July 11, 2017

Judith Judson, Commissioner
Massachusetts Department of Energy Resources
100 Cambridge Street, 10th Floor
Boston, MA 02114

RE: Comments of NRG Energy, Inc. on the Massachusetts Department of Energy Resources' Solar Massachusetts Renewable Target (SMART), 225 CMR 20.00

Dear Commissioner Judson:

NRG Energy, Inc. (NRG) appreciates the opportunity to comment on the emergency regulations implementing the Solar Massachusetts Renewable Target (SMART) program.

In addition to being one of the largest competitive power producers nationwide, NRG is one of the largest owner-operators of solar projects in Massachusetts, with over 100 MW-DC in operation or under construction today, including approximately 75 MW of community shared solar projects. Our investment represents a major commitment to Massachusetts backed by hundreds of millions of private dollars, a deep understanding of what it takes to continue that flow of investment to the benefit of job creation, clean air and energy security, and a belief in the Commonwealth's leadership to continue evolving the regulatory environment in a way that maintains and even expands its historical national leadership in solar energy. Today, our projects are delivering clean energy to the grid and providing valuable energy bill savings to residents, businesses, municipalities, school districts, and public housing authorities across the Commonwealth, as well as supporting local governments with tax revenue.

We appreciate the extensive work that has gone into developing the SMART program and the collaborative approach taken by the Department of Energy Resources ("DOER"). Nonetheless, we remain concerned that the SMART program, as currently promulgated in emergency regulations, will not be sufficient to support continued solar development over the life of the program and will not come close to reaching the Baker Administration's goal of an additional 1,600 MW of solar.

Rather, the current form of regulations, if finalized, would signal a turning point for

Massachusetts as a national leader in solar access for all and accelerate a downturn in the Massachusetts solar industry – and its 14,000 jobs – that the Commonwealth has already begun experiencing as a result of the combination of delayed SMART regulations, net metering caps being reached in most of the state where solar is economically viable, the lack of an alternative to net metering in the form of a bill crediting tariff, and a series of utility rate cases that could seriously harm solar customers and ratepayers.

Thus, these SMART regulations remain the best hope to turn this tide of factors bearing down on the solar industry's workers and customers. It is our hope that the recommendations outlined in our comments, and those submitted by a broad coalition of solar and environmental organizations,[1] are adopted into final regulations so that the residents, businesses, municipalities, hospitals, and schools waiting for the opportunity to go solar have that chance.

NRG urges DOER to make the following changes to the SMART program emergency regulations:

1. Set the base compensation rates at a level that will encourage continued solar development and protect solar jobs in the Commonwealth.

For the SMART program to succeed, the initial competitive procurement must allow for compensation levels sufficient to support the development of 1,600 MW of solar through the declining-block structure. As discussed in the joint industry comments, the cost analysis provided by DOER's own consultants supports a ceiling price of at least $0.1755/kWh for projects from 1-5 MW-AC.

We emphasize the importance of a simple and consistent ceiling price for all 1-5 MW projects. As a company that builds solar projects ranging from under 100 kW to 500 MW, the benefits of scale do not begin to show up in the difference of a few megawatts and certainly not on the scale of the currently-proposed $0.01/kWh gap between the ceiling price for a 1-2 MW project and a 2-5 MW project. Projects on the higher end of this range typically incur disproportionately higher interconnection, land, and permitting costs that can't be sufficiently amortized over a few incremental megawatts to overcome a full $0.01 per kilowatt hour or $700,000-$1.7 million of reduced value over the 20-year SMART tariff term for a 2-5 MW AC project.

We further note that any ceiling price will limit the auction's ability to provide true price

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[1] NRG supports the comments of the Solar Energy Industries Association (SEIA), Vote Solar, Northeast Clean Energy Council (NECEC), Coalition for Community Solar Access (CCSA), Solar Energy Business Association of New England (SEBANE), MassSolar, Energy Freedom Coalition of America (EFCA), and The Alliance for Solar Choice (TASC) ("joint industry comments"), as well as the detailed comments of Borrego Solar Systems on the land use provisions of the regulations.

discovery. However, if a ceiling price is a priority, it must be set based on a realistic assessment of solar costs. Setting the price too low will limit participation in the initial competitive procurement, and there is a real risk of the entire solar industry stalling out if the resulting tariff levels are too low to support development of a typical project when the declining-block mechanism kicks in.

2. Remove the hard caps on adders.

The across-the-board 320 MW cap on adders is a new addition to the program that departs from the intent of the enabling legislation and was never raised during DOER's collaborative and open process of stakeholder engagement. These hard caps should be removed.

In particular, as noted in the comments of the Coalition for Community Solar Access (CCSA), community shared solar is the only means for the vast majority of residents, businesses, municipalities, schools, and hospitals to access the benefits of solar. For this reason, community shared solar was specifically referenced in Chapter 75 of the Acts of 2016 as a priority for the new incentive program. Community shared solar was created under the SREC II program, and this sector is growing rapidly due to high customer demand.[2] It makes little sense to limit this sector's growth to match historical patterns that existed before community solar was widely known or even available in the market. Based on its current growth trend and the critical role for community shared solar in expanding access to those who do not have the option of installing solar on-site, it is inappropriate to cap this market sector at just 320 MW of the 1,600 MW program.

Similarly, we do not see a clear rationale for limiting the adders for canopy and building-mounted systems. For a commercial customer deciding to install solar, these adders are necessary to cover the additional cost of a building-mounted or canopy system. If the adders are unavailable, this will drive development toward ground-mounted projects, an outcome that runs counter to the SMART program's stated aim of limiting land use impact.

3. Work toward prompt implementation of the alternative on-bill credit while continuing to support an increase in net metering caps.

We appreciate DOER's desire to avoid the start-stop cycle of the net metering caps by initiating the development of an alternative on-bill crediting mechanism, which could enable community shared solar and other projects to continue delivering benefits to customers even if the net metering caps have been reached.

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[2] Within DOER's current list of projects qualified under SREC II (as updated June 21, 2017), community shared solar makes up 10% of operational projects but 35% of projects that are qualified but not yet operational. If the latter is an indication of the balance in the market today, this suggests there should be at least 550 MW of community shared solar within the next 1600 MW.

Unfortunately, no such alternative mechanism exists, no timeline has been given for when it will exist, and none of the fundamental parts that can make a mechanism like this workable – such as a basis for establishing a credit value, eligibility, delivery mechanisms to customers, administrative responsibilities and the like – have been established or even formally proposed. As a result, Massachusetts is forced to rely once again on a net metering cap increase to allow solar projects to continue advancing. This delay also has the effect of eliminating entirely a key part of the SMART program: the expansion of on-bill crediting options to include projects greater than 2 MW. This expansion is only possible through an alternative to net metering, given that net metering is not available to non-governmental projects greater than 2 MW.

With the SMART program still under development and the alternative on-bill credit not yet designed, net metering is the only revenue source that exists in sufficiently solid form to offer a customer a certain product and secure project financing.

While we appreciate that DOER lacks direct authority to issue a tariff ordering such an alternative bill mechanism, DOER can engage with urgency to improve the current state of affairs and provide a more detailed proposal describing the design and functions of the alternative on-bill credit, to inform the forthcoming proceeding at the Department of Public Utilities. In parallel, DOER and the Baker Administration should support legislative efforts to raise net metering caps immediately and allow for projects up to 5 MW to participate so it syncs with the intent of the SMART program. This would allow developers to continue initiating projects while we wait for the SMART regulations to be finalized.

NRG appreciates the opportunity to provide these comments and to engage thoughtfully with DOER throughout the stakeholder process. It is our hope that, with the essential changes detailed above and further discussed in the joint industry comments, the Baker Administration will be able to continue its leadership on clean energy and prevent the downturn that is coming should these regulations and other critical factors discussed herein not be adequately addressed.

Respectfully submitted,

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