via email to DOER.SREC@state.ma.us

June 24, 2013

Dwayne Breger
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: SREC-II Policy Design Comments CORRECTED

Dear Dwayne,

The following comments are submitted on behalf of the Solar Energy Industries Association ("SEIA") in response to the Post-400 MW Solar Program Policy Design put forth by the Department of Energy Resources on June 7, 2013. SEIA appreciates the opportunity to comment on the initial proposal. SEIA is the national trade association for the U.S. solar industry and is a broad-based voice of the solar industry. SEIA's companies work in all market segments – residential, commercial, and utility-scale. [1]

SEIA recognizes the care the DOER took to construct an efficient, financeable, well-designed market for the continuation of the program. We also appreciate DOER's sense of urgency in establishing the new program. It is critical that DOER work quickly to provide a clear path forward for the MA solar market now that projects in development are no longer able to access the first phase of the solar carve-out. A gap is now inevitable; keeping that gap as short as possible is important for all stakeholders, and critical for the smooth, healthy continuation of the local industry, the people it employs and customers.

DOER's proposal has many strengths. Overall, the proposed program design retains many of the strengths of the first phase while adding improvements to the second phase. However, we do have some significant concerns, and we recommend here some key adjustments to the program design.

i. The SREC Factor Concept

SEIA's urges DOER to reconsider the SREC factor concept. We recognize that DOER may well consider this the cornerstone new element of the program, and because we appreciate the expertise and abilities of the DOER team, we are reluctant to object. Nevertheless, there is a clear consensus among our membership: this is not the right approach. We refer you to the

[1] These comments reflect the views of SEIA as a whole, and not necessarily those of any individual member company.

comments SEIA filed on April 8th, and we urge DOER to reconsider those points. SEIA acknowledges and supports the policy objectives that the SREC factor is designed to achieve: 1) to ensure that the incentive declines over time and 2) to ensure diversity in project development. Nor are we opposed to complexity *per se* – the current phase of the solar carve-out is a good example of a case in which somewhat complex design elements improve the program's function enough to more than compensate for the efficiency costs of complexity itself. However, all else equal, complexity is to be avoided; if a similar result can be achieved with a simpler mechanism, it is better to avoid complexity.

The SREC factor is an example of the latter, not the former. The SREC factor would require solar project developers to participate in two REC markets. Requiring project developers to learn and participate in a second REC market is onerous and represents a significant new projects development challenge, but that is not the most significant problem. The bigger concern, from our perspective, is that market participants would be forced to execute trades or some other form of REC monetization solution for two types of RECs within a single project development window.

A simpler alternative that we believe would be just as effective at ensuring that the incentive that is delivered to projects declines over time would be to lock in both a declining ACP schedule and a declining auction floor price schedule. Likewise, DOER could consider a range of alternative with a proven track record to direct development to preferred segments and project types, such as a small additional rebate or various programs to ease siting or expedite permitting.

ii. **Supply/Demand Growth**

SEIA is concerned about the extent to which the DOER's proposal controls the rate of supply growth. We support the DOER's objective of preventing the kind of quick supply growth that has necessitated intervention in other markets. However, we believe the current approach goes too far in the direction of direct program management. REC markets are designed to organically stimulate growth when prices are high, and suppress it when prices fall. A better approach to fostering steady supply growth is more transparency. If the market has better information about the pipeline and the pace of supply growth, and if the feedback on the demand formula calculation in shortened in the new program from two years to one, we believe that the market will have the tools it needs to calibrate the pace of supply growth appropriately, based on supply and demand dynamics. Restricting qualifications could introduce an additional barrier that creates costly inefficiency, as well as unintended consequences.

To the extent that DOER persists in controlling supply for certain project segments by limiting access to the SQ for those projects, we request that DOER ensure that at least a certain number of MWs be available in that process. As we read the current presentation, it seems possible that preferred project types could crowd out non-preferred project types entirely in a given year unless some provision is made to ensure that at least some capacity will remain available for the non-preferred types no matter what happens in the rest of the market. Additionally, it is important to recognize that the types of projects that DOER has initially singled out as non-preferred are among the most competitive and cost-effective. Restricting these projects may not be the best way to ensure that the Commonwealth's solar goals are reached in a cost-effective manner.

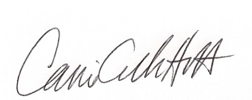
iii. PV Development of Open Lands

We appreciate DOER's desire to mitigate public concerns over PV on open lands. The current proposal to limit ground mount systems seems arbitrary and inefficient (in that it might prohibit cost effective, environmentally neutral projects). In order to affect development of these lands, specific and detailed guidelines need to be released to give objective criteria for development of these projects, instead of the "non-price criteria such as land use attributes, tree cutting, etc." Proactive guidance will allow developers the opportunity to make educated investment decisions, while addressing public concerns regarding public lands.

iv. Third-party Owned systems

In the appendix of the June 7th presentation, DOER proposed to study the various financing models of residential systems. We are troubled by the assumption in DOER's presentation, "evidence suggests that value to Massachusetts homeowners and economy is greater if project and subsidy benefits accrue to local owners or investors." We hope that DOER will keep in mind the many benefits that third-party financing helps to create for solar customers. Third-party owned systems have numerous local benefits – including providing the homeowner with a maintenance and performance guarantee, and enabling customers who may be precluded from owning systems because of the upfront cash requirements. We look forward to engaging with DOER on its exploration of financing models to ensure that all the relevant benefits are considered.

Regards,



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