



1133 15th Street, NW | 12th Floor
Washington, DC, 20005
202-888-6252
info@communitysolaraccess.org
communitysolaraccess.org

June 30, 2016

VIA ELECTRONIC SERVICE

Kaitlin Kelly
Department of Energy Resources
100 Cambridge Street
Suite 1020
Boston, MA 02114
DOER.SREC@state.ma.us

Re: Comments to address the process of designing a new solar incentive program pursuant to Chapter 75 of the Acts of 2016.

Dear Ms. Kelly:

Attached for your consideration in the above-referenced matter, please find the comments of the Coalition for Community Solar Access.

If you have any questions, please contact me at 202-524-8805, or via email at jeff@communitysolaraccess.org.

Respectfully
submitted,

COALITION FOR COMMUNITY SOLAR ACCESS

A handwritten signature in black ink, appearing to read "Jeff Cramer".

Jeff Cramer
Executive Director

Introduction

The Coalition for Community Solar Access (“CCSA”) appreciates the opportunity to weigh in on the structure and development of Massachusetts’ next solar incentive program. CCSA is a business-led trade organization that works to expand access to clean, local affordable energy nationwide through community solar. Our mission is to empower energy consumers, including renters, homeowners, and households of all socio-economic levels, by increasing their access to affordable, reliable clean energy. CCSA members are active nationwide and have experience developing community solar projects in towns across Massachusetts. Having led community solar project development and customer engagement across the country, our members are uniquely positioned to comment on the challenges and opportunities for community solar in the Commonwealth.

CCSA supports and appreciates the Department of Energy Resources' (“DOER”) initiative and efforts to ensure a vibrant and healthy solar market in the state. We are encouraged to work with DOER and other stakeholders to carry out the framework established via H. 4173, signed by Governor Baker in April 2016, which requires DOER to promulgate rules and regulations implementing a solar incentive program which “differentiates incentive levels to support diverse installation types and sizes that provide unique benefits, including, but not limited to, community-shared solar facilities...”¹

¹ See: <https://malegislature.gov/Bills/189/House/H4173>

The importance of maintaining a healthy market for community solar

Community-shared solar (“CSS”) represents an important opportunity for customers who are not in a position to install renewable energy onsite to do so through a collective option. According to a National Renewable Energy Laboratory Report titled “*Shared Solar: Current Landscape, Market Potential, and the Impact of Federal Securities Regulation*”²:

If federal, state, and local policies can institute a supportive regulatory environment, shared solar presents an area of tremendous potential growth for solar photovoltaics (PV), expanding the potential customer base to 100% of homes and businesses. We estimate that 49% of households are currently unable to host a PV system when excluding households that 1) do not own their building (i.e., renters), 2) do not have access to sufficient roof space (e.g., high-rise buildings, multi-unit housing), and/or 3) live in buildings with insufficient roof space to host a PV system. We also estimate that 48% of businesses are unable to host a PV system when excluding businesses that 1) operate in buildings with too many establishments to have access to sufficient roof space (e.g., malls), and/or 2) have insufficient roof space to host a PV system capable of supplying a sufficient amount of their energy demand. By opening the market to these customers, shared solar could represent 32%–49% of the distributed PV market in 2020, thereby leading to growing cumulative PV deployment growth in 2015–2020 of 5.5–11.0 GW, and representing \$8.2–\$16.3 billion of cumulative investment.

In addition, CSS may be a more viable option for many customers than onsite distributed generation, given specific financial circumstances, the possibility of moving in the near future, or worries associated with onsite construction and maintenance.

² National Renewable Energy Laboratory, *Shared Solar: Current Landscape, Market Potential, and the Impact of Federal Securities Regulation*, April 2016, p. v, available at: <http://www.nrel.gov/docs/fy15osti/63892.pdf>. We note that the report goes on to say that the estimates in this excerpt may be conservative, and that it is possible the percentage of households for whom rooftop PV is not viable may be significantly higher, resulting in an even greater need for community solar solutions.

In sum, CSS is not just a way for Massachusetts to expedite its renewable energy goals but represents a key enabler to providing all consumers the choice to directly participate in and benefit from renewable energy, including low-income customers. To promote equitable opportunities for all customers, participating subscribers should receive benefits comparable to those customers who have the ability to implement rooftop solar. The SREC/SREC II programs in Massachusetts have been critical to the success of the Commonwealth's solar market to date and we urge DOER to ensure that the next iteration of the solar incentive program continues to support the many inherent value and equity benefits that CSS provides.

Need for continuity in incentive availability to avoid market disruption

Community solar projects have a long development cycle, and there are already projects under development today that will not meet the January 8, 2017 mechanical completion deadline to qualify for SREC II. To prevent a disruption in the market, developers will need to know as soon as possible what incentive will be available to projects that are completed shortly after January 8.

CCSA recommends pursuing an "SREC III" incentive program for this near term period (projects that are mechanically complete after January 8, 2017), even if it is ultimately a short-term bridge program. This new SREC III could build off the successful elements of SREC II while introducing new cost containment mechanisms that increase the cost-effectiveness of the program. This program could be developed and implemented quickly, given that DOER and market actors are familiar with the foundational structure.

It is critical that the incentive terms for a given project be set for the life of the project, so in the event DOER pursues a short-term bridge program, individual projects that receive incentives under that program should not have their incentive terms changed upon development of a longer term incentive program.

Considerations regarding the NEM transition

Since the transition away from SREC II will be taking place at the same time as the transition to lower net metering credit values, as prescribed in H. 4173, it will be important for incentive values to take account of the differences in net metering credit values. One straightforward way to do this would be to set a discounted SREC factor under the SREC III program for projects that will be grandfathered under the current NEM rates and generate Class II or Class III net metering credits. This adjustment (for example, a 20% reduction in SREC Factors from those set under the SREC II program) could be applied across all market sectors to preserve the existing distinctions between SREC values for different types of projects. Importantly however, projects that will generate the reduced “market net metering credits” under the new NEM regulations will already be facing a dramatic reduction in value of those credits and should generate SRECs with higher SREC factors in order to ensure project viability.

Recommendation for a viable, long-term incentive structure

As we addressed in our May 27 comments on the SREC II Emergency Regulations,³

³ See: <http://www.mass.gov/eea/energy-utilities-clean-tech/renewable-energy/rps-aps/srec-ii-emergency-rulemaking.html>

CCSA believes it is critical that the next-generation incentive program effectively support community solar to enable continued access for all customers. The forthcoming 40% reduction to the net metering credit rates disproportionately affects community solar subscribers, since small rooftop solar systems will not be subject to the reduction in net metering credit values. During the deliberations on H. 4173, in order to meet the multiple legislative goals of raising the net metering caps in concert with reworking the solar incentive structure, legislators settled on a 40% reduction in the net metering credit rates. This reduction, however, was not based on an economic analysis, analysis of costs and benefits to the distribution system, or consideration of project financeability; rather, the 40% reduction in net metering credit rates affecting community solar subscribers was arbitrarily imposed. This policy creates a potential inequity, providing preference for small rooftop solar customers vs. community solar subscribers. This inequity can be rectified by targeted incentives that ensure CSS project viability.

Regarding the long-term incentive structure, CCSA is open to the possibility of 1) a revised SREC program, whereby the project owner takes title to the environmental attributes and bears the risk and responsibility of selling and/or retiring the SRECs on behalf of the customer, or 2) the implementation of a declining block incentive model, whereby incentive payments are guaranteed for pre-determined allotments of solar development and decline over time based on cumulative milestone installment achievements. CCSA notes that a declining block model would take more time to develop and implement – hence the need for a short-term bridge program should DOER pursue the declining block model for the long term. Each of these options has potential

advantages and disadvantages but ultimately, the future success of the solar market in Massachusetts will be determined by the details of whichever program the DOER pursues.

Should the DOER pursue a revised SREC program, the basic structure of the Solar Carve-Out program is well-known to the industry and could provide much needed stability for project development, while also providing for a continued decline in incentive values. In other words, this approach could allow the solar market to transition to a more sustainable incentive structure while also avoiding confusion in the market that could be created by adopting a very different incentive model.

If a declining block program is to be pursued, the structure provided in Massachusetts H. 4185 (2014),⁴ which was a thoroughly considered program that should be well known to most stakeholders, is an excellent starting point for discussion.⁵

CCSA believes either of these basic structures would provide an effective long-term

⁴ See: <https://malegislature.gov/Bills/188/House/H4185>

⁵ In essence, H.4185 established a declining block program with a fixed 15-year incentive payment that was calculated when a developer registered for the program. Following the 15-year incentive, facilities then retained eligibility to participate in net energy metering (“NEM”). For solar virtual net energy metering (“VNEM”) facilities, the facility would receive a total bundled payment for 15 years, with the incentive payment adjusting based upon the change in net metering value over time. For example, if a facility is in a \$0.30/kWh block and the initial NEM value is \$0.13/kWh, the incentive payment would be calculated at \$0.17. If the NEM value increases to \$0.15/kWh a year later, the incentive payment would decrease to \$0.15/kWh. For wholesale and merchant facilities, the incentive payment would be set at the current incentive payment for VNEM facilities in the same incentive block (i.e., the difference between the total revenue for solar VNEM facilities and the NEM value).

option to both ensure market stability and meet Massachusetts' solar adoption and greenhouse gas reduction goals.

Elements of a successful program

Moving beyond the basic structure of the program, CCSA believes it is essential to design an incentive program that reflects policy objectives that will maintain a fair playing field for CSS developers and customers. Foremost among these objectives are to:

- Ensure the financial feasibility of new facilities: CSS projects incur significant additional costs as compared to otherwise identical single-offtaker projects. These additional costs are required for aspects related to marketing, sales, customer service, and administrative complexities inherent in collective projects. These costs, however, produce significant value in terms of the breadth and diversity of participation in Massachusetts' solar market.
- Ensure market diversity: A healthy and robust solar market encourages a diversity of project types, locations and customer bases. As previously mentioned, the CSS market provides access to a broad and more diverse range of customers than can be reached by the customer-sited solar market. CCSA also notes that, to date, development of both CSS and other projects has been heavily concentrated in a single utility territory. An incentive structure that could prioritize CSS and combat this current market concentration by offering greater incentives in areas that have not seen robust development.
- Ensure long-term efficiency, consistency and predictability: CCSA recommends that projects should only be able to qualify for an incentive

allocation if they can prove a highly likelihood of completion.

CCSA believes that, by including these objectives in the planning process, DOER would not only help to reduce overall program costs for the incentive program but it would also increase predictability and transparency for project developers.

Additional considerations

While net metering should remain the cornerstone of Massachusetts' successful solar policy, the current legislatively mandated aggregate cap on net metering creates uncertainty surrounding future legislative action to amend the cap. CCSA therefore encourages DOER to further explore options such as a possible new model whereby solar projects are paired with retail energy suppliers.⁶ This new construct would not be impacted by net metering caps, and as such, is intriguing. This model raises a number of significant questions, including the creditworthiness of retail suppliers as well as transitioning retail suppliers from shorter- to longer-term contracting, among others. If implemented, an incentive structure for this new model should be robust enough to offset the lower cost of energy in the wholesale markets. That being said, this model could be a viable alternative in the future to advance certain types of community solar projects via developers who are able to establish partnerships with retail suppliers.

⁶ During two public listening sessions held by DOER on June 10 and June 22 regarding the development of a new solar incentive program, DOER suggested creating a new, non-NEM-based model whereby solar projects are linked with retail suppliers with a new kind of incentive. This model would allow projects to move forward irrespective of NEM caps.

CCSA envisions the basic structure of a viable retail supply partnership for CSS as:

- A CSS facility sells power to a specific retail energy provider or other power retail company
- An incentive is paid to a project developer directly, and not tied to price paid for electricity
- CSS incentive eligibility is contingent on proof of CSS-like participation from end customers (i.e. there is a dedicated subset of the retail electric provider's customers participating in the project, with at least 50% of project capacity allocated in <25kW subscriptions, in line with the current CSS definition)
- No credits (NEM or otherwise) are provided by the utility. Rather, a billing arrangement is set up between the retail provider and customer, which could be structured as a bill credit or as a separate transaction.

Given the complex nature of retail supply partnerships, CCSA cautions that this structure would require careful legal exploration on the required nature of the credits and who receives title to the energy, among other issues. CCSA has not fully explored the implementation of this structure but supports DOER's consideration of it as a potential solution to enable some community shared solar development to proceed should net metering not be available.

Conclusion

Massachusetts has led the nation in expanding access to clean energy through community shared solar, and should continue to do so in the next generation incentive program. To this end, CCSA recommends that the DOER:

- Prevent market disruption by implementing an SREC III program that will be available to projects that reach mechanical completion as soon as January 9, 2017.
- Effectively prioritize CSS projects by providing incentives streams that ensure their financial feasibility, especially in an environment of reduced net metering credits
- Explore potential options for retail supply partnerships for CSS.

CCSA appreciates the opportunity to weigh in on this important process and looks forward to continuing the conversation going forward.