. We’re going to talk about categories and dimensions and then dive into the Policy Paths.

Assumptions: Not constrained to 1,600 MW by 2020. Nothing magic about the date or limit once they are reached.

We found 4 “No Brainers”

- Refunding (percentage of) Alternative Compliance Payments (ACP) to ratepayers

- Electric Distribution Company (EDC) participation in auctions

- Shift incentives (greater SREC factors) to favor location “to support & enhance needs of distribution system”

-EDC’s Monetize Forward Capacity Market (FCM) benefits

Janet Besser: I wouldn’t put refunding ACP in the no brainer category as I think it’s more complicated…as we talk about overall benefits and costs there is a difference in distribution costs.

Camilo Serna: On the first one in no brainers for refunding we find this to be a constructive discussion. On the second, what is the authority that requires us to enter SREC prices. On the third no brainer the incentives, it is a broader discussion.

Bob Grace: Clarifying on long term contracts…any differences would be floated back to ratepayers

Charlie Harak: It sounded like for EDC participation that it is the choice of the utilities not to do these things?

Bob Grace: It’s predominantly risk-reward. I think there is a high probability of some cost savings to be reduced.

Bob Rio: On the FCM benefits I think it’s important to make this program consistent with the other programs. Anything we do here should be consistent with what we do in other programs. There are other uses for the ACP. Also, on DOER going to 2,500 MW, what was that?

Bob Grace: The scope of the legislation talked about 1,600 MW and beyond and we were discussing with DOER potentially having a smooth continuation of the scale of the marketplace as something that could help us benchmark to see what costs and benefits could continue.

Bob Rio: The 1,600 MW in the law does not say 2020 as a goal. You’re talking about another enormous policy change. Who knows what the challenges will be once we pass 1,600 MW. I would be very careful about when you say we get to 1,600 MW see what happens then.

Dan Burgess: We are at 750 MW now and need another 900 MW to get to 1,600 MW so that was the thinking we are just using these numbers to compare apples to apples.

Amy Rabinowitz: Thanks, I’m also concerned with 1,600 MW to 2,500 MW. Just wanted to reiterate if these were no brainers we would have done them. On the SREC program being tweaked, that’s an intriguing idea but we would have to identify where the distribution companies options are and see where the benefits are with the capacity market and energy efficiency.

Eric Krathwohl: The third bullet there on incenting implementation that would support distribution needs. For all the different options, there is a time factor we haven’t really talked about. On the minimum bill you have to do it through rate making which takes 1-1.5 yrs so I think somehow those time considerations have to be factored into the different options. We do have some items where something could happen pretty soon. When we are analyzing it and you’re presenting it, the timeframe is something we need to consider.

Fred Zalcman: Stretching the ability of a project to generate SRECs for 15 years might have unintended consequences, especially in the outer years as that represents cash flows that don’t seem beneficial overall.

Bob Grace: The reason I brought that up was to be careful with comparing apples to oranges. That was more to make a point.

Camilo Serna: I think our recommendation is looking at the policy paths, I believe as we think about these markets thinking longer term do these policies put us on a scalable path. Can the numbers be scalable or are we on a time limit?

Bob Grace: For analysis we have to pick a scale so not all these programs have a set scale so we have to pick one.

Camilo Serna: We should have paths that are scalable.

Dan Burgess: Why don’t we use that feedback to go over what we want for the scale.

David Colton: What is the timeline for procedure?

Dan Burgess: We have the room until 1, we can keep going today. We do have another meeting next week in Holyoke. We want to stay on track for today though.

Bob Grace discusses treating different solar PV categories differently & installation distribution.

Discusses timing of transitions and policy paths.

We aim to have a limited but distinct set of goals. The goal here is for us to define two scenarios for us to model.

Dan Burgess: Just to put a really fine point on that, the goal here is to do the program design as it is now to model that with potential changes.

Camilo Serna: When you say scenarios is that the same as policy paths?

Bob Grace: Yes.

Bob Grace: We are going to dive in to the proposed policy paths. You have a chart in front of you that will be helpful.

Bob goes over the chart.

11:45am

Bob Grace: This is not meant to pin any of you to any of these, but I want to take everybody’s temperature on what you as a task force are reacting to.

Camilo Serna: More questions, how did you develop these scenarios, and second there are a lot of moving pieces. As you do the analysis how are we going to know what’s really working there are many things moving at the same time how will we know which pieces work?

Bob Grace: How they were developed we took into account all of the information we have gathered from interviews and from studies. We had to do something to find some concrete possibilities. We’re not going to have the latitude to see if something works and then go back to fine tune it.

Bill Stillinger: Is everybody comfortable with March 31 as our date?

Dan: That is in the statute and I would continue to push for March 31.

Bill Stillinger: It would be a shame to have it terminated without enough time to conclude anything.

Geoff Chapin: Wonderful overview it might be useful to have some kind of layout that compares these options to a lot of the things that this group cares about. Maybe that’s one way to drive toward a decision. If we were to have these options laid out we could narrow down a decision.

Bob Grace: We did think about doing that it is a lot of work and things could get subjective.

Geoff Chapin: I’m just worried about this being subjective.

Janet Besser: Rather than going through them maybe we could just go through the options to see if we have questions.

Fred Zalcman: I need time to reflect on this a little bit with constituents. It is a lot to consider and to me a lot of it boils down to whether the market is open and continuous and where developers have predictability. Given the fact that we have limited choices I just wonder if that may be a helpful way to frame things.

Charlie Harak: There’s a fairly short list of things we care about. Although it might be a hard task for you it’s harder for us to reach a consensus without have things that we care about compared.

Dan Burgess: We do a have a budget and it’s limited and that’s a challenge for us. Why don’t we go through this and talk about each direction?

Bob Grace: I’ll just pose a suggestion. Since this very recently went out maybe have a couple minutes to flip through it.

Bob Grace: So the first one is tweaking the program we have now.

Camilo Serna: Curious to see the rationale on ACP and what do you mean on soft time line.

Bob Grace: The SREC program we have now is a target this is not a suggestion.

Camilo: Any reason why ACP details are only in one category?

Bob: The features just aren’t applicable in other scenarios.

Amy Rabinowitz: All of these models you recommend as is or with minimum bill, so you don’t have any suggestions without net metering.

Bob Grace: Not distinctly, we will get through them and see.

Bob Grace reviews Competitive Solicitations option.

Dan Burgess: The quantity/timeline section for each path is just a suggestion.

Bob Rio: Dan you addressed my question we really need to focus on the 1,600 MW and don’t want to jump ahead to 2,500 MW because what works for 1,600 MW might not work for 2,500 MW. Also I want to ignore what the Federal government is doing with tax credits and make adjustments if we have to. I just want to be careful about not worrying about them and adjust it if necessary.

Bob Grace: There is a reason why there is a number greater than 1,600 MW…practically speaking we are already pretty far along to 1,600 MW…by the time changes fall into place we will be close to 1,600 MW.

Bob Rio: I just want to be careful because you could say number 2 works for 1,600 MW and 4 works for 1,600 MW and above. If the target is different I just want to make that clear.

Fred Zalcman: I wonder if one approach we could take would be to have some interim evaluation stage for 1,600 MW and then an incremental value.

Dan Burgess: Again the challenge is budget and timing.

Fred Zalcman: The question I have is on virtual net metering. Is it that the developer takes into account future electric revenues or is it more like H.4185 where you’re bidding in?

Bob Grace: More like H.4185.

Camilo Serna: Here is where we see minimum bill. What were you thinking in terms of it elaborate a little bit.

Bob Grace: That’s to be determined.

Camilo Serna: How/When will we get there?

Janet Besser: We have to define a minimum bill.

Camilo Serna: Does it apply to all or just solar customers?

Bob Grace: Agree, process wise I’m not sure but we have to have the conversation.

Charlie Harak: Is Rhode Island contemplating a minimum bill?

Janet Besser: Rhode Island stipulated there might be something at the public utilities commission. They’re starting to get ready for that process, minimum bill is one the options on the table.

Bob Grace reviews Orderly Market Evolution option.

Janet Besser: When you added in the value of solar tariff is there something about the value that you think is compatible?

Bob Grace: Theoretically the value of solar tariff you can think of it only for small generators you can think of it as a tool. It would potentially take a while to get to and it won’t be without controversy so it would take as much process or transmission time.

Janet Besser: I know the 2,500 MW is just for modeling purposes sometimes there is a date and sometimes there is a program close?

Bob Grace: It just depends on how long it would take.

Camilo Serna: What does virtual net metering exclude?

Bob Grace: You would do away with the element of virtual net metering and do it on a less expansive scale.

Bob reviews Sustained Growth Adapting to Market Changes option.

Bill Stillinger: Suppose there was an increase in natural gas prices in the commonwealth. What would happen?

Bob Grace: If you were keeping net metering, you would expect to have more people signing up for each block, which would bring down the price.

Bob reviews option 5.

Paul Brennan: Aside from California, are there other states looking at retooling policies focused on doing something before 2017?

Bob Grace: In the broader renewable energy world they are looking at expiring tax credits including Massachusetts.

Geoff Chapin: Can you talk about the sustainable growth?

Bob Grace: Basically this was the prior model which was designed not to let exogenous prices get in the way. It’s basically keeping all of those features and adding a near term boost on top of it.

Bob reviews option 6.

Janet Besser: The element of prioritizing the distribution that incentive could be applied to all. The larger rate design issue is really one thing that could be layered into any scenario.

Bob Grace: We can layer any number of things here and stimulate any thoughts of debate. Maybe the first reactions are where we don’t want to go.

Camilo Serna: Just by giving incentives doesn’t mean you get all the benefits. Could you explain what you mean by virtual net metering buy all sell all?

Bob Grace: It’s basically doing whatever we can to get whatever we need.

Amy Rabinowitz: In our last session the solar advocates wanted wholesale solar deployment across the state and to have net metering everywhere. Who’s going to pay? There’s a bias in favor of continuing net metering and virtual net metering. Do you agree with that I should think we should take a harder look at virtual net metering? That will have a different effect. I would suggest some more balanced visions.

Bob Grace: Reacting to that we lay out what are all the different options on virtual net metering or changing the rate design features and so what we did here was take all those different elements and mix them in with these. There are segments that have a narrower target.

Amy Rabinowitz: It’s about the customers participating and those that aren’t and virtual net metering providing no benefit.

Bob Grace: The incentives are all coming from the same place.

Dan Burgess: Looking through these targets what are the most important things and our take away as a group is what is most important to us as a group.

Janet Besser: Buy all and sell all is not immediately transparent because that term has federal income tax. I just ask that the consultants not use that term.

Bob Grace: In effect that’s the issue we are trying to put out here and that there might be a reason not to do it.

Janet Besser: My only concern is some people won’t even want to talk about that.

Fred Zalcman: To me buy all sell all is a compensation mechanism…the sale itself is a policy choice that takes into consideration a range of values.

Bob Grace: This is where we are trying to go with this. Net metering is a rate design and not a sale and if you got ride of that and tried to replace it with a sale those are different things that people may or may not want to do.

Dan: Let’s go to 7.

Bob reviews option 7.

Angie O’Connor: We want to get to public comments and we do want to stick to the March 31 deadline. I recommend the task force talk ahead of time.

Dan Burgess: We’ve got a meeting in Holyoke set up for public comment. Let’s take the scheduling offline and when we come together get that to the task force co-chairs prior to the meeting. If you have comments that you want to share get that in before close of business next Friday. All the documents will be posted online.

Public comment begins.

Emily Rochon from Boston Community Capital: Virtual net metering comment from Amy saying that it offers no benefits is most striking from today. We are really running a risk where low income communities are unintentionally going to be excluded. It’s important that the task force or consultants to pay attention. Exempting low income ratepayers there is a series of unintended consequences. Low income solar customers’ bills could be higher. I support National Grid this should go through DPU. I urge you to consider before any policy recommendations and if you don’t have the time then note that.

Russ Aney from Avid Solar: Last half viewing the policy mixtures has not been useful. I encourage the task force to step back and understand where people lie. I thought we were going to do that first. We weren’t informed on what various tools would make most sense. I echo what Charles and Geoff said. You represented the value of solar tariff when is should be net metering. As for the discussion of the minimum bill, stop talking about it throw it over to the DPU and stop talking about rate paying. Tax incentives can be powerful mechanisms. If you look at page 4 labeled objectives I want to call out the dramatic drop out which represents a significant loss of solar jobs in Massachusetts there hasn’t been much discussion about that.

Dan Burgess: Thank you very much we will be in touch

1:03pm.