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

June 21, 2013

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

Re: SREC-II Policy Design Comments

Dear Mr. Breger:

The New England Clean Energy Council ("NECEC" or "Council") greatly appreciates the opportunity to provide input to the Department of Energy Resources ("DOER") on DOER's SREC-II Policy Design. NECEC applauds Massachusetts for its leadership in advancing solar development. With over 400 MW of solar applications in process, the Patrick Administration has reached its 2017 goal four years early. We also commend the Administration for recognizing the importance of continued consistent support for solar development as this clean energy industry segment increases in scale and declines in cost.

The New England Clean Energy Council is a clean energy business organization whose mission is to accelerate New England's clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies. NECEC is the only organization in New England that covers all of the clean energy market segments, representing the business perspectives of investors and clean energy companies across every stage of development.

As we noted in our April 10, 2013, comments, NECEC has an abiding interest in a strong but sensible solar incentive program in Massachusetts. Such a program can not only support the Commonwealth's budding solar energy industry and the many businesses and workers that are part of it, but can also provide long-term economic, grid reliability and environmental benefits to Massachusetts energy users.

OVERALL COMMENTS

The Council is very pleased to see that DOER is moving forward expeditiously with the SREC-II program. This will ensure the consistency of policy needed to maintain the momentum of solar growth in Massachusetts so that the development market for solar does not experience the fits and starts that have plagued other clean energy markets. Moreover, there are many solar projects that are in an advanced stage of development but did not have an executed Interconnection Service Agreement by June 7, 2013, and so will not qualify for the expanded SREC-I program. Therefore, rapid development and implementation of the SREC-II program will be very important to capitalize on that development and leverage the economic and environmental benefits those projects have to offer.

NECEC supports DOER's decision to create a separate SREC-II program with separate and distinct compliance obligations. This will ensure that the value of the SREC-I program will be maintained. Certain elements of the SREC-II program, such as the fixed 10-year opt-in term are very positive.

NECEC also appreciates DOER's objective of balancing the rate of solar growth with the level of incentives, recognizing the appropriateness of declining incentives as the market develops. DOER's overriding objective must be to maintain the robust growth in solar development that Massachusetts has seen while balancing this against costs to ratepayers. Policies, such as the SREC program, are essential to support the Commonwealth's budding clean energy industry so that it can achieve the economies of scale that will reduce costs to ratepayers.

SPECIFIC COMMENTS

NECEC would like to address two broad areas of DOER's SREC-II program proposal – Adjusted SREC Factors and the Managed Market.

<u>Adjusted SREC Factors</u>

The use of an Adjusted SREC Factor is an interesting mechanism to reduce the incentive value for solar projects as the market expands and installation costs decline. As DOER conducts further analysis and develops the SREC-II program, the Council urges it to consider carefully what may be some of the unintended consequences of using Adjusted SREC Factors. As proposed, the Adjusted SREC Factor may create additional uncertainty for developers, who will not know the factor to be applied to their projects when they go out for financing. In addition, the Adjusted SREC Factor adds complexity for developers. They will have to participate in both the SREC and the Class I REC markets, with potentially different timing and deadlines. (Many projects also depend on the net metering program with its own requirements and deadlines.) Navigating multiple programs with different requirements will require coordinating timing and may increase transaction costs and complicate financing. The increased uncertainty and added complexity of Adjusted SREC Factors may discourage future development rather than create the smooth path to the future that DOER would like to see.

The use of Adjusted SREC Factors may also create a "land rush," similar to that experienced at the end of the SREC-I program. From the illustration in the June 7, 2013, presentation, it looks like where a project falls in the queue (i.e., which # MW a project is – 1st, 10th, 100th, 1000th) matters more than which type of project it is. Therefore, one way that project developers may react to uncertainty of what the factor will be is to seek to be first. DOER should analyze other mechanisms to control flow of projects – perhaps a date-based system rather than where a project falls in the queue; or a system similar to SREC-I based on requiring permits and interconnection agreements and meeting construction milestones.

Managed Market

Another function of the Adjusted SREC Factor appears to be market management. DOER's overall objective appears to be to manage the solar market to ensure that there is not an oversupply of solar projects that will interfere with the Class I REC market. This is a laudable goal. As DOER's initial analysis indicates, setting a new target of 1600 MW of solar by 2020 has the potential to crowd out other Class I renewables. NECEC urges DOER to take steps to ensure that this is not the outcome, particularly as it embarks on the Section 83A contracting program and the tranche of long term contracts for newly developed, small, emerging and diverse renewable energy resources.

While managing growth is an important goal, the SREC-II Program proposal needs more clarity and transparency about how this will work to avoid potentially crippling uncertainty that could undermine future solar development. Rather than Adjusted SREC Factors or DOER limiting the available MW of qualifications to certain market sectors, a simpler and more transparent way to manage growth may be to establish ACP that decreases by known amount (e.g., 5%) per year.

Another aspect of DOER's proposal to manage the market seems to be to ensure that smaller projects continue to have an opportunity to participate. NECEC supports DOER's goal of encouraging a diverse mix of solar project types and sizes, but is concerned that the SREC-II Program proposal suggests that overall supply will be addressed by managing only ground mount solar. (See June 7, 2013, slide 23.) It is not clear whether, under this proposal, the ground mount solar segment of the market could go to zero – which in and of itself would undermine DOER's distribution goal. A better way to ensure that small projects continue to have opportunities in the market and that there is distribution of different types of projects may be through other policy levers, such as net metering and facility size definition.

To the extent that the desire to limit ground mount solar is to address land use issues, NECEC suggests that there may be some land use benefits to these systems if a ground mount solar project on a portion of a piece of land enables preservation of the rest of it as open space. Again, further analysis is needed.

Other issues

NECEC would like to raise two other issues and suggest areas for further analysis and development of the SREC-II program. First, it is not clear what happens when applications exceed the annual or quarterly limit DOER is proposing. (I.e., how to deal with a potential "land rush" problem.) Do qualified projects roll into next year? What if there are so many that they fill up next year's target/limit? Or do projects have to re-apply? DOER needs to address this issue.

Second, DOER states in the June 7, 2013, presentation that "evidence suggests that value to MA homeowners and economy is greater if project and subsidy benefits accrue to local owners or investors." However, third party ownership may enable broader and faster deployment of small solar because the obstacle of financing is overcome. NECEC suggests that the effects of third party ownership need further investigation and analysis.

The New England Clean Energy Council greatly appreciates DOER's attention to these important issues and stand ready to support DOER in further developing and implementing the SERC-II program to foster a diverse solar energy industry in the Commonwealth that appropriately balances the interests of all stakeholders.

Sincerely,

Peter Rothstein	Janet Gail Besser
President	VP, Policy and Government Affairs