



April 8th, 2013

Via Email

Dear Michael Judge,

Thank you for the opportunity to provide these comments for the Post 400 MW Policy with regards to the RPS Solar Carve Out and thank you for conducting the stakeholder meeting held on March 22nd outlining the policy options and considerations detailed by the Department of Energy Resources.

### **Background**

My Generation Energy was formed as a solar installation and development company in 2008 with one employee completing the installation of 8 panels on his home in Brewster, MA. Since then our company has installed well over 130 systems across primarily Southeastern Massachusetts at a range of sites including but not limited to municipal land, local food banks, research institutions, local service companies, conservation organizations, and for residential customers. These projects range in size from 5 solar panels to over 5000 solar panels and cover various market sectors. Many other solar companies are doing good work by doing well for their communities also. According to the Massachusetts Clean Energy Center there are over 200 companies involved in solar installation in the state, within a clean energy industry now employing over 70,000 in the Commonwealth. The majority of businesses surveyed in the recent Clean Energy Center Industry Report are small, with nearly two-thirds having ten or fewer permanent clean energy employees.

Much of this early market success can be attributed to the landmark 2008 Green Communities Act (GCA) which has advanced a number of reasonable incentives and appropriate regulations. Provisions like the Solar Carve-out, enabled by the GCA, assists in reducing unnecessary transmission expenditures, reduces peak demand, reduces greenhouse gas emissions, provides greater energy diversity on the grid all while suppressing wholesale electric prices. Considering the positive economic and environmental impact to date we applaud the Massachusetts Legislature, the Patrick Administration and the citizens of the Commonwealth for this Act and important measures such as the Solar Carve-Out.

### **Goals for a Successful Post 400 MW Solar Carve-Out**

To accomplish the significant economic development, environmental and clean energy goals of the Commonwealth as directed by the legislature we believe the following policy objectives should be central to the Post-400 MW Solar Carve-Out. Therefore we wholeheartedly recommend the DOER to:

- **Ensure returns strong enough to attract investment to solar and to compensate for the associated regulatory risk.** Homeowners, small businesses and investors will require a fair economic result for implementing this critical clean energy

infrastructure especially when considering investment alternatives and policy uncertainties.

- **Design a firm floor and ceiling to create a clear and narrow market pricing band to reduce risk and reduce ratepayer costs.** Pricing in a narrow band should create a consistent, constant pricing range so as to dramatically reduce uncertainty and increase predictability for all market participants.
- **Ensure that the next generation SREC program (or SREC phase II) is completely isolated from and upholds the commitment to the first 400 MW program.** The success of the initial SREC program will determine to a large extent the uptake of the second phase of the program especially if both phases aren't isolated. Creating delineations between the two would more likely have the desired policy effect.
- **Expand the SREC market size to add between 800MW to 1600MW for a total size of 1200MW to 2000MW to sustain growth for more than 3 years.** It is important to note that at the same time the Massachusetts market requires generation diversity - with volatile natural gas providing a large majority of our electricity - other states such as Delaware, New Mexico and New Jersey have significantly higher solar carve-outs at 3.5%, 4% and 4.1% of electricity sales respectively. Massachusetts also has significant and important greenhouse gas reduction goals that solar can have a meaningfully positive impact on.
- **Extend the program runway until cost parity is achieved with RPS Class I.** Solar, despite recent incremental prices decreases and early successes, still requires policy support until it achieves the ability to function in the RPS market independent of a carve-out. When, and if, PV does achieve cost parity with other renewables operating in the RPS Class I, new projects at that time should be included in the RPS Class I.

### Market Design for a Successful Post 400 MW Solar Carve-Out

To meet the goals and policy objectives as outlined above clear and robust design mechanisms are required. Below are a number of such mechanisms that when utilized in concert will accomplish those central policy objectives. Therefore we believe the DOER should:

- **Create a firm floor and ceiling by: 1) not allowing SRECs purchased lower than 80% of ACP as satisfying compliance; and 2) having the compliance obligation in years of oversupply automatically default to 110% of the amount generated if utilities didn't purchase all SRECs.** For example if 900,000 MWhs were generated and only 800,000 MWhs were purchased by the end of the compliance year the utility obligation goes to 990,000 MWhs automatically for that same compliance year incentivizing utilities to purchase SRECs below the ACP. These mechanisms can function entirely without, or independent of, having a Clearinghouse Auction eliminating the program costs of such an approach (i.e. fees).
- **Use SREC Factors to set incentives for each project, determined at time of qualification.** Projects will generate SRECs based on their individual, fixed SREC Factor times MWh produced. This SREC Factor should be based on a matrix of attributes, sensitive to project type, locational benefits, size etc., announced periodically (i.e. 6 months). SREC Factors can uniformly be adjusted downwards for new projects based on cumulative MW or time based on a very gradual, yet flexible,

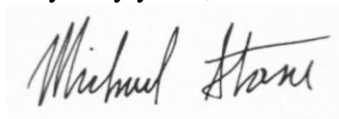
- forward schedule. SREC Factor adjustments shouldn't be retroactive and shouldn't affect already qualified systems.
- **Maintain the market pricing band throughout the entire program.** A solid benchmark pricing band will provide a strong foundation for the next generation SREC program. To adjust the target incentive range for projects this can be done through adjusting the SREC Factors relative to the market pricing band, but should strictly only be done for new projects (and not for qualified systems that already have SREC Factors that relate to the market pricing band).
  - **Avoid a central procurement model because it will reduce customer options and create unnecessary market barriers.** Central procurement wouldn't be conducive to the implementation of thousands of distributed generation systems considering the unique development characteristics of various sites, geographies, interconnection procedures, permitting jurisdictions, etc. Central procurement would ultimately limit competition and limit the diversity of offerings and business models serving the Commonwealth to the detriment of customers.
  - **DOER should leave the zoning and permitting of SREC projects to the respective community authorities vs. an additional level of required site review.** Multiple layers of review for the same site could prove contradictory and obfuscate project development. At the same time we do believe the DOER should continue to work closely with communities to monitor local zoning and permitting practices.
  - **Limit projects to fixed terms and then move them to Class I RPS at the end of the term to increase the benefits to ratepayers.** Once a sufficient return is achieved for SREC projects they should move into the Class I RPS and out of the RPS Solar Carve-Out.

## Conclusion

My Generation Energy, Inc. appreciates the opportunity to provide comments on this important matter for the Commonwealth and appreciates the Department of Energy Resources' leadership. We look forward to helping advance Massachusetts' clean energy infrastructure goals by providing consumers with services that save them money and make their communities more resilient for decades to come.

Thank you and certainly do not hesitate to contact me with any questions or clarifications.

Very truly yours,



Michael T. Stone,  
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