



June 1, 2020

Kaitlin Kelly, Solar Programs Manager  
Department of Energy Resources  
100 Cambridge Street, Suite 1020  
Boston, MA 02114

**Re: Public Comments on Revised 225 CMR 20.00, the Solar Massachusetts Renewable Target (SMART) Program**

Dear Ms. Kelly:

Thank you for the opportunity to comment on the Department of Energy Resources (DOER) Emergency Regulations to the Massachusetts SMART Program. Omni Navitas Holdings, LLC (Omni) is a Boston-based solar energy developer committed to the Massachusetts solar market, with more than 100 MW in development in Massachusetts. Omni greatly appreciates DOER Staff's efforts on the Emergency Regulations and provides the following comments.

**Land Use, Project Segmentation and Greenfield Subtractor Changes**

Omni believes that the proposed changes to land use, project segmentation and the strengthening of the greenfield subtractor will stymie growth of the SMART Program by drastically limiting where solar energy facilities can be sited. Omni agrees with the idea of protecting certain land from development, but such proposed changes are far too restrictive. An alternative to DOER's approach would be to give projects at least twelve months from the date on which the Emergency Regulation is filed to attain their required application documentation. And once obtained, to thereupon be exempt from the new requirements.

Failing to allow a reasonable transition period for projects that are currently under development will adversely impact millions of dollars of investment, and is in direct conflict with the Program's original intent. Such significant changes, if implemented, would retroactively penalize projects developed under existing rules and effectively eliminate most large-scale community solar projects, projects which benefit Massachusetts ratepayers the most.

The changes to project segmentation, as proposed, also create a significant disincentive. Grouping neighboring projects and counting them as a single project for the purpose of calculating size-based adders will make numerous proposed projects no longer economical. A major reason projects are sited near other projects is to cost-share required interconnection upgrades. Interconnection costs in Massachusetts are some of the highest in the nation and are

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poised to continue to rise. What is proposed will make it more difficult to cost-share such upgrades, which will lead to fewer projects being constructed.

### **Energy Storage Should Not Categorically Be Required**

Omni appreciates the Department's goal that larger solar projects should explore being paired with energy storage. But energy storage being mandated for any project larger than 500 kW at this period in the development of this technology creates unmanageable risk for developers as revenues become too variable and speculative. This directive would also usurp the long-tenured authority to control development inherent to the local communities and town boards by demanding that they either approve a solar/storage project or not allow the project at all.

DOER should delay the implementation of the energy storage requirement until a more thorough review can be completed with stakeholder input, including fire and safety officials, landowners, towns and battery manufacturers. Consensus on best practices is needed to guide all parties involved to the safest, most economical and well considered solutions.

As indicated above, the financial viability of energy storage also requires significant further study. The price of storage has declined and will continue to decline but still represents a major added cost that may make an otherwise financeable project no longer economical. The SMART ESS adder, while providing value to a project, does not, as of this date, offset the added expense of energy storage. One solution may be that if a project with storage is rendered uneconomical, an exemption would be created to allow the project to proceed as solar only.

### **Revisions to Base Compensation Rates**

During development of what became the SMART Program, DOER stated: "the goal of the successor Program was to install 1,600 MW over six calendar years."<sup>1</sup> The original expectation was for the eight capacity Blocks to decline annually by approximately 267 MW per year over those six years. In reality, National Grid and Eversource West exhausted their respective capacity Blocks in the Program's first year, which, while laudable, means the cost declines DOER assumed would take place over six years to support the decreasing incentive rates happened much more rapidly impairing the future economics of development.

Interconnection costs, however, are drastically increasing, and the underlying costs are significantly higher in Massachusetts than in other states. In early Blocks, the potential total SMART compensation was sufficient to make a project financeable, but by later Blocks this is not the case. With the addition of eight additional Blocks in each major service territory the

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<sup>1</sup> <https://www.mass.gov/files/documents/2016/10/nf/developing-a-post01600-mw-solar-incentive-Program.pdf>



starting value of Block 9 is not high enough to make projects economically viable. Continuing to reduce base rate incentives by 4% per Block for stand-alone projects and 2% for behind the meter projects will further exacerbate the uneconomic situation. A reset or increase in base rate compensation in later Blocks is desperately needed.

When viewed in conjunction with the more restrictive land use; project segmentation restrictions; and the strengthened greenfield subcontractor, the result is an unclear path to future success for the SMART Program.

A possible solution would be to revise certain location-based adders, such as for solar parking lot canopies (PLCs). Increasing the adder provided to PLCs under 20.07 (4)(a) (Location Based Adders) by a minimum of 3¢ will incentivize solar development to move toward PLCs and away from green-land areas. PLCs cost approximately 40% more to build than ground-mounted arrays and produce 10% less energy. This inverse relationship between cost and efficiency was the basis for the original adder, but as the Blocks become filled and the incentives significantly decrease, the economics change. With the federal income tax credit already beginning a stepped-down reduction beginning this year, an increased "adder" will be particularly helpful in National Grid and Eversource West territories where the base rate incentive after Block 4 is not enough to make PLC projects in the territory economical.

## **Conclusion**

In summary, Omni suggests that DOER consider the following:

- Provide at least twelve months from the date on which the Emergency Regulation is filed for a project to attain all its required documentation to be exempt from the new land-use requirements and strengthened greenfield subcontractor.
- Eliminate revised project segmentation rules.
- Delay requirement to include energy storage on any projects larger than 500 kW until:
  - Thorough review with stakeholder input including fire and safety officials, landowners, towns and battery manufacturers;
  - Cost of storage becomes more economical or provide option for solar only if ESS uneconomical.
- Increase or reset of base compensation rates in later Blocks.
- Increase PLC adder by at least \$.03/kWh to make PLC economical after Block 4.

Omni appreciates the opportunity to comment on the Emergency Regulations to the Massachusetts SMART Program and thanks DOER Staff for its work and considerable effort in



putting forth these changes. We look forward to continuing to participate in the stakeholder process whenever possible.

Sincerely,

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