

## Clean Energy Extension

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Massachusetts Department of Energy Resources  
SMART 3.0 Program Review

Dear DOER:

Thank you for the opportunity to offer comments on the SMART 3.0 emergency regulations. Overall, I strongly commend my friends and colleagues at DOER for the excellent program review process and new regulations provided in 225 CMR 28 for SMART 3.0.

In these comments, I limit my input to the provisions pertaining to Community Shared Solar (CSS) as provided in 225 CMR 28.07(5)(c)1, and specifically the Guaranteed Savings Requirement provided in subsection b. In this section, SMART 3.0 provides guaranteed offtaker discounts of 10% for standard ratepayers and 20% for low income customers. It is very good to see that minimum savings are proposed under SMART 3.0 for CSS projects.

That said, I am concerned that the structure and magnitude of the Guaranteed Savings Requirement falls woefully short of the public benefits CSS projects can afford to Massachusetts ratepayers and communities.

The structure of the Guaranteed Savings Requirement will encourage business models whereby a constant net metering credit discount (set at these guaranteed levels) is offered to offtakers presumably for the duration of the solar project life (30 years) or at least the 20-year duration of the compensation rate. This structure does not enable or encourage business model innovations, including community ownership and flip ownership models, that might offer lower discounts early in the project financial life (7-10 years), and much deeper savings for the remaining duration of the project. Nor would it allow for a community designed project that might want to offer no discount to conventional customers, but very deep discounts to low income, non-profit, or municipal customers.

On the magnitude of the Guaranteed Savings Requirement, I believe DOER is not adequately maximizing the potential ratepayer benefits for Massachusetts customers. Given that 1) CSS will likely continue to be a substantial part of the solar capacity growth moving forward, and 2) most CSS projects will be third-party owned ultimately by investment funds outside MA and providing economic returns to wealthier people, we should seek to better balance these investors' financial needs with the welfare of our local communities and ratepayers. Establishing these Guaranteed Savings Requirement will likely set the standard discount for CSS offerings without pushing solar financiers to more equitably relinquish their rates of return. While solar financiers need fair compensation to meet rate of return thresholds, these are typically met in the first 7-10 years of cash flow, resulting in windfall returns for the majority of the project life that could be directed to Massachusetts ratepayers.

I recognize that DOER needs reasonable simplicity in the regulatory verification and enforcement process that makes the singular minimum discount attractive. But given the magnitude of ratepayer savings that could be maintained within Massachusetts under CSS development, I encourage some additional consideration as to this Guaranteed Savings Requirement provision. A few approaches that might be further considered are as follows.

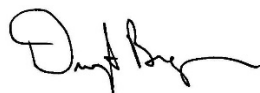
- Modify the Guaranteed Savings Requirement to be based on a 20-year average of, for example, 30% for conventional ratepayers and 50% for low income customers.
- Maintain the 10%/20% minimum requirements for the first 10 years, but require at least 40% reductions after 10 years.
- Formulaically adjust the 7-cent CSS adder based on the offtaker discount offered.
- Within the annual capacity allocations, provide quarterly tranches for CSS, and evaluate applications together and prioritize those with the highest lifetime discount offered.
- Provide an exemption from the Guaranteed Savings Requirement through an alternative discount demonstration waiver to enable innovative business models, that can be approved by DOER.

It would seem likely that the main purpose of the CSS adder and the Guaranteed Savings Requirement is to assure benefits from these projects to Massachusetts ratepayers and general economy. Arguably, this provision for CSS should aim to maximize these benefits. My comments are aimed at how these regulatory provisions might be modified to encouraging improvement and innovation in the current and predominant CSS business model in ways that add value to our communities adopting solar – or say, put a little more *Community* in Community Shared Solar).

Finetuning these alternative approaches should be subject to financial analysis by DOER to maximize the lifetime value of net-metering discounts to Massachusetts ratepayers, subject to providing third-party investors with just the rate of return needed to attract the investment class. CEE would be happy to share its cash flow model for solar ownership options to assist in this analysis, and to complement tools already at DOER's disposal and used for SMART 3.0 development.

I am happy to discuss these comments with DOER as helpful. Thank you for the opportunity to offer these comments and to contribute to the continued development and success of our solar programs.

Regards,



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