

June 1, 2020

Massachusetts Department of Energy Resources

RE: Associated Energy Developers, LLC - Public Comments on SMART Emergency Regulations

To Whom it May Concern,

Associated Energy Developers, LLC is a commercial solar developer based out of Plymouth, MA. We have developed and built over 12 MW of solar projects in Massachusetts and have been intimately following the development and progression of the SMART Program. We appreciate the opportunity to comment on the proposed changes in the April 2020 Emergency Regulations, and have the following comments to offer:

1,600 MWac Capacity Addition

While we are glad to see the doubling of the SMART Program from 1,600 MWac to 3,200 MWac, we feel that this target falls far short of what is needed to ensure a stable and predictable solar market in MA for the next several years. The 2019 Brattle Report *Achieving 80% GHG Reduction in New England by 2050* states that Massachusetts will likely need to add several Gigawatts of solar per year for the next 30 years to achieve our greenhouse gas emissions reduction goals and avert the most devastating effects of the climate crisis. In a time where we need to ramp up distributed solar deployment in Massachusetts at an unprecedented level, it is our view that 3,200 MWac is simply far too short of a goal to achieve over the next 5 years that will put the Commonwealth on the path to meeting its longer-term climate goals.

Base Compensation Rates

We are very concerned that the proposed Base Compensation Rates in the expanded capacity blocks are far short of where they need to be to encourage solar development. Given that nearly all of National Grid, Unitil, and Eversource West reached their initial capacity reservation within the first week of the program, the rates are simply too low to remain viable. The cost of solar has not declined as sharply as the Base Compensation Rates have, and in many cases, the Base Compensation Rates are at or below the Value of Energy. With increasing third-party interconnection costs and a declining ITC, the Base Compensation Rates cannot continue to decline without resulting in solar projects being financially unattractive to Tax Equity Investors, IPPs, and site hosts across the Commonwealth.

Furthermore, it is our view that until there is a national price on carbon, distributed solar power should continue to be incentivized. The external costs of fossil fuels are not accounted for on a national scale via a price on carbon, and if solar incentives continue to phase out as they have been, distributed solar energy will still be on an unequal playing field with utility-scale renewables and fossil fuels. The primary reason that we as a Commonwealth and a nation are pursuing sustainable energy development is so that we can avert the effects of the climate crisis. Solar incentive programs are an investment in the fight against that crisis, and the projected returns on those investments have been well-documented. AED



strongly recommends the selection of an independent third party to review and adjust the Base Compensation Rates to ensure sustainable solar development over the next several years.

Land Use Restrictions

AED, like many of our industry counterparts, is concerned that the new Land Use restrictions will have a severe negative effect on the solar industry in Massachusetts. We are environmentalists at heart and understand that there is a delicate balance that must be maintained between conservation and solar energy deployment, but we feel that the proposed measures banning solar development on Priority Habitat, Core Habitat, and Critical Natural Landscapes will cripple the Commonwealth's solar industry and progress towards its climate goals.

We believe that if other commercial or residential development is allowed on a piece of land, solar should be given that same opportunity. Solar arrays are far less destructive to the environment and are only temporary improvements that can be removed and the landscape restored. We strongly suggest that the DOER consider other measures to ensure conservation and responsible development, similar to the Pollinator Adder. Let us collectively work to improve upon the sustainability of ground-mounted solar rather than outlaw it almost entirely.

Community Shared Solar

We applaud the DOER for proposing a one-time reshuffling of the Community Solar adder tranches once the projects that initially enrolled for Community Solar relinquish their reservations. This will result in more community solar projects being built as their financial viability is increased, but we are still very concerned about the long-term viability of the Community Solar market if the Adder continues to decline. Currently, before reshuffling, the Community Solar Adder is on Tranche 12 (\$0.03191/kWh). Even if the reshuffling reels the Community Solar Adder back to Tranche 9 (\$0.03607/kWh), that Adder is barely enough to cover the increased costs of doing a Community Solar Project – such as applying a 10-20% discount on the Net Metering Credits/AOBCs (equivalent to approximately \$0.01-\$0.02/kWh, typically with escalation throughout the 20-year term), the cost of acquiring and onboarding offtakers, the annual subscription management costs of roughly \$0.005-\$0.0125/kWh (typically with escalators), and increased financing costs from lending institutions and project buyers who view Community Solar as risky. Simply put, Community Solar won't flourish if there's no net economic gain to pursuing one of those projects to a Tax Equity Investor or IPP when compared to a simpler FIT model with the EDC's paying directly for the solar generation.

We strongly urge the DOER to do as they did with regard to the Location-Based Adders and freeze the Offtaker-Based Adder rates in place for the remainder of the program. If the Adder continues to decline, Community Solar will no longer make economic sense and STGU owners will simply opt for the base Feed-in Tariff, which on its own will likely not be a high enough rate to make projects in the later Blocks economically feasible.



Public Entity Adder

AED supports the DOER's decision to extend the Public Entity Offtaker-based Adder to \$0.04/kWh and allow for projects enrolling in this adder to not be located on Public Land. However, we feel that the DOER must go further to foster growth in SMART Program benefits to Public Entities by removing the 100% output to the host municipality rule. Many rural municipalities that are often the hosts of large, multi-megawatt arrays will be unable to reap the benefits of the Public Entity Adder because their relatively small town electric accounts will not be able to absorb 5+ MW of Net Metering Credits / AOBCs; especially if they are already in a Net Metering Agreement for a portion of their electric load. On the opposite end of the spectrum, larger cities with high electric loads will also likely be unable to realize the benefits of this Adder because there isn't necessarily the land area to install a large amount of solar.

As an alternative, AED recommends that the DOER remove the provision that states 100% of the credits sold from a Public Entity STGU must go to the host municipality, and restrict the sale of credits to municipal offtakers in the same load zone, similar to the Low Income Property adder. This will allow more projects to be built utilizing this Adder and more municipalities to enjoy the benefits of electric bill savings.

Address Behind-the-Meter vs. Standalone Issues

DOER's 400MW Review presentation states that 60% of large Building-Mounted and Canopy systems are being installed as standalone instead of behind-the-meter and points to what it believes the two major barriers to behind-the-meter systems as 1.) the exported energy compensation method, and 2.) the 'negative incentive' for behind-the-meter systems in later blocks. While these are both valid arguments, we feel that DOER is failing to recognize the core reason that systems are being built as standalone – the fact that standalone systems are much more financeable than behind-the-meter systems. With the Investor-Owned Utility as the credit-worthy offtaker and the existence of a fixed, guaranteed 20-year revenue stream, investors and system owners – who play a key role in allowing systems to be built by providing the funding for them – overwhelmingly prefer standalone systems to behind-the-meter facilities.

The DOER wishes to incentivize solar development on already-improved land (i.e. rooftops and parking lots). Most of the larger rooftops and parking lots are owned by property owners who rent their buildings to tenants and have zero interest in the electric bill savings of their tenants because no discernable benefit will come to them. With the existence of standalone systems, these property owners are able to realize revenue from their unused space via roof and parking lot leases and will lead to more projects actually being built. We feel that the DOER is unfairly treating standalone systems by proposing to keep the rate of decline at 4% for Standalone and 2% for Behind-the-Meter. While behind-the-meter systems do have several key benefits including resiliency and alleviating interconnection issues, standalone is far more financeable and will ultimately provide the solar industry with the tools it needs to get 3,600 MWac of solar actually funded and built.