



May 29, 2020
Patrick Woodcock, Commissioner
Massachusetts Department of Energy Resources
100 Cambridge Street, 10th Floor
Boston, MA 02116

Sent via email to DOER.SMART@mass.gov

Re: Solar Massachusetts Renewable Target ("SMART") Program Emergency Regulations

Dear Commissioner Woodcock:

Nexamp appreciates the opportunity to provide comments in response to the SMART Emergency Regulations ("Emergency Regulations") filed by the Department of Energy Resources ("the Department") on April 15th.

Nexamp was founded in Massachusetts over a decade ago. Since that time, we have evolved from a small residential solar installer to a fully integrated solar development company with more than 200 employees. We are now creating jobs and offering guaranteed savings to customers in nine states, across nearly 300 MW of solar farms.

Much of this growth is a result of Nexamp's investment in and commitment to our home market over the past decade. Solar development is responsible for supporting thousands of jobs in the Commonwealth, and our projects are a consistent, predictable source of tax revenue in the towns and cities where they are located.

We are in an unprecedented economic crisis, without a clear end in sight. State tax receipts for the month of April were down \$2.1B year-over-year. Municipalities are laying off workers and desperate for state and federal aid. Halfway through May, over 800,000 Massachusetts workers had filed for unemployment. The last time the state was looking to recover from an economic crisis, it turned to clean energy to jumpstart the economy, with tremendous success. As the Baker Administration begins reopening the Massachusetts economy, it can once again look to solar development to get people back to work, help stabilize local budgets, and deliver energy savings to Massachusetts residents. Our industry is ready to build, ready to bring clean energy to the grid, and ready to contribute to the economic recovery.

For that reason, we were pleased to see the Department double the size of the SMART program to 3,200 MW. If Massachusetts is to meet its climate and greenhouse gas targets, it must continue investing in solar deployment. By increasing the expansion an additional 800MW beyond the initial straw proposal, the Baker Administration is making clear the proven potential that solar provides in helping the state achieve these ambitious goals.

As a member of the Solar Energy Industry Association, the Coalition for Community Solar Access, the Northeast Clean Energy Council, the Solar Energy Business Association of New England, and Vote Solar, Nexamp fully supports the filing submitted by the Solar Commenters in response to the Emergency Regulations. Our remarks below are intended as a supplement to the comments of these organizations. In particular, Nexamp agrees with the Solar Commenters' analysis of the newly proposed land use prohibitions, which will have profound impacts on solar development across the state and severe implications for the Commonwealth's clean energy deployment goals.

I. New Land Use Provisions

- a. Land Use Rules are Incompatible with Long-term Growth of Ground-Mounted Solar Market and Safe Harbor Exceptions Will Not Protect Developers from Significant Losses

As was detailed in our testimony before the Department at its public hearing on Friday, May 22nd, we are gravely concerned about the future of ground mounted solar development in the state if section 20.05(5)(e)(7) of the Emergency Regulations are finalized as is. Nexamp will have to write off significant losses from projects that will be stranded because of these new regulations; these are projects that were developed in direct response to the policy goals embraced under the SREC II and SMART program frameworks – namely, to develop cost-effective solar assets that share broadly their associated economic benefits – that the Department now apparently seeks to abandon. Equally troubling is how these new land-use changes add to the headwinds already facing ground mounted solar development in the state; this, at a time when ground mounted solar remains the most cost-effective way to develop the projects that deliver equitable access to solar benefits for all Massachusetts ratepayers.

Community solar remains the only type of solar development that can serve all Massachusetts ratepayers. That bears repeating. No other form of solar development can serve everyone wishing to participate in the clean energy economy who cannot otherwise access rooftop or other forms of on-site solar, and certainly not as cost-effectively. Of our over 250 MW of currently constructed projects in Massachusetts, nearly 60% of that capacity is attributable to community solar projects, 99% of which are ground mounted.

As the Solar Commenters point out in their comments, disqualifying arrays (and projects with greater than 50 percent of parcel) on Core Habitat, Priority Habitat, and Critical Natural Landscape lands from SMART means that overnight nearly two million acres, or 40 percent of land in the Commonwealth, is no longer able to be used for solar development. At a time when the Commonwealth desperately needs new clean energy generation, these new rules will significantly curtail clean energy development.¹

We are aware that other commenters and participants in the public hearing have questioned the propriety of using GIS layers as a regulatory tool. We share the concern that using these layers for a purpose they were not intended presents certain practical challenges discussed below, but we are more alarmed about the implications of such a decision.

A recent Brattle Survey² found that Massachusetts needs an additional 2-5 GW of solar each year through 2050 for the state to achieve its greenhouse gas reduction goals; this does not account for the Baker Administration's recent commitment to be net-zero for emissions by 2050. Removing 40 percent of the state's land from future solar development means the state will almost assuredly fail to meet these critical goals.

Before the Emergency Regulations were published, project site selection for ground mounted distributed generation ("DG") projects was already challenging; development for these project

¹ With no other significant program changes in the Emergency Regulations, it is unlikely that any other specific market segment will be able to fill the capacity that would otherwise be filled by larger ground mounted projects.

²https://brattlefiles.blob.core.windows.net/files/17233_achieving_80_percent_ghg_reduction_in_new_england_by_20150_september_2019.pdf

has always been naturally steered by proximity to infrastructure, land value, and existing permitting prohibitions. Where developers can navigate those constraints, projects still need to overcome the hurdles posed by long interconnection timelines and expensive grid modernization investments (100 percent of these costs are borne by developers), which have become the costliest part of solar development in Massachusetts and which are completely ineligible for declining federal tax credits that otherwise support solar development. The recent transmission and distribution cluster studies in National Grid and Eversource territories have only further slashed the number of viable locations for development. The SMART greenfield subcontractor (which is more than doubled under the Emergency Regulations) acts as a final check, ensuring only the most favorably sited and cost-effective projects advance in the SMART program. Our industry appreciates the need to protect vulnerable lands, but these rules create a false choice between conservation and responsible renewable energy development.

We can tally the damage to our existing pipeline should these new land use prohibitions remain, and we can measure the economic impacts that result from canceling those projects. The harm to future solar development in Massachusetts is nearly impossible to quantify. We estimate the addressable community solar market in Massachusetts at nearly 25-30x of current operational assets and SMART pipeline. In other words, should these new rules have the effect the industry expects, more than two million Massachusetts customers will remain unable to access solar energy. Of those two million electric accounts, ten percent are low-income households for whom community solar savings offer the greatest benefit.

Finally, should these rules stand, we are unclear as to how a developer would challenge the classification of a parcel should its need to be protected no longer exist. Nowhere in the Emergency Regulations is there an appeal process if the identified layer is no longer appropriate for the land. Further, where solar development is the only type of development prohibited on these lands, we question the benefit of protecting these parcels under SMART while they could be developed for a strip mall or other, less beneficial, and more permanent use.

We agree with the recommendations put forth by the Solar Commenters and urge the Department to convene a working group with relevant stakeholder groups to determine how best to proceed with revised land use rules that do not further restrict an already-constrained development environment. The solar industry would be happy to participate in such an effort and provide constructive input on how the state can reasonably avoid development on sensitive lands and, just as importantly, encourage greater development in the built environment.

b. Existing Safe Harbor Provisions Threaten Significant Pipeline of Projects

When the 400 MW review was triggered last spring, solar development looked different in Massachusetts. Our industry had not yet learned of the massive distribution and transmission cluster studies that would soon apply to many DG interconnections. These studies now represent a significant obstacle to development and will have implications for where solar can get built for the foreseeable future. These studies have added significant time and costs to projects that have been under development for years—many of these projects were hoping to participate in SMART.

By promulgating new land use rules through emergency regulations, the Department has provided little flexibility for developers with late-stage development projects. The safe harbor

provisions³ provide relief for projects on the SMART waitlist, and projects that can secure an interconnection service agreement (“ISA”) within six months from the Date of Publication. Unfortunately, the current state of DG interconnection means few, if any projects under development, including some that represent millions in invested development capital, will be able to escape applicability of the new land use prohibitions.

While an additional six months to get an ISA is warranted, developers typically do not begin permitting until they have line of sight into interconnection timeframes and costs. As the single largest cost to most projects (even without being subject to a transmission study), interconnection upgrades can kill a project outright, making it unwise for developers to begin permitting a project until an ISA is in hand. In other words, delays in interconnection have caused further delays in permitting making the safe harbor exception at 225 CMR 20.05(5)(e)(1)(c) inapplicable to almost all projects currently under development, even those in late stages of development.

The Solar Comments propose an alternative that recognizes these realities that Nexamp supports. They propose that in light of the ongoing interconnection challenges faced by DG developers and the impacts those had on permitting, a fairer safe harbor exception would make any project which had (1) binding site control by the Date of Publication and (2) applied for interconnection by October 15, 2019⁴ exempt from the Emergency Regulations’ new land use provisions. This would allow many projects, for which hundreds of thousands of dollars of development capital have presumably already been spent for each, to continue development under the same reasonable assumptions about project risks and program rules that existed at their inception.

Should the safe harbor exemptions remain unchanged, Nexamp will cancel over 20% of our existing Massachusetts pipeline. We estimate the total local economic loss to stakeholders across the Commonwealth from Nexamp’s cancelled projects alone to be nearly \$16MM. That includes nearly \$6.5MM in lost local tax revenue, over \$2MM in lost lease revenue for landowners, and over \$3.5MM in lost investment in grid infrastructure. For our Massachusetts ratepayers, the loss totals nearly \$3.5MM in unrealized energy savings, with almost \$500,000 in lost savings for low- and moderate-income families. This does not include the job and other economic benefits that these projects would create if they were to move forward.

While Nexamp can presumably mitigate the losses incurred by stopping these projects mid-development, the same is not true for other stakeholders. Unfortunately, the landowners, and municipalities that host these projects and the residents, small businesses and non-profit customers who stand to benefit from the energy savings these projects generate will lose out. Most importantly, the loss of these projects and many others means the Commonwealth’s climate goals will slide further out of reach. Without these projects alone, Massachusetts loses over 327,000 MWHs of clean generation—roughly the amount of energy needed to power 40,000 households in the Commonwealth for a year.

³ The Department described these provisions as “grandfathering provisions” in the Virtual Public Tutorial.

⁴ According to the DG interconnection tariff, it typically takes around six months from the date of interconnection application to receive an ISA. Working backwards from the Date of Publication, six months prior is October 15, 2019.

c. Greenfield Subtractor Increase Remains a Challenge to Project Economics

Because the Department has chosen to prohibit development on nearly 40 percent of Massachusetts land, it is unclear why the Emergency Regulations increase the greenfield subtractor two-and-a-half times its current rate under 25 CMR 20.07(4)(g).

The greenfield subtractor is a flat rate, so its effect on a declining block program like SMART is compounded with each subsequent transition to a new capacity block and base compensation rate. Increasing the subtractor two-and-a-half-times in later blocks means it will have a significantly larger impact on project revenue, and likely halt development of larger projects before the entirety of the SMART expansion capacity can be realized.

For example, comparing a 5 MW Category 3 project in National Grid Block 1 to a 5 MW Category 3 project in Block 9, one finds the new greenfield subtractor reduces project revenue (as a percentage of the base compensation rate) by an additional 15.4%. By increasing the subtractor rate 2.5 times, the greenfield subtractor claims an incremental ~1% of revenue with each successive block of new capacity. By the time the program gets to Block 16, the greenfield subtractor will reduce project revenue by nearly 30% of the base compensation rate.

Impact of 2.5x Greenfield Subtractor on Annual SMART Base Compensation Revenue

Project Capacity		Category 2															
(kW ac)		Block 1	Block 2	Block 3	Block 4	Block 5	Block 6	Block 7	Block 8	Block 9	Block 10	Block 11	Block 12	Block 13	Block 14	Block 15	Block 16
Base Rate		\$0.15563	\$0.14940	\$0.14343	\$0.13769	\$0.13218	\$0.12690	\$0.12182	\$0.11695	\$0.11227	\$0.10778	\$0.10347	\$0.09933	\$0.09536	\$0.09154	\$0.08788	\$0.08436
GF Subtractor		\$0.00050	\$0.00050	\$0.00050	\$0.00050	\$0.00050	\$0.00050	\$0.00050	\$0.00050	\$0.00125	\$0.00125	\$0.00125	\$0.00125	\$0.00125	\$0.00125	\$0.00125	\$0.00125
1000		0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.8%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%
2000		1.2%	1.2%	1.3%	1.3%	1.4%	1.5%	1.5%	1.6%	4.1%	4.3%	4.5%	4.7%	4.9%	5.1%	5.3%	5.5%
5000		3.1%	3.2%	3.4%	3.5%	3.7%	3.8%	4.0%	4.2%	10.8%	11.3%	11.7%	12.2%	12.7%	13.3%	13.8%	14.4%

Project Capacity		Category 3															
(kW ac)		Block 1	Block 2	Block 3	Block 4	Block 5	Block 6	Block 7	Block 8	Block 9	Block 10	Block 11	Block 12	Block 13	Block 14	Block 15	Block 16
Base Rate		\$0.15563	\$0.14940	\$0.14343	\$0.13769	\$0.13218	\$0.12690	\$0.12182	\$0.11695	\$0.11227	\$0.10778	\$0.10347	\$0.09933	\$0.09536	\$0.09154	\$0.08788	\$0.08436
GF Subtractor		\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250	\$0.00250
1000		1.2%	1.2%	1.3%	1.3%	1.4%	1.4%	1.5%	1.6%	4.0%	4.2%	4.4%	4.6%	4.8%	5.0%	5.2%	5.4%
2000		2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.2%	8.3%	8.6%	9.0%	9.3%	9.7%	10.1%	10.6%	11.0%
5000		6.2%	6.5%	6.8%	7.1%	7.3%	7.7%	8.0%	8.3%	21.6%	22.5%	23.5%	24.4%	25.5%	26.5%	27.6%	28.8%

The greenfield subtractor needs to be reevaluated in the context of other changes to SMART in the Department's Emergency Regulations. Its purpose is unclear in the context of a proposal to remove millions of acres of land from SMART program eligibility. Though the subtractor has always been a blunt instrument, its purpose under the original SMART regulations made more sense when the Department was looking to steer projects to specific types of lands. Removing Core Habitat, Priority Habitat, and Critical Natural Landscape lands from SMART eligibility does that. What purpose does the subtractor now serve but to further penalize the types of projects that make community solar cost-effective? In fact, combined with proposed new restrictions, the revised greenfield subtractor appears to be directly at odds with the legislative intent of the SMART program.

The subtractor was already having an impact on projects with thin margins in the first 1600 MW of the program. With an increase to the subtractor by a factor of two-and-a-half, it will now be fatal to most ground mounted projects. Assuming a project can navigate the new and complex land use restrictions, and get a cost-effective interconnection, the greenfield subtractor will likely be an insurmountable hit to project revenue in all but a handful of cases.

Ground-mounted solar remains the most cost-effective way to develop community solar projects, which serve those who cannot otherwise access rooftop solar and provides millions in local economic stimulus. The practical effect of adding new land prohibitions and increasing the greenfield subtractor is that millions of households will be shut out of the solar economy,

landowners will not be able to realize the full value of their property, and cities and towns will lose out on much-needed tax revenue.

Accordingly, we urge the Department to reduce the greenfield subtractor from its currently proposed rate or eliminate it altogether.

II. Subscription List Grace Period

The solar industry is grateful for the Department's quick action on providing a universal SOQ extension in light of Covid-19. We are concerned however, that certain new provisions in the Emergency Regulations require a similar blanket extension to ensure STGUs are not adversely impacted by mandated curtailment of sales and marketing practices during the emergency declaration.

The Emergency Regulations require STGUs seeking a Community Shared Solar adder or Low-Income Community Shared Solar adder allocate at least 90 percent of bill credits or electricity by the Incentive Payment Effective Date. The rules also allow any previously-qualified STGU that had applied for such an adder prior to the Date of Publication to opt out of this requirement by July 15th to avoid losing its program queue position.

On May 8th, industry representatives including SEIA, CCSA, NECEC, SEBANE, and Vote Solar submitted a letter to Commissioner Woodcock, requesting a 12-month grace period for reaching this threshold. Specifically, the letter requests that projects be given 12 months from the time of Authorization to Interconnect (ATI) to submit their Incentive Claim documentation demonstrating 90 percent project subscription. We want to reiterate the importance of allowing community solar providers more time to comply with this part of the Emergency Regulations, given the challenge of reaching potential community solar participants during the Covid-19 pandemic. This is especially critical given the significant consequence for failure to comply with the deadline. Losing one's SOQ queue position has significant consequences for a project and the current health crisis challenges our typical sales and marketing functions and capabilities.

While we appreciate that section 20.06(1)(h)(3) will allow (to the extent possible) the Department to reallocate existing tranche capacity that cannot comply with this new requirement, we believe more time is needed than is currently provided in the Emergency Regulations.

III. Consumer Protections

a. Disclosure Forms

Nexamp was pleased to see the inclusion of the enhanced consumer protections considered in its straw proposal in the Emergency Regulations. Periodic audits of disclosure forms will ensure that Massachusetts residents – especially communities that have in recent years been the target of misleading contract offers and deceptive marketing practices by third party suppliers – can safely and securely participate in solar. Further, by protecting our state's consumers, we protect the integrity of the market and allow the industry to continue to grow as more and more ratepayers realize the benefits of community solar.

In our comments in response to last fall's straw proposal, Nexamp asked for clarity around what warranted a "strike," as it pertains to discrepancies between disclosure forms and customer contracts. We appreciate the Department has sought to provide clarity on this matter in its

guidelines and we look forward to providing additional feedback in comments on the proposed guidelines later this month.

Nexamp's success to-date has been built on a foundation of strong relationships with our customers, a relationship that begins with the customer education and enrollment process. The loyalty of the families, organizations, businesses, and municipalities that partner with us lies in both the value generated from their participation in community solar and the trust established between them and our company. We appreciate the Department taking care to further protect solar consumers in its Emergency Regulations by ensuring that customers have a clear understanding of their community solar program options.

b. Consumer Education

Nexamp continues to urge the Department to seek opportunities to enhance consumer education about community solar offerings. Despite the many Massachusetts residents benefitting from community solar across the state, to many people it is still a novel or even entirely unfamiliar concept. To ensure that our consumers are armed with accurate information about the various community solar offerings, and able to make an informed decision about community solar offerings, we encourage the Department to explore new ways to make information more readily available, such as through local public workshops (which could be held virtually) and online resources. As we noted in our straw proposal comments, readily available and easily navigable information about community solar will reduce opportunities for predatory practices and spur increased participation in programs as residents become more comfortable with the concept of community solar and available offerings.

c. Low Income Communities

In our straw comments last fall, Nexamp commended the Department for requiring that projects serving low-income customers be able to demonstrate that they will provide *actual*, direct savings to their customers as a requirement for moving forward in the application process. We were pleased to see the provision included in the Emergency Regulations, requiring STGUs that service eligible low-income customers demonstrate that these customers receive a net savings through their participation in the community solar program in which they are enrolled. We look forward to commenting further on the Guideline Regarding Community Shared Solar and Low-Income Community Shared Solar Generation Units in our guideline comments later this month.

To further low-income consumer protection, we encouraged the Department to pursue specific consumer protection standards for low-income subscribers. We continue to believe that convening a stakeholder working group where developers, low-income advocates and policymakers can discuss how the program can better support low-income solar development is necessary to ensure program success. There is no reason why Massachusetts should not be a leader in serving low-income customers, as it has been in developing a robust community solar program.

IV. EDC and Community Aggregation Options for Community Solar

Nexamp is disappointed to see the Department extend the SMART program to include for Community Choice Aggregation and EDC-led community shared solar programs.

As expressed in our straw proposal comments, EDC-led community solar seeks to fill a void that does not exist and threatens the integrity of a successful and well-respected program. States often look to the Commonwealth's community solar model when designing their own programs. A significant part of the state's success is owed to the connection ratepayers have to their local community solar farm. This is a direct result of a market where developers compete to provide the best possible customer experience and the most savings to their customers. Nexamp and other community solar providers are passionate about their platforms and committed to ensuring that all residents have access to clean energy, have the resources and know-how to answer customer inquiries in real-time, and have the agility to resolve billing and crediting issues promptly. This is not an experience a monopolistic entity like a utility, with captured ratepayers, can match.

A vibrant, competitive market has allowed our state's community solar industry to create thousands of local jobs, develop hundreds of megawatts of clean energy, and contribute millions of dollars in local tax revenue to project host communities. As noted in last fall's comments, at Nexamp we offer a guaranteed discount and a flexible program whereby customers are not committed to a long-term contract. There is no certainty that utilities can offer this guaranteed value and flexibility.

Investor owned utilities in Massachusetts struggle with under-staffed billing departments and antiquated billing systems and have proven apathetic at best and obstructive at worst to the success of the solar market and the state's clean energy goals. It is no wonder that they often struggle to address community solar customer concerns and resolve billing and crediting issues. If they are unable to manage their current responsibilities to bill and credit customers in a timely and accurate manner, they should not be granted the option of having further control over the marketplace.

Of additional concern is the fact that comparable proposals from utilities in various markets indicate that EDC-led community solar programs would operate at higher costs than what the private sector currently offers. Increasing the responsibilities of utilities will further strain their already limited resources and slow the community solar industry's momentum, all while likely costing ratepayers more and delivering a poorer community solar customer experience.

Finally, with regards to Community Choice Aggregation, Nexamp has significant concerns that providing community solar through a CCA will dilute individual customers' savings, as savings are spread across so many customers. We ask the Department to reevaluate this option.

We strongly urge the Department to reconsider creating an EDC community solar-led offering, as well as the CCA enrollment option, so that Massachusetts ratepayers can continue to benefit from the competitive community solar marketplace that exists today, and we can continue to make strides towards our ambitious clean energy goals in the years to come.

V. Serving All Customers: Broadening the Low-Income Definition and Capacity Block Carve-Out

We commend the Department for broadening the definition of "Low-Income Customer" to include not only customers on a low-income discounted rate through their EDC, but also customers who reside in Low-Income Eligible Areas, effectively allowing the definition to include residents that meet Environmental Justice Criteria.

As the state continues to seek ways to best serve low-income residents and ensure that all ratepayers are able to reap real benefits from participation in community solar, we reiterate the Solar Commentator's position from last fall that both participation and savings need to be taken into account in assessing the success of a community solar program.

The state has taken the first step here in requiring that a minimum of 5% of total available block capacity be reserved for LICS and LI STGUs. We ask that the Department go one step further and require that any project electing the LICSS to demonstrate no-cost allocation of community solar credits to eligible customers. As noted in our straw proposal comments, this will require detailed analysis of the addressable low-income market and the amount of capacity needed to offer whatever savings target the Department, in consultation with low-income advocates, believes is appropriate. It is important to note that the addressable low-income market is estimated to be between 3,000 and 4,000 MWdc. For these households to participate in solar, we need significantly more community solar, which can serve all ratepayers regardless of home ownership status, roof age or orientation, or ability to secure a solar loan. A discussion of how we serve low-income customers is incomplete if we do not address how the thousands of megawatts needed to serve these customers will get built given the constraints currently facing community solar development. The LICS adder did not yield much success and the Department is now implementing significant land use changes which will likely foreclose on any additional new LICS being built.

As noted in our comments submitted last fall, a significant hurdle to ensuring that low-income communities benefit from community solar is identifying these customers. We repeat the recommendation from last fall that the Department direct the EDCs to begin developing a privacy policy that would allow utilities to share the R2 and R4 rate class information that they possess with eligible developers. Included in this privacy policy should be the requirement that the EDCs secure consent from ratepayers that their rate class information be shared. Access to low-income rate class information will allow community solar providers to ensure that the offerings that have benefitted so many across the state are extended to those who stand to benefit from community solar savings the most.

Importantly, as stated in our previous comments, information sharing should not in any way undermine the private ownership market in Massachusetts. Though we are open to having the EDCs facilitate low-income participation (through an opt-out program within a defined jurisdiction or geographic territory), Nexamp strongly opposes a broader EDC-led community solar offering, for the reasons explained above, and we would caution the Department to take considerate care in designing a low-income program that is entirely EDC led.

However, as Massachusetts seeks better ways of reaching and serving our low-income communities, the Department should be open to proposals for alternative low-income structures, that help bridge this gap while protecting our most vulnerable communities from predatory practices.

VI. Changes to Base Compensation Rates and Adders

a. The Department Must Slow the Decline of Base Compensation Rates for Standalone Systems

Nexamp was disappointed to see the Emergency Regulations were silent in response to the Solar Commenters concern last fall that existing SMART rates are declining too rapidly. The Solar Commenters proposed that *all* rates, not just those for BTM systems, should begin declining at two percent. Given the development constraints discussed above, and the increased costs that projects are bearing to interconnect, the four percent decline between capacity blocks is no longer tenable.

When the four percent decline between tranches was originally proposed, the industry did not anticipate the project backlog, resulting capacity uptake, and attendant pace that base compensation rates dropped. It is increasingly likely that developers of projects over 500kw will no longer be able to make projects work halfway through the 1,600 MW expansion.

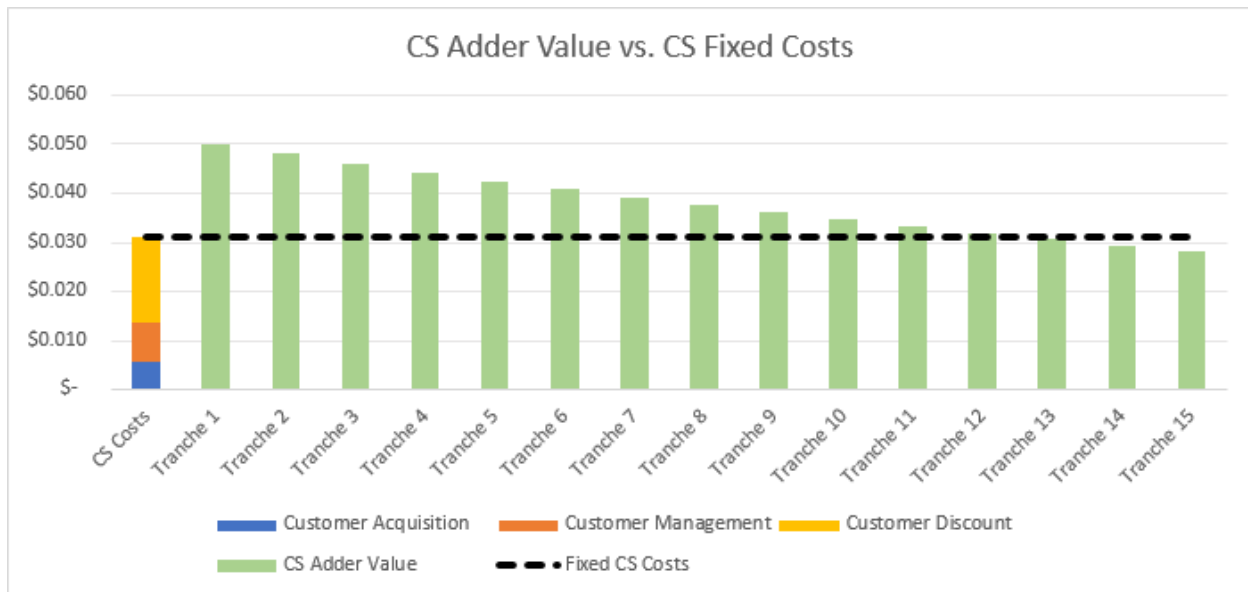
Much of the capacity that has been qualified to-date was allocated to projects that had been in development during the lengthy time it took to promulgate the regulations and tariff changes required to implement SMART. As a result, rates have decreased faster than anticipated and expected cost reductions that informed the procurement and ultimately formed the first block's base compensation rates. While the Department has taken the necessary action to address this imbalance in rates for behind the meter systems, it has not yet taken the necessary action to stabilize rates for standalone systems. We therefore strongly urge the Department to review the analysis put forth by the Solar Commenters and apply the two percent rate decline to the next open capacity block in each service territory.

b. The Department Must Pause Further Declines in the Community Shared Solar Adder

Nexamp issued a similar warning about the impact of rate decline with respect to the Community Shared Solar adder in our comments on the Department's straw proposal. We argued that the SMART program would soon yield fewer community solar projects if the Community Shared Solar adder decline was not paused, the way location-based adders were proposed to be paused in the straw.

The continued decline of the Community Shared Solar adder in the Emergency Regulations is inconsistent with the Department's position for freezing tranche declines for other adder categories and threatens the viability of community solar projects in later capacity blocks. This adder was developed in recognition of lifetime community solar project management costs and was meant to ensure that the "unique benefits" of community solar are available to all Massachusetts residents. Community solar providers will likely soon be forced to decrease their guaranteed discount offerings for future projects to remain economically viable; and the Massachusetts customers that those projects would have served will see less savings.

Ultimately, as compensation for these projects becomes insufficient to offset project costs, community solar developers will likely forgo the adder in favor of developing QF facilities. This dynamic is illustrated below:



The community solar industry has built an incredible market in Massachusetts, in response to programs that were intended to spur this specific market sector, including SMART, which was intended, by the legislature, to specifically incentivize different project types, *including community solar*. This market will inevitably slow if customer savings are diminished. Thus, we again urge the Department to apply the same treatment to the Community Shared Solar Adder that it has proposed for Location Based Adders under the SMART expansion and eliminate the rate of decline for CSS Adders.

c. The Current Pollinator Adder is Insufficient to Cover Significant Upfront Costs to Comply

We appreciate the addition of the Pollinator Adder in the Emergency Regulations. We find incredible value in building projects that complement their surroundings and respect the natural world around them. Nexamp works closely with town conservation and planning organizations to ensure that our projects suit the needs of the communities in which they are hosted. This often leads to building pollinator habitats, bird houses, and other thoughtful design features that make our projects additive to the existing surroundings. Adding pollinator habitats is critical given the current health of pollinator colonies.

Unfortunately, the Pollinator Adder as proposed is insufficient to costs required to comply with the adder certification. It is at best a marginal, but likely a net-negative, value proposition for most projects given the associated costs. Further declining the value of the incentive in later blocks present an even less enticing option as costs declines are unlikely to keep pace with the rate of adder decline. Developers like Nexamp will continue to deploy pollinator habitats wherever possible because it is consistent with our goals as a developer, but if the Department wishes to see them become a staple of development in Massachusetts, we recommend the adder be increased to encourage this behavior broadly. Given the certification process will be new to most developers, the Department can reevaluate costs once the industry has sufficient experience with it to determine how cost declines are impacting the value of the adder.

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The SMART Emergency Regulations as published do more harm than good to our industry and must be revised if they are to support the intended capacity targets. Nexamp, along with our peers in the solar industry, stand ready to help the Department to ensure the SMART program is a success and accomplishes its many laudable goals. It is not just customer energy savings or landowner lease revenue or host community revenue that is impacted by these rules and restrictions, important as those things are. SMART is more than just a distributed solar program; it is an essential part of how the Commonwealth intends to tackle and solve the coming climate crisis.

Nexamp is a Massachusetts solar success story and we are proud that what we have built has created clean energy jobs, helped build a smarter grid for our future, and spurred local investment in our communities. We continue to grow outside of Massachusetts as other states see the benefit in promoting and supporting solar energy in their cities and towns, but we always call the Bay State our home. Our industry is innovative, and we have found ways to thrive otherwise challenging times before. We are committed to working with the Department to secure a successful future for Massachusetts solar.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Kelly Friend".

Kelly Friend
Vice President, Policy and Regulatory Affairs