

July 25, 2025

Via email to: DOER.SMART@mass.gov

Ms. Grace Fletcher
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
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Re: Joint Electric Distribution Company Comments on DOER's Emergency Regulations for the SMART Program 3.0

The electric distribution companies ("EDCs") appreciate the opportunity to provide comments on emergency regulations filed by the Department of Energy Resources ("DOER") on June 20, 2025, implementing modifications to the Solar Massachusetts Renewable Target ("SMART") program. The EDCs support the SMART Program's role in continuing deployment of new solar resources in furtherance of the Commonwealth's clean energy targets, and recognize growing uncertainty in the solar market around changes in federal incentives which prompt a need for swift response.

The EDCs also support energy affordability for Massachusetts distribution customers, and solar incentives constitute a significant, growing expense that requires more management and cost-effectiveness. Advocates have been recommending sharply increased compensation in DOER's public forums. Balancing support for clean energy with cost-effective incentive levels that align with affordability will be critical to broad-based ratepayer support for clean energy deployment. The EDCs present the following recommendations in support of cost-effective and administratively efficient revisions to the SMART Program.

Review Compensation Against Customer Cost Impacts

Solar and non-solar customers would benefit from more transparency and accountability around SMART program costs. The DOER has proposed to set annual Base Compensation Rates based on an annual assessment of solar market conditions. Chapter 75 of the Acts of 2016 requires the program to feature "a known or easily estimated budget achieve program goals through use of a declining adjustable block incentive, a competitive procurement model, tariff or other declining incentive framework." The original SMART program used a declining block structure based on Base Compensation Rates derived from a competitive solicitation, which provided some assurance of cost control. Under a revised approach, additional controls are needed to ensure that the SMART Program is implemented at the least cost to customers to incentivize the development and operation of solar projects in the Commonwealth at a level necessary to facilitate the achievement of the Commonwealth's greenhouse gas reduction goals.

The consultant analysis supporting the 2024 Straw Proposal differed from contemporaneous market trends. For example, the analysis stated that small, third party-owned solar systems could require compensation of up to 48 cents per kWh to stimulate development.¹ However, small, third-party owned residential solar made up a substantial portion of 2023 and 2024 residential capacity additions.² Developer-reported costs were a core input into the consultant analysis, which recommended substantially increased Base Compensation Rates for all solar facilities. More compensation is probably warranted for some solar project types in the current economic environment, but so is independent review of compensation levels. The DOER should consider the following:

1. Annually assess costs per 225 C.M.R. 28.05(1)(a)3 using a standard method. Cost impacts should be assessed expressly based upon a ratepayer cost test, to enhance the transparency of the annual capacity block and rate setting process. Ratepayer cost tests are widely employed in evaluating U.S. utility and energy programs and measure the relative costs and benefits for utility customers with a specific focus on the costs and benefits that accrue to non-participating utility customers on their bills. For example, in 2024 the Rhode Island Distributed Generation Board filed an analysis of ratepayer costs and benefits associated with its Renewable Energy Growth Program for program years 2024-2026.³ This analysis found that proposed incentive rates resulted in substantial increases in ratepayer costs and solar portfolios that did not show cost-beneficial ratepayer impacts.

No ratepayer cost impact assessment was included within the *Evaluation of Solar Costs and Needed Incentive Levels across Sectors from 2025-2030*. The DOER should complete a ratepayer impact test for inclusion in the first Program Year report to be published by September 1, 2025, and at appropriate intervals and no less often than every 3 years. Given the recent focus on affordability in the Commonwealth, transparency related to solar incentives, their costs and how they impact utility customer bills is critical.

2) Appoint an independent monitor or establish a board to oversee incentive price setting. The DOER should consider adding a review of its annual base compensation rates and adders by an independent monitor, with a mandate to consider customer cost impacts. If solar market conditions require Massachusetts to move towards a cost-of-service model for solar incentives, as implied by the proposed regulations, then such a model should include a dedicated entity and process to review costs. This role could be performed by the AGO. However, an independent, non-governmental third-party monitor with expertise in solar market costs should also be considered for this important role.

¹ See <https://www.mass.gov/doc/evaluation-of-solar-costs-and-needed-incentive-levels-across-sectors-from-2025-2030/download>, page 34 (2025 base case).

² Third party ownership data per [DOER data on qualified generation units](#). Notably, this market segment's growth substantially accelerated despite declining availability of additional SMART compensation and net metering compensation rates significantly below the purported required level (i.e., distribution rates well below 48c/kwh).

³ See <https://ripuc.ri.gov/Docket-24-50-REG>. The ratepayer impact analysis in Rhode Island is conducted by Sustainable Energy Advantage, which is the same firm that conducted the analysis supporting DOER's 2024 straw proposal.

In the alternative, the DOER could implement best practices from neighboring states such as Rhode Island. Under the Renewable Energy Growth program, ceiling prices for competitive procurements are developed and overseen by a stakeholder group that includes members representing residential customers, low-and-moderate income customers, small commercial customers and large commercial customers in addition to representatives from the renewable energy industry.⁴ Such a construct could ensure customers that ultimately fund the SMART program have a meaningful opportunity to participate in the program's rate setting process and that affordability for non-participating customers is appropriately balanced with other program priorities.

3) Establish transparent SMART budget caps. The regulations do not currently include any overall target or cap on annual costs of the SMART program – only a cap on the year-over-year increase in compensation levels. Because distribution-system connected solar is just one component of the portfolio required to meet the Commonwealth's energy goals, a budget constraint on the maximum cost would be a reasonable planning approach that would also promote the more cost-effective forms of solar generation within the SMART program.⁵ As noted above, a known or easily estimated budget is also a requirement of the enabling statute.

In addition, the EDCs recommend establishing caps on annual enrollment per individual EDC, to ensure that the costs of meeting statewide solar goals are borne equitably across customers of each Company. This concern is critical to address as EDC customers already bear an unfair burden of funding state climate policies relative to non-EDC customers. The current SMART construct could result in one EDC's customers seeing a disproportionate share of program costs depending on factors such as land availability or system interconnection capacity.

4) Reduce compensation for small-scale behind the meter / net metering facilities. As noted above, small net-metered facilities have shown strong growth in recent years even without meaningful SMART incentives, and legislators created more access to net metering by expanding the available exceptions to the net metering cap. The EDCs support DOER's intent to track and capture Renewable Energy Certificates (RECs) from this customer segment, but net metering already provides projects with generous customer-funded compensation for their solar energy. Additional compensation from SMART program enrollment should be minimized.

⁴ See <https://energy.ri.gov/renewable-energy/solar/distributed-generation-board>

⁵ The DOER should refine its approach to the cost control in 225 C.M.R. 28.05(6)(a). The 10% cap on year-over-year growth in per-kWh incentive levels may not be appropriate or sufficient in a highly variable market. It could inadvertently encourage upward biasing of estimated incentive requirements, if space to subsequently adjust upward is limited. The DOER should continue to consider year-over-year compensation increases, while incorporating enrollment triggers. For instance, if enrollment in a given program year exceeds a certain percentage of the total capacity block allotted for that year, then base compensation rates should not be allowed to increase in the following program year.

Refine Low-Income Eligibility Provisions

The EDCs share the DOER's goal of increasing low-income customer participation in the SMART program but remain concerned about allowing customers to self-attest that they meet low-income requirements while not enrolled in an EDC low-income discount rate.

First, the proposed definition of Low-Income Customer could harm some of the EDCs' most vulnerable customers if solar leases and other financing arrangements result in higher energy costs than if a customer had first enrolled in a low-income discount rate. For this reason, if the regulations allow self-attestation of low-income customer eligibility, the Savings Requirement in 225 C.M.R. 28.07(5)(a)1 should be revised so that the 10% savings threshold for low-income customers is based on the R-2 rate. As currently proposed, if a customer does not enroll in the R-2 rate first, it could be more profitable for the third-party owner while generating less actual energy savings for the customer.

Second, National Grid proposed a self-attestation pilot as part of its R-2 Discount Rate, one objective of which is to inform future regulatory decisions on self-attestation. This proposal is currently under review by the Department of Public Utilities (DPU) and could be modified or subject to new requirements.⁶ It would be efficient and practical to allow this R-2 pilot proposal to run its course before incorporating self-attestation into additional customer programs.

Revise Community Shared Solar (CSS) Eligibility Criteria and Processes

The EDCs recommend removing or substantially reducing the restrictive requirements to preserve flexibility for municipal load aggregation CSS, EDC CSS, and other solutions currently under development to serve low-income customers. Flexibility in program implementation will be key to avoiding unintended consequences and allowing advancement of successful CSS models, and the EDCs recommend addressing any requirements in future guidelines.

Massachusetts solar programs have traditionally underserved low-income customers—an issue which the SMART regulations seek to improve. However, in doing so, they impose prescriptive eligibility requirements on CSS projects, which are especially stringent for municipal load aggregation programs and programs administered by an EDC, even though such programs are at an early stage of development. The new “Guaranteed Savings Requirement” does not align well with current billing or industry practices, it risks costly upgrades to systems and resources, it is not directly correlated to individual customer electricity costs, and it may even foreclose the development of new, efficient models of customer inclusion. To be efficient and cost-effective, all rules, restrictions and calculations should operate within existing models of compensation/credit allocation.

The regulations impose new requirements on: (1) CSS operating outside of a municipal load aggregation or Distribution Company-administered program (“Community Solar Access Program” or “CSAP”); and (2) CSS operating within a CSAP. See, e.g., 225 C.M.R. 28.07(5)(c). It is not clear why the regulations establish different standards for allocating CSS bill credits

⁶ See D.P.U. 23-150 – “[R2 Discount Rate Self-Attestation Pilot Proposal](#).”

(i.e., outside a CSAP 40% of the CSS bill credits must be allocated to Low-Income Customers, whereas within a CSAP 100% of the CSS bill credits must be allocated to Low-Income Customers). See, e.g., 225 C.M.R. 28.07(5)(c)1.a. and 28.07(5)(c)1.a.i. Nor is it clear why there are different standards for the “Guaranteed Savings Requirement” for Low-Income Customers compared to all other customers (i.e., 20% of the Value of Energy for Net-Metered Generation Units on an R-1 rate in that service territory for Low-Income customers, versus 10% of the Value of Energy for Net-Metered Generation Units on an R-1 rate in that service territory for other customers). See, e.g., 225 C.M.R. 28.07(5)(c)1.b.

Also, meeting “Guaranteed Savings Requirements” creates an enormous compliance challenge with potential for high costs and strained resources because it seems likely to require more frequent and intensive calculations and management of credit allocations to attempt to remain compliant each month, season, and year.⁷ It would be simpler and more practical to establish minimum discount standards for all bill credits allocated (e.g., requiring that customers receive a typical CSS bill credit transfer – such as 1% of a project’s output, or even a flat credit allocation – such as \$5 per month, at a minimum 20% discount, or at no charge) rather than attempting to regulate and require actual bill savings.

The DOER and other stakeholders seem open to exploring more access and options for low-income customer participation in the SMART program, but the regulations increase restrictions on future low income CSS options without clear benefits to offset the expected administrative burdens and costs. Unless amended, the regulations may impair low-income customer CSS development and participation.

Address Special Provisions for Flexible or Phased Interconnection in Subsequent Guidelines

The EDCs welcome efforts to align the SMART Program regulation with new approaches to operating distributed generation facilities in tandem with the electric distribution system. However, the proposed provisions of 225 C.M.R. 28.07(5)(e)2 do not clearly apply to projects that plan to operate within a flexible interconnection agreement with the interconnecting EDC. They instead address eligibility and base compensation for projects that are developed in phases as multiple Solar Tariff Generating Units (STGUs)—a scenario that may not be applicable to flexible interconnections.

Some flexible interconnection facilities may curtail export capacity on an as-needed basis in order to allow a facility’s interconnection prior to a distribution system upgrade, but this does not

⁷ Today, CSS allocations are calculated and communicated as a simple percentage of the project’s production. Requiring a value in \$/kWh multiplied by the project’s production, as contemplated in 225 C.M.R. 28.07(5)(c)1.b.i., in order to achieve a percentage savings threshold for each customer against a selected rate seems cumbersome and hard to ensure. When customer consumption and cost vary monthly, seasonally, and annually, as compared to fixed SMART compensation and an objective standard, a customer’s savings thresholds may not be met at all times without substantial administrative efforts by customers, CSS owners, Distribution Companies, program administrators, and the DOER verifying compliance.

reduce its nameplate capacity. Other flexible interconnection facilities mitigate the need for distribution system upgrades for that particular facility by agreeing to enduring export limitations, operating schedules or monitoring and control requirements. Under either of these approaches, the facility's nameplate value (i.e., the maximum export capacity) would not change over time even as flexible connection enables more capacity. Therefore the facility would operate continuously as a single STGU with a nameplate capacity reflecting the maximum long-term allowable export reflected within its ISA, and a second Statement of Qualification Application would not be required.

Guidelines for STGUs being developed in phases may be subject to additional considerations that warrant further development. For example, a 500 kW project developed in two 250 kW increments may be most appropriately compensated based on the lower Base Compensation Rate for 500 kW projects. The EDCs recommend that 225 C.M.R. 28.07(5)(e)2 be removed in the final regulations, and that instead DOER consider working with stakeholders to develop any necessary guidelines (outside of regulation) for the qualification of STGUs with flexible interconnection agreements and/or STGUs being developed in phases. Notably, the EDCs are fielding an increasing number of requests from customers seeking to expand existing facilities, and suggest that a DOER-led process to develop guidelines for such facilities within the SMART Program could provide useful clarity.

Adjust Timeline and Schedule for Rate Changes and Forecasts

The EDCs recommend that the annual rate changes and program review proposed under the new regulations provide sufficient time for independent review of compensation levels and be aligned with the current schedule for SMART factor filings and tariff updates. The SMART factor filing would be the EDCs' opportunity to update Base Compensation Rates in the SMART tariff on an annual basis in accordance with DOER's final report, and timelines should be long enough to provide for review of compensation rates and ensure that these tariff changes can take effect in time for the next program year.

The EDCs recommend that the DOER publish its final annual report at least 1 month prior to the filing of the SMART Factor so that forecasts for the following year include best available information from capacity, set-asides, compensation rates, adders, etc. to project SMART costs. Also, the EDCs prefer to employ a single, combined SMART Factor filing for cost forecasting, estimation, and recovery for both SMART II and III because the alternative sounds administratively burdensome for the Company and its customers.


Conclusion

The EDCs reiterate their commitment to advancing cost-effective solar deployment in the Commonwealth through the SMART program. We are available to discuss these recommendations further upon request.

Respectfully submitted,



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