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Comments via email to doer.smart@mass.gov

May 26, 2020

Ms. Kaitlin Kelly
Department of Energy Resources
100 Cambridge Street
Suite 1020
Boston, MA 02114

RE: Comments to 225 CMR 20.00 - the Solar Massachusetts Renewable Target (SMART) Program ("SMART Public Comment")

Dear Ms. Kelly:

Associated Industries of Massachusetts (AIM) is pleased to comment on the above proposed regulations. These proposals resulted from the 400MW review that DOER undertook beginning September 5, 2019. AIM submitted comments as part of this review on September 27, 2019.

AIM is the largest general trade association in Massachusetts. AIM's mission is to promote the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services. Many of AIM's members have taken advantage of previous SMART program incentives to install solar energy as part of their sustainability efforts or desire to control costs.

Since the beginning, AIM has asked that any solar program be based on competitive principles which incentivizes solar development at the right level to drive down the cost of installation to maximize economic efficiency for both the developer and the ratepayer. In general, the SMART program has accomplished that goal. Despite recent declines in solar installations due to the COVID-19 pandemic, Massachusetts is now a leader in solar installations and prices have fallen dramatically. Going forward it is important to maintain that balance by basing incentives on economic realities of the marketplace (including new ones due to the pandemic) and changing consumer behavior.

The economics of practically every investment have changed recently and some have changed permanently. Companies are desperate to save money and need these programs, but work stoppages and an uncertain economic future have forced them to make difficult decisions around construction – sometimes postponing even good projects to conserve cash. As such, we are

looking at these regulations through a different lens than we may have done just a few months ago.

We would first like to thank DOER for expanding the program an additional 1600 MW rather than the 800 MW in the straw proposal. AIM supports this change which will bring the total capacity of the program to 3200 MW AC.

Of primary concern to AIM members, particularly during this time, is the continued support for behind-the-meter (BTM) installations. A proper BTM program will help companies survive this economic downturn by reducing energy bills and set the stage for them to thrive when the economy turns around. Unfortunately, we believe the regulations fall short in fully realizing the potential for BTM growth and the regulations could have a detrimental impact on BTM installations.

AIM is pleased that DOER has updated compensation rates. However, the regulation only applies to incentives, not availability of the Alternative-On-Bill Credit (AOBC) as the AOBC must be approved by the Department of Public Utilities (DPU), an exercise which will likely take several months. Under the regulations, AOBC can only apply to standalone systems and leaves how the credit would be structured for BTM to DPU with absolutely no indication as to whether the credits can be netted on a monthly basis.

This is not a new concern for us. AIM supported HB 2866, *An Act Relative to Net Metering for On-site Renewable Energy Facilities* filed by Speaker Pro Tempore Rep. Patricia Haddad to specifically address this issue. HB 2866 as originally filed exempts private Class II and III facilities from the aggregate net metering capacity, provided they support on-site load, providing them with a proper time basis for netting to get the most out of their investment.

Not specifically including BTM installations in the AOBC leaves this issue of utmost importance for the most vulnerable industries unaddressed which will likely delay companies' ability to take advantage of solar energy. Solar developers will not know the scope of AOBC when creating sales proposals for customers as it is unclear when DPU will make decisions and what decision they will make. It could easily be 2021 when decisions are made and that is too long, particularly given the stagnate economic situation we now find ourselves in.

To address this issue, we urge DOER to expand AOBC to BTM systems of all sizes up to 5 MW.

Second, while we support energy storage, we do not support the mandate that all systems greater than 500 kW be paired with storage (Section 20.05(7)(k)) a concern we also brought up in our September 27, 2019 comments. There may be instances where storage is simply not a viable option within the constraints of the project and while there is an exemption for "good cause" (Section 20.05(7)(k)(1)(b)) the term is undefined. This could lead to complicated and subjective reviews of many projects that are not economical for storage. Some of these projects may in fact not go forward if their "good cause" argument is rejected by DOER, an outcome that would be worse for the company, the environment and the solar program in general. Or, in some cases, the

review could delay a project to the point where circumstances could change, rendering the project economically nonviable. Companies should not have to jump through ill-defined procedural hoops to prove to DOER they don't want storage, or it is not economical.

Should DOER want to encourage more energy storage (and we believe it should), we urge DOER to work with companies and solar installers to publicize the benefits of such systems, and price incentives accordingly. AIM believes that as more BTM systems apply to SMART there should be higher storage adoption. However, that can only happen if the storage benefits add on to the solar benefits for companies - not take away energy bill savings because of higher project costs. We do not want SMART adding unnecessary costs to businesses who install solar.

Finally, we would like to make some comments concerning community solar. AIM does not oppose community solar as an important option - our early opposition was based solely on compensation schemes in previous solar incentive programs. Changes over the years in program design have made community solar more cost efficient for the general ratepayers who eventually pay any subsidy. We recognize the importance of all types both as a clean energy resource and an important part of a diverse energy supply. Several AIM member companies now participate in community solar to meet their corporate sustainability goals.

AIM doesn't have any expertise in land habitat; therefore, our comments are more general in this area. Obviously, since the amount of ground-mounted solar available is directly related to the amount of land available, it is vitally important that land use restrictions be based on fact-based environmental or other concerns and that restrictions are necessary. Otherwise, land is being taken out of service arbitrarily and solar use will be hampered. Oddly, if land use restrictions are too strict and solar is limited, continued use of fossil fuels could be worse in other ways for the same habitat DOER is trying to protect.

DOER needs to work with experts inside and outside of the agency, including the solar and storage industries, the agricultural sector and others to balance excessive land use restrictions with the need to reduce our use of fossil-based energy dependency. This balance is particularly important as solar represents clean energy which can be built now, versus other type of clean energy – hydropower and offshore wind for instance – that, while crucial, are still a few years away.

New land restrictions in SMART remove 40% of the land area previously available, leaving around 90% of the commonwealth's land area unavailable for solar development for ground-mounted solar. On its face, this seems inconsistent with the commonwealth's need to transition to a clean energy economy. While we are not advocating loosening any environmental restrictions, the general public has been led to believe a false message that we can snap our fingers and get to 100% renewable power (particularly solar) without compromises on land use that may be unappealing to some. This dilemma needs to be sorted with some honest discussion about the tradeoffs we need to make – no energy source is without downside.

Further, while we don't support a mandate for storage paired with solar, we certainly support the use of more storage and storage is likely more efficient and economical for these ground-based

systems. Since virtually all ground-mounted solar built under SMART will be paired with energy storage, DOER could be undermining its own energy storage goals by severely limiting community solar. Study after study has shown we need massive investments in all clean energy sources. Therefore, excluding any opportunities must be done only with the strongest of evidence.

While AIM appreciates the grandfathering provisions that DOER has included in the emergency regulations, they are written too narrowly for many dozens of projects that would now be ineligible. Some existing projects have run into delays for various reasons, yet new restrictions, particularly land restrictions, apply broadly to these projects, which seems unfair.

AIM has consistently supported reasonable grandfathering of existing projects or contracts whenever new rules are instituted, including when new RPS rules are promulgated. In fact, we just recently supported grandfathering of existing supply contracts under the state's new Clean Peak Standard (which would have been retroactive for contracts signed almost two years ago) and the Telecommunications Utilities and Energy Committee agreed with this assessment in their comments to DOER on the new regulations. As such, we urge DOER to broaden its view to grandfather more existing projects that have reached certain benchmarks prior to promulgation of the new rules – many of the delays were not the fault of solar developers. While this may result in slightly higher costs, we think the importance of honoring the existing regulatory framework is more important. Some of these projects take years and stranded costs are not good for anyone and changing rules in the middle sends a chilling message to developers.

The COVID-19 pandemic has forced everyone to make changes in their economic outlook and in fact the economics of solar installations has changed enormously. Solar installers have had to lay off or furlough workers and companies that had been considering the installation of a solar system have had to turn their attention to more immediate concerns. The normal outreach and customer acquisition have become a challenge (similar issues are occurring in the energy efficiency program which AIM is also monitoring). While some businesses may begin operating soon, it will likely be months if not years before business returns to some version of normal and businesses are comfortable with outsiders on their premises. Given economic uncertainty, many companies are simply not going to make investments until their business model is assured – even if a project makes economic sense.

Therefore, DOER needs to be flexible in *every* aspect of the SMART regulations– projects that didn't make economic sense may make sense now and some that made economic sense may no longer. One example would be to provide community solar projects more flexibility to meet customer acquisition deadlines – a step that just gives developers flexibility to adjust for the COVID-19 reality without costing more ratepayer dollars. DOER needs to continually work with the industry and others to quickly respond to changes in the economic landscape. Momentum was stopped and we can't stop and start these programs again. Generally, flexibility has no ratepayer impact, but even so, ratepayer impact during this transition would likely be small and temporary.

Thank you for allowing us to make these comments and we look forward to working with your office in any way possible on this and other issues.

Should you have any questions please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in black ink, reading "Robert A. Rio". The signature is written in a cursive, flowing style with a large initial 'R'.

Robert A. Rio, Esq.
Senior Vice President and Counsel
Government Affairs