

Michael Judge
Director, Renewable Energy Division
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Cape Light Compact comments on design of next solar incentive

Mr. Judge,

The Cape Light Compact ("Compact") appreciates the opportunity to provide these comments on the design of the Commonwealth's next solar incentive.

The Compact, originally formed in 1997, is a municipal aggregator under G.L. c. 164, §134 and consists of the twenty-one towns in Barnstable and Dukes Counties (Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth) as well as the two counties themselves. The purposes of the Compact include, among other things, to negotiate the best terms and conditions for the supply of electricity for consumers on Cape Cod and Martha's Vineyard and to advance consumer protection and interests ratepayers within member towns and counties. In addition to its other work, the Compact also provides a voluntary renewable energy retail product and supports the installation of distributed renewables through various initiatives.

With respect to DOER's next solar incentive program, the Compact is particularly interested in finding a solution that promotes equitable access, encourages participation by government entities, provides the predictability needed to continue to foster a robust solar market, and protects ratepayer interests by ensuring reasonable incentive levels.

Enhance access to solar

The Compact appreciates the clear efforts made by DOER in its design of the SREC 2 program to decrease barriers for low and moderate-income households to benefit from distributed renewables. The Compact currently promotes solar in low and moderate-income households in collaboration with Habitat for Humanity of Cape Cod. Specifically, the Compact pre-purchases SRECs, buying down the initial cost of the system for households that might not otherwise be able to afford a system. The Compact would support an enhanced incentive for renters, which represent approximately 20% of non-seasonal households on the Cape. The Compact also supports continuing and/or expanding incentives for community-shared solar and low and moderate-income projects.

Continue to support government projects

In addition to its core functions, the Compact helped establish the Cape and Vineyard Electric Cooperative, Inc. ("CVEC") in 2007. CVEC, a rural electric cooperative, helped municipalities on the Cape and Martha's Vineyard procure more than 28 MW of solar PV. The Compact believes that public solar projects are one of the most effective means of equitably sharing the benefits of renewables. For this

reason, the Compact strongly encourages DOER to continue to provide enhanced incentives for government projects. As noted below, the Compact also believes that offering an incentive for non-net metered projects could allow for innovative development arrangements for public projects.

Incentive design

At DOER's public listening session in Boston on June 22nd, a number of commenters proposed that the next incentive program provide greater predictability by introducing a mechanism that would provide a firm price floor. Perhaps the greatest benefit of such a change would be to increase the share of benefits enjoyed by hosts and project owners by eliminating the need for these parties to give up a portion of the SREC value to speculators in exchange for price certainty. While such REC traders provide a valuable service in the context of the current program, the Compact believes that this is a poor allocation of benefits and ratepayer money.

However, such a price floor would need to be balanced by other design elements that help control the cost of the next incentive program. Asking DOER or another entity to try to anticipate installed costs years in advance in order to set price floors at levels that reflect declining costs is a nearly impossible task. It seems more reasonable to try to set an incentive level for projects around the time they are being installed, and hold that incentive stable for a fixed period of time. This incentive level could decrease over time to reflect falling costs. Such an approach might require a tariff-based program. The Compact also sees a declining block incentive program to be a reasonable approach to providing predictability while also controlling ratepayer impacts.

Value of solar

In discussing the ratepayer impacts of a solar incentive program, many parties rightly point out that the benefits of distributed solar must also be considered, often calling for a value of solar study. In addition to price suppression in energy and capacity markets, value of solar studies also note the potential benefits distributed generation helping to defer or eliminate the need for some capital investment in the distribution and transmission systems. The Compact is excited about these potential benefits, but notes that these they will only be realized if electric distribution companies are required to factor distributed generation into their planning processes. Thus, the Compact requests that if DOER decides to tie incentive levels to value of solar studies, DOER strongly advocate in the appropriate venues that electric distribution companies account for distributed generation benefits in their capital plans, so that ratepayers actually benefit from the potential transmission and distribution savings associated with distributed solar.

Incentive for non-net metered projects

At the June 22nd listening session, DOER expressed an interest in pursuing an enhanced incentive for projects that are not net metered. The Compact strongly supports pursuing this idea. In theory, this approach could eliminate the boom and bust cycle associated with net metering caps, reduce the administrative burden of distributing net metering credits from shared projects, and encourage innovative retail power supply contracts that incorporate energy from solar. Incentivizing non-net metered projects may also allow public entities such as electric cooperatives new opportunities to develop projects that have public benefits. Given how novel this approach would be in the Commonwealth, a number of issues would need to be addressed in order to make this new element

successful. The Compact recommends that DOER convene a working group to address such details. Such work could occur concurrently with an interim incentive program to ensure that a robust process would not result in additional delays for projects currently in development.

Preserve the integrity of RECs

At the June 22nd listening session, several commenters asked that DOER consider ways to separate environmental attributes from RECs so that solar hosts and customers could claim the environmental benefits, including greenhouse gas emissions reductions, from their systems. The Compact strongly urges DOER to reject such proposals. Diluting the integrity of RECs in this way would have important repercussions on voluntary renewable energy markets, RGGI, future Clean Power Plan compliance, and a host of other areas. Customers wishing to claim environmental benefits have many options, including purchasing other less expensive Class 1 RECs or other types of carbon credits.

Again, the Compact appreciates all of DOER's work to date on promoting solar and looks forward to the Commonwealth's continued leadership in distributed renewables.

Sincerely,

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