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By email to DOER.SMART@state.ma.us

July 11, 2017

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

RE: AIM comments to Proposed 225 CMR 20.00 - the Solar Massachusetts Renewable Target (SMART) Program

Dear Ms. Kelly:

Associated Industries of Massachusetts (AIM) is pleased to provide the following comments to the above mentioned proposed regulations.

AIM is the largest general trade association in Massachusetts. AIM's mission is to promote the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services. Our members will be impacted by these regulations.

As you know, AIM has been a stakeholder in development of the SMART program since legislation was signed in April of 2016 directing the Department of Energy Resources (DOER) to create a long-term sustainable solar incentive program to promote cost-effective solar development in the Commonwealth. AIM has been critical of the current program for being more generous than necessary given the huge reductions in the cost of solar panels. Other states have transitioned to lower subsidies without any negative impact on solar development.

An independent analysis commissioned by the AIM Foundation illustrates the cost of solar programs on ratepayers. In 2016, the costs to comply with the entire Renewable Portfolio Standard (RPS) totaled about 750 million dollars. Of that amount, *438 million dollars, or two-thirds of the total* was for solar compliance – despite the fact that the amount of solar produced is a fraction of the total RPS. And that amount does not include net metering costs. Mandated state programs (all renewables, RGGI and energy efficiency), now account for over 20% of an average customer's electricity bill.

And the costs are growing.

While the SMART program will go a long way to reduce the cost of the next 1600 MW of solar generation capacity (the duration of the SMART Program), current embedded and grandfathered costs

of the existing 1600+ MW of solar generation will likely double the annual subsidy before the SMART program is implemented – and even the SMART program will continue with subsidies for decades (compensation will be fixed for 20 years), albeit at a lower level.

Generally, we believe DOER has met the standards articulated in the 2016 legislation and the SMART Program will result in cost-effective solar development. DOER made great efforts through an open and transparent process to hear all stakeholders and continually keep stakeholders informed of the ongoing development process through various straw proposals and an open-door policy for comments. Since there are likely to be very technical comments and the need for clarifications from utilities and others who are closer to implementation of these regulations, our comments will be limited to more general themes.

The competitive procurement process outlined will result in a vibrant competitive market over time

Under the current plan, the RFP for the first competitive procurement of 100 MW (sized between 1 MW – 5 MW AC) will occur by October 3, 2017, with final decisions announced in December of 2017. After DPU approval somewhere around March the new program will go into effect in April of 2018.

In addition to establishing a competitive framework, DOER has included several significant protections which should appease critics concerned either about the legitimacy of the competitive framework or potential negative impact on the solar industry. In addition, costs will be controlled by reducing by 4% the Base Compensation Rate and Compensation Rate Adders for each block after the initial price has been set.

First, DOER reserved the right to terminate the initial 100 MW solicitation if they believe the procurement was not competitive or reasonable proposals were not received. (Section 20.07(3)(13)). While the regulation does not stipulate what the criteria will be for such a determination, we believe, in fact, the criteria is better left to the discretion of DOER with legitimate feedback from stakeholders. There is no way for DOER to predict the types of proposals they will receive and the circumstances surrounding solicitations.

Second, after qualifying 400 MW, DOER will conduct a review of Base Compensation Rate and Compensation Rate Adders to determine if any revisions to the SMART program are warranted. (Section 20.07(6)).

We think this review is critically important and we urge DOER to establish a deadline driven stakeholder panel for this task even in advance of the final solicitation as review of the bidding process is likely to be complicated. The reason is because SMART is such a fundamental change from the way the solar program has worked for many years. Clearly, changes will be occurring in the solar market – that is the whole point of the SMART program. However, determining whether such changes are the result of implementation of the SMART Program or just those resulting from maturity in the solar market will be difficult - but the outcome of this analysis will be hugely important going forward. The current overly generous incentive structure for solar has resulted in a market distortion and has created a gold rush for solar installers eager to secure capacity before the incentive level changes. AIM has

heard from several members that solar installers are calling practically on a weekly basis to convince them to install solar before the incentive level changes.

While this may be good business practice, what is likely to result is a bust in solar development once the new program is implemented (as well as huge embedded costs from aggressive solar developers). Under any new program there will be drop-off in solar installations as the industry adapts to the new normal – as it has in every other state. The challenge of course is for DOER to understand exactly why these changes occurred and to avoid overreaction. Therefore, determining through a stakeholder process at the early stage mentioned is appropriate and could save money for consumers in the future.

This is particularly true with respect to adders. Obviously adders are designed to encourage certain types of behavior. Whether or not the adders will encourage too much or too little of certain behaviors (and the ultimate cost of those behaviors) is unknown at this time. Any predictions are likely to be wrong as they are based on current assumptions by solar developers currently in the market. A transformation will occur and new entrants will come into the market and others may leave or consolidate. This will lead to innovation and new ways to tackle old problems – and that could mean adders may need to be modified also.

AIM is particularly interested in storage adders. Our members, particularly those who have excess solar generation, are waiting for the day when storage becomes readily available to help them moderate their demand loads to save money. AIM supported the recent administration goals relative to storage and we believe that incorporating storage into the solar program will result in benefits not only to the customer but to transmission and distribution companies also.

Additionally, there are issues beyond Massachusetts' control that could impact the Massachusetts solar market, including trade cases which could have at least a short term impact on the solar market that may or may not require adjustment. There are also issues that require DPU approval, such as the on-bill credit tariff. Depending on the ultimate tariff, there may need to be changes in the adders or the caps for certain types of installations. Having a review so early in the process insures that DOER will not need to plan for every contingency and will allow flexibility in the program.

DOER stakeholders must work with the legislature to maintain consistency and clarity with both the legislative and regulatory solar programs

In the end of course, the SMART Program can only realize its potential if it is allowed to work. As such DOER must counteract any attempts to circumvent the delicate process through legislation or other means, particularly in the early months. Continually changing the eligibility, compensation rates or other parts will only make the transition that much harder and result in completely unnecessary costs. We urge DOER to keep the legislature continually informed with facts so that they can answer any constituent requests. We also urge the DOER to encourage stakeholders to let the process work without outside intervention. This can be done by keeping stakeholders regularly informed.

The SMART program has been through lots of stakeholder meetings and hundreds of comments have been received and incorporated into the final design. We believe that DOER has developed a program that will accomplish what the legislation set out to do - lower costs and continue a transition to clean energy.

Thank you for allowing us to submit these comments and we look forward to continued stakeholder input. Should you have any questions please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in black ink, reading "Robert A. Rio". The signature is written in a cursive, flowing style with a large initial 'R'.

Robert A. Rio, Esq.
Senior Vice President and Counsel
Government Affairs