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June 30, 2016

SENT VIA ELECTRONIC MAIL

RE: SRECTrade Comments on the Development of the Next Solar Incentive

Dear Director Judge and Ms. Kelly,

SRECTrade appreciates the opportunity to submit written comments in regards to the development of the next solar incentive for the Commonwealth of Massachusetts. The program that follows the successful SREC-I and SREC-II programs will be critical to the continued success of Massachusetts in the solar industry nationwide, and we are confident that SREC-III will enable Massachusetts to continue to lead its neighbors toward renewable energy adoption and sustainable growth in the renewable energy economy, all the while addressing climate change and bolstering the state's grid resiliency.

Introduction

Today, SRECTrade manages nearly 9,300 solar PV systems in the Commonwealth, representing 130 megawatts (MW) of generation. Our Massachusetts aggregation represents thousands of homeowners and local businesses who invested in a clean energy future by purchasing and installing a solar PV system on their home or business. In addition, SRECTrade supports more than 85 local companies installing solar in the Commonwealth—businesses that employ Massachusetts's residents and contribute the state's booming solar economy.

In terms of leadership, Massachusetts stands with the nation's heavyweights both in terms of installed solar capacity and solar jobs. To date, Massachusetts has installed more than 1,199 MW of solar, installing 340 MW in 2015 alone.¹ And, due in large part to its commitment to residential and non-residential market segments such as community shared solar, municipal and commercial projects (as opposed to utility-scale installations), Massachusetts ranked 2nd in the nation in terms of total solar employment in 2015.² The Solar Foundation's Massachusetts Solar Jobs Census of 2015 found that, as of November 2015, the Massachusetts solar industry supported more than 15,000 jobs across the solar industry chain, with more than 8.6% growth (1,300 new jobs) in the solar workforce expected in 2016.³

When it comes to solar, Massachusetts has excelled where its neighboring states have faltered. This is due in large part to the policy framework developed by the DOER. Both SREC-I and SREC-II have been extremely successful policies. Whereas neighboring states have a command and control approach—putting the solar incentives in the hands of the regulated utilities—Massachusetts has a vibrant ecosystem driven by market mechanics that encourage innovation and cost-reductions, welcoming diverse investment and growth. This healthy marketplace is a direct result of the SREC program design. To allow for the continued growth of this marketplace, continuity in the state's solar policies is the most viable option. Given the state's status of leadership in solar, the nation will be watching as Massachusetts carries its robust solar economy into this next chapter.

¹ Facts on the Massachusetts Solar Industry, SEIA, at <http://www.seia.org/state-solar-policy/massachusetts>.

² Massachusetts Solar Jobs Census 2015, p. 6, The Solar Foundation, *available at* <http://www.thesolarfoundation.org/solar-jobs-census/ma-2015/>.

³ Massachusetts Solar Jobs Census 2015, p. 6, The Solar Foundation, *available at* <http://www.thesolarfoundation.org/solar-jobs-census/ma-2015/>.



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Why SREC-III is the Most Viable Option

In addition to its economic successes, the SREC model offers inherent ratepayer protection with its flexible market based pricing. SREC prices adapt as supply, demand and market dynamics shift. Furthermore, the SREC-II program introduced even more flexibility to the program by requiring the DOER to review the SREC-II Factor Guideline by March 31, 2016. This review would have allowed the DOER to reduce the SREC-II Factors to lower the overall costs of the program to ratepayers, had market conditions required it.⁴ This is an extremely important feature of the SREC model, because it enables the market to adapt to changing conditions without the *need* for legislative interference, while allowing for the ability to adjust the program if market conditions demand modifications. In a time where uncertainty in the political climate is running high, it is of paramount importance to employ an economic structure that can adapt and survive without the need to be revisited and revised every time external market factors change. Compare this flexibility to New York's MW Block program, which has a fixed incentive schedule that would likely create market contractions in the event of changes from external market factors (such as the expiration of the Investment Tax Credit), and result in the need for the state to "revise incentive levels in order to prevent industry job losses."⁵ The Massachusetts SREC programs have proven to be buoyant and robust, and this resiliency and consistent growth-support should be given great weight.

In addition to market flexibility, the thoughtful design of the SREC program allows a facility to revert to producing Class 1 RECs after its forty quarters/ten years of eligibility in producing SRECs under SREC-I or SREC-II have expired. This creates continuity and predictability in the market that would not be available if alternative models were implemented now. Carefully contemplated and calculated programs like SREC-II also create confidence in the marketplace, which is a fundamental element in ratepayer protection, and one that should not be overlooked. Stability is also a key component for encouraging diverse market participation and steady investments in a market. The current successes were achieved over the course of several years of stakeholder time, investor understanding, and intellectual effort, and the flexible yet reliable market should continue to be employed by the Commonwealth.

In terms of shifting to a tariff or any other alternative model, it is critical to remember what is at stake. Moving away from the SREC model, which would require concurrent rulemaking proceedings before the DOER and the DPU, has the potential of introducing policy risk and unpredictable timelines for the implementation of the next program, which will only cause further market disruption, frustration and confusion among the stakeholders. Additionally, investors and other financial capital providers have become very comfortable with the current Massachusetts SREC structure. Since 2010, more than \$3 billion has been invested in Massachusetts-sited solar projects. A drastic change in the policy framework could cause a variety of unintended consequences associated with uncertainty, resulting in delayed and more expensive capital deployment. This market disruption will be even more severe if the DOER and DPU attempt to drastically change course away from SRECs, and potentially cause the otherwise booming solar industry to come to a standstill.

Recommendations for SREC-III Program Design

As we look to SREC-III, it is vital that the policy framework ensure continuity for this thriving industry while being receptive and sensitive to the ratepayer impact. The optimal outcome for the industry and for the ratepayer is a recalculation of alternative compliance payment (ACP) and Solar Credit Clearinghouse Auction (SCCA) levels to reflect lower costs.

⁴ See 225 C.M.R. 14.05(9)(l)(3).

⁵ Massachusetts Net Metering and Solar Task Force 1 Report, Section 3.4.



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Other potential areas for improvement to the SREC model include the following:

- Improving SREC market liquidity and long-term contract opportunities;
- Minimizing costs to ratepayers through stable pricing, while providing the appropriate level of economic benefit to solar project owners (related to ACP and SCCA levels);
- Increasing market transparency with clearly published supply and demand information, as well as pricing data; and
- Encouraging competition among electricity suppliers, not only to facilitate cost-reduction pressure, but to make the market as open and accessible as possible.

Conclusion

In the interest of preserving and supporting the strong solar market that the Commonwealth has built to date, we urge the DOER to continue along the SREC path with an SREC-III program. We look forward to working with the DOER and other stakeholders to ensure the diversity and innovation inherent in today's industry continues in SREC-III.

SRECTrade looks forward to the continued participation in the proceedings to develop and implement the next solar incentive in the Commonwealth of Massachusetts.

Best Regards,

A handwritten signature in black ink that reads "Steven Eisenberg".

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