nationalgrid

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VIA ELECTRONIC MAIL
Dwayne Breger
Director, Renewable & Alternative Energy Development Division
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114
DOER.SREC@state.ma.us

RE: SREC-II Policy Design Comments

Dear Mr. Breger:

On June 7, 2013, the Massachusetts Department of Energy Resources ("DOER") held a public stakeholder briefing at which it explained plans for both emergency regulations to close out the current Solar Carve-out program (or "Phase I") and outlined its proposal for an expanded and altered Solar Carve-out program for an additional 1200 MW of installed capacity (or "Phase II") to continue incentivizing solar photovoltaic ("solar PV") development in the Commonwealth, and sought comments on this potential policy. Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid, ("National Grid" or the "Company") are pleased for the opportunity to provide the following comments in response.

National Grid supports the continued growth in solar PV deployment to the extent that such investment creates net benefits for the citizens of the Commonwealth. We are pleased to see the inclusion of analysis of the costs and benefits of the expanded program by independent consultants. The Company will be happy to assist DOER and its consultants as needed in the development of that study. Ideally, DOER will look to the outputs of the analysis to adjust elements of Phase II so as to maximize the net benefits from such investment, which should include reducing the scale or slowing the pace of solar PV deployment.

National Grid also supports the refocusing of the Phase II program on residential and small commercial systems that are directly owned by their hosts, as evident from several components of the proposed program. These elements, such as managed growth and the competitive criteria that are suggested for consideration in granting a Statement of Qualification ("SQ") to a large system by DOER, should limit the growth in large-scale, remotely located solar PV generation facilities. Such changes will reduce the additional costs such facilities impose, both direct and indirect, on other customers, and encourage the use of solar PV as a true distributed resource, where it is most valuable.

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National Grid also supports the Adjusted SREC Factor, which, while adding some complexity to the Carve-out program, will decrease the level of support from the Solar Carve-out over time as more solar capacity is installed. As described, DOER will set this on a formula to decline as the amount of installed capacity increases. This proposal is an excellent mechanism to promote greater efficiency in the solar generation industry over time and provides clarity to stakeholders regarding forward goals for pricing and remuneration. This will reduce the maximum potential cost of the Phase II program, which will be a benefit to all customers.

The process of selecting projects to receive an SQ, which is proposed to be competitive and based on numerous factors, will need to be transparent so as not to create ambiguity that could cause participants to question the process. In addition, the adjustment factor given to particular projects will need to be known as soon as possible so as to enable transactions to move forward in the market for both short and long term forward sales of SRECs. Moreover, it will be important for DOER to maintain flexibility in altering that schedule of declination based on market pricing trends and the level of activity in the program, but should make such changes in a predictable and transparent way, to the extent possible.

National Grid also supports the Forward Minting concept, with the recommendations outlined below. Forward minting is described as the ability for smaller projects (residential only or any project up to a certain size limit) to opt in to such a program and receive 10 years worth of SRECs in the year the project is interconnected. This should reduce the affordability and financing barrier for many would-be system owners, and allow for LSEs to support such small system developments within their existing Renewable Portfolio Standard procurement plans. National Grid would encourage this eligibility to be in line with the size of systems that would not be limited in the granting of SQs, to simplify customer education and reduce uncertainties in the interrelated contracting, SQ and interconnection processes. In addition, the Company would like to know the details of how DOER intends for such a program to be integrated with the NEPOOL Generation Information System ("NEPOOL-GIS") to create actual certificates, or whether such SRECs would be dealt with administratively at DOER, similar to banked RECs.

The Company would support the concept as described in the Phase II presentation that the SREC obligation formula for years following the issuance of such forward minted SRECs is reduced appropriately by the amount of those issuances. System owners that receive such forward allotments of their certificates should further be required to continue reporting the output of those systems, and they should be held accountable through the regulations to ensure that the system continues to operate as projected, with reporting to the Mass. Clean Energy Center or the NEPOOL GIS. Non-residential system should also be subject to enhanced auditing of their reported output. If a system does not continue operating at expected levels, the system owners should be required to repay the unearned portion of the forward minted SREC value. If the DOER clearly states this requirement upfront, the repayment obligation creates a clear incentive to participants to keep the solar PV system in service for the 10 years at its original location. Any repayment should then be credited back to the customers of Load Serving Entities (LSEs) that retired such SRECs.

Last, National Grid would encourage DOER to also revise the Alternative Compliance Payment schedule that it put forward, as these proposed prices still appear too high. In addition, the auction clearinghouse mechanism floor price should be very low or eliminated. SREC

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participants should be strongly encouraged to find purchasers for SRECs that reflect their cost of entry, rather than build systems based on the prospect of receiving prices near the ACP level at times, and anchored by the auction floor price in times of strong supply, but in both cases are not competitively set nor reflective of marginal costs. Requiring delivery customers of distribution utilities to back-stop the market – either with an auction floor price or, worse, a requirement to buy such oversupply – sends the signal that poor investment decisions will be borne by customers without the benefit of review by the Department of Public Utilities and without competition. Moreover, such mandates would require utilities to collect the costs of such SRECs in future periods to the extent they were not established in current Basic Service rates, leading to deferrals, increased reconciliations and further bill impacts on customers. National Grid would urge DOER to defer setting the floor price, and discourage any other backstop mechanism, until it and other utilities have had sufficient time to develop and propose alternate solutions that may be able to provide sufficient support for solar development at a lower cost for customers.

National Grid is pleased to submit these comments, which it feels are in the best interest of its customers and citizens in the Commonwealth as a whole. We look forward to participating in the process of developing the Phase II program as it progresses in the coming months.

Sincerely,

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