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Department of Energy Resources
Commonwealth of Massachusetts
100 Cambridge Street, Suite 1020
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Subject: Post-400 MW Solar Policy Development

In response to the Department of Energy Resources' ("DOER") request for comments on its proposal implementing a new solar goal in the Commonwealth of 1600 MW installed by 2020, RENEW submits this letter offering its position.

RENEW is a non-profit association uniting the renewable energy industry and environmental interest groups whose mission involves coordinating the ideas and resources of its members with the goal of increasing environmentally sustainable energy generation in New England from the region's abundant renewable energy resources.¹

DOER's proposal for a 1600 MW solar carve-out represents a significant expansion of the solar program in Massachusetts. Massachusetts General Laws, Chapter 25A, Section 11F(g) authorizes DOER to establish a carve-out in Class I of the Renewable Portfolio Standard ("RPS") to provide incentives for development of small on-site generation in the Commonwealth. While the law allows DOER to specify that a certain percentage of these requirements be met through energy generated from a specific technology or fuel type, it is not required to do so. In 2010, DOER established a carve-out for solar photovoltaic resources.

¹ RENEW's membership is comprised of American Wind Energy Association, Anbaric Transmission, BNE Energy Inc., Conservation Law Foundation, Deepwater Wind, EDP Renewables North America LLC, First Wind Energy, LLC, Iberdrola Renewables, Inc., OffshoreMW, Patriot Renewables, Union of Concerned Scientists and Vestas American Wind Technology, Inc. The comments expressed herein represent the views of RENEW and not necessarily those of any particular member of RENEW.

The existing solar carve-out has been a success by propelling Massachusetts beyond the 400 MW goal years ahead of schedule and lowering solar installed costs. RENEW submits that, before expansion of the program is implemented, DOER consider whether a carve-out program exclusive to solar is still appropriate to induce the right mix of renewable distributed generation. In particular, the growth of small wind development has lagged behind solar development. According to the Massachusetts Clean Energy Center, the Commonwealth has over 250 MW of solar while only a 100 MW of wind. Most of those wind resources are utility scale (1 MW or greater). The small and midsize wind sector simply cannot compete against the incentives provided to comparably sized solar resources under the carve-out. As a result, businesses, farm owners, and residential consumers effectively have no choice in being able to select the renewable technology best suited for their needs. Allowing the small wind sector to compete in the carve-out can also enable small wind to contribute to Massachusetts' economic growth like the solar industry now does.

Before DOER commits to raising the cap on the carve-out to 1600 MW regardless of whether it is solar-only or technology neutral, RENEW urges reconsideration of setting the new cap at 1600 MW. As DOER's presentation on June 7th states, the proposed solar carve-out expansion has the potential to oversupply the Class I market of renewable energy credits ("RECs"). To address this concern, DOER proposes "managed growth" of the solar installations by limiting the number of qualifications. In RENEW's view, the risk of oversupply, as illustrated on slide 13 of DOER's June 7th presentation, is high and can jeopardize confidence in the REC market relied upon by developers and operators of renewable energy projects of all sizes and their investors.

From a markets perspective, expanding the eligibility of renewable energy resources by raising the carve-out cap might disrupt the supply-demand balance of RECs in the region causing developers to be concerned about the future value of RECs that are essential to the financial support of new and even existing projects. In today's short-term REC market, prices tend to fall towards zero when supply is even slightly long, discouraging investments in new renewable generation required for RPS compliance. With the trajectory of solar growth from today's levels to 1600 MW by 2020 placing the market near or in oversupply territory, even the slightest misjudgment in the active management of qualifications in the carve-out will drive the price of RECs to near zero. The resulting unexpected drop in market price will give developers an impression of regulatory instability which in turn increases their perception of risk in building a project. The financial viability of RPS resources not under long term contract for their RECs and/or energy may come into question if REC prices plummet. Ultimately, a developer's assessment of regulatory and market risks plays a critical role in determining whether it will build a project. For existing resources not under long term contract, the owner will

look to the REC market to understand if its resource can operate profitably over the long term.

With the proposed carve-out expansion requiring such careful management of the program to avoid these dangers from the oversupply of Class I RECs, RENEW proposes two options for allowing the market to manage this issue: either DOER should modestly lower the carve-out cap to create a buffer between solar growth and the Class I RPS requirement or the Commonwealth should accelerate its Class I RPS requirement to increase REC demand to meet the additional supply under the carve-out. With the latter, Massachusetts might accelerate its year 2020 Class I RPS requirement from 15 percent to 20 percent. Other states have higher Class I RPS goals including neighboring Connecticut, which has a 20 percent by the year 2020 requirement. The successes from the solar carve-out and other Green Communities Act programs demonstrate Massachusetts' current renewable energy programs work; higher goals are attainable. Rather than running the risk of depressing the market by trying to squeeze more distributed generation under the existing tight RPS levels, strong consideration should be given to raising the RPS requirements.

RENEW appreciates the opportunity to comment on the proposal for raising the cap on the solar carve-out. The organization would appreciate working with DOER to find ways to increase the amount distributed generation in Massachusetts from solar and other resources in a way that preserves confidence in the REC market.

Sincerely,



Francis Pullaro
Executive Director