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Kaitlin Kelly
Department of Energy Resources
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Re: SMART Comments – Joint Comments of National Grid and Eversource

Dear Ms. Kelly:

On Monday, June 5, 2017, the Department of Energy Resources (“DOER”) filed 225 C.M.R. § 20.00, the Solar Massachusetts Renewable Target (SMART) Program, with the Secretary of the Commonwealth as an emergency regulation (the “Emergency Regulations”). The DOER subsequently set a deadline for public comments no later than July 11, 2017. Pursuant to the DOER’s notice, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, NSTAR Electric Company and Western Massachusetts Electric Company, each d/b/a Eversource Energy (collectively, the “Distribution Companies”) hereby offer the following comments on the Emergency Regulations.

I. GENERAL COMMENTS

The Distribution Companies appreciate the DOER’s extensive outreach and public engagement throughout the development of the SMART Program, including the DOER’s earlier straw proposals and public presentations. The Distribution Companies note their prior written comments on those subjects submitted on October 28, 2016 and January 23, 2017. The collaborative process with interested stakeholders implemented by the DOER has undoubtedly resulted in a SMART Program that will be beneficial to all members of the solar community in the Commonwealth and greatly contribute to the goals of Chapter 75, Section 11 of the Acts of 2016, “An Act Relative to Solar Energy” (the “Act”).

As the Distribution Companies have expressed in prior comments, in order to provide continued and sustainable support for the solar industry in the Commonwealth and to transition to a stable and equitable solar market at a reasonable cost to all electric customers, as contemplated by the Act, the overall cost of the SMART Program must be appropriately balanced. The Distribution Companies support the innovative market-based approach adopted by the Emergency Regulations. Importantly, the one-time competitive procurement process designed for Block 1 and the establishment of Base Compensation Rates introduces competition into this incentive program. As the Distribution Companies and the DOER continue to evaluate this program, the Distribution Companies encourage the DOER to look for more opportunities to support competition in the program, which will serve to help the process and ultimately reduce

costs for all electric customers. The Distribution Companies provide the following comments to offer several ways in which the program costs may be further reduced, and to request clarification of several provisions of the Emergency Regulations.

II. DOER SHOULD FURTHER CLARIFY MECHANICS OF THE SMART PROGRAM

A. Block Allocations

The SMART Program splits a total program capacity of 1,600 MW into eight equal Block Allocations with a declining rate across each block. The Distribution Companies understand that the capacity of each company's block is based on that company's total electric load served to end-use customers in 2016. 225 C.M.R. § 20.05(2). However, the Distribution Companies have several questions regarding the operation of the Block Allocation process and request that DOER clarify the following provisions before the Emergency Regulations are finalized.

20.05 (3) Block Allocation:

The Distribution Companies would like to clarify that the progression of blocks will move independently at each utility. For example, if Block 1 is fully allocated in the National Grid service territory, but each of the other companies still has available capacity in Block 1, will Block 2 become immediately available for National Grid customers? The Distribution Companies believe that the intent of the SMART Program is to allow the blocks to move independently for each company so that customers are not left in a holding pattern waiting for a Block to fill across all companies. The Distribution Companies ask the DOER to clarify this issue.

20.05 (3)(a) Small System Set Aside of 20%:

The Distribution Companies request clarification regarding the set-aside for Solar Tariff Generation Units less than or equal to 25 kW (hereinafter, "Small Systems"). The Distribution Companies understand the 20% set-aside for Small Systems will be calculated separately for each company's Block Allocation. In this case, with low enrollment of large systems in a block, a large portion of Small Systems could enroll at one utility, but only 20% at another. To maintain balanced enrollment opportunities and customer costs across the state, there should be a cap in each block for of 35% Small Systems before the next block begins to fill. As such, the Small System capacity and the rest of the block capacity could move independently of one another.

Additionally, the special provision for Block 1 limits the eligibility following the competitive procurement to units that are equal to or less than 1 MW or is eligible to receive a Compensation Rate Adder. Given that the capacity for Block 1 is reduced following the

competitive procurement, the DOER should clarify how much of the remaining block should be set aside for Small Systems (i.e., 20% of the full block, or 20% of the remaining capacity after the competitive procurement).

B. Management of Environmental Attributes

20.05 (5)(d) RPS Class I Eligibility:

Under Section 20.05(5)(d) of the Emergency Regulations, each MWh of electricity generated by a Solar Tariff Generation Unit will be eligible to generate GIS Certificates encoded as RPS Class I Renewable Generation Attributes. All GIS Certificates and any other certificates associated with Environmental Attributes from the Solar Tariff Generation Unit must be transferred directly to the interconnecting Distribution Company. In order to facilitate the transfer of GIS Certificates to the Distribution Company, small systems that are not registered as generation assets with ISO-NE (up to 60 kW) would also be required to transfer renewable energy certificates (“RECs”) directly, and would most easily do so by enrolling in a utility-sponsored aggregation for NEPOOL GIS. The Distribution Companies encourage the DOER to require this, and require full cooperation of applicants in enabling such enrollment, as a condition of eligibility. In addition, the DOER should require that all SMART projects not in the aggregation to set up a permanent forward certificate transfer for 100% of RECs for the tariff term, as allowed in the NEPOOL GIS platform and rules.

20.05 (6)(c) Reporting Requirements:

Section 20.05(6) of the Emergency Regulations sets forth several reporting requirements related to accounting of Environmental Attributes. The Emergency Regulations currently provide that the Solar Program Administrator will serve as the Independent Verifier for all Non-NEPOOL Market Assets.

The Distribution Companies could serve as the Independent Verifier under Section 20.05(6)(c), because the Distribution Companies intend to directly read and hold the customer’s generation information, and would be able to then report to the NEPOOL for REC creation purposes. The Distribution Companies understand they will need to apply to the DOER for this certification, and will do so, but ask that the Emergency Regulations be modified to allow the Distribution Companies to fulfill this role, rather than designating it as a position solely for the Solar Program Administrator. Currently, the Distribution Companies do not plan to report any of the generation output to the Solar Program Administrator, as this would be another step that would add administrative costs with no associated benefit.

C. Qualification and Eligibility

20.06 (1)(b)1. – Interconnection Service Agreement:

The Emergency Regulations provide that an Interconnection Service Agreement (“ISA”) “as tendered by the Distribution Company” is sufficient for eligibility. The eligibility standards should be clarified to require a final, fully enforceable ISA, with the timeline for construction deposits started. If an applicant fails to maintain their ISA’s validity, the ISA expires, or is terminated, the applicant’s reservation should be cancelled. The applicant should be free to reapply to the SMART program with a new ISA if one is obtained.

20.06 (7) – Statement of Qualification Reservation Period:

The Distribution Companies suggest that the reservation period for units in the rest of the program be set out in the regulations at 12 months, similar to the reservation period for the One-time Competitive Procurement. Setting the reservation period out in the regulations instead of through a guideline will provide clarity and certainty about the program requirements. Additionally, DOER should require projects to be actually constructed and issued a certificate of completion within the reservation period. Under the current iteration of the guideline, an applicant may receive an automatic extension if the interconnection process is delayed, regardless of the cause for delay. The indefinite extension of the reservation period proposed in the Guideline should be revised to only allow extension for completion of interconnection system modifications, and exclude conditions of interconnection that are within the control of the applicants.

The Distribution Companies also note that the Emergency Regulations do not explicitly address how will treat capacity associated with projects that fails to meet satisfy the construction timeline or otherwise loses its reservation and falls out of the Capacity Block. The Distribution Companies recommend that in those cases, the capacity should be allocated to the next available Capacity Block. The DOER may need to consider how it will address this circumstance if a project falls out of the eighth Capacity Block, and specifically, whether that capacity will not be replaced, or if an additional “final block” will need to be established.

D. Compensation Rates

20.07 (2) – Schedule of Compensation Rates:

The Distribution Companies understand the 4% decline to be of the original value of the base tariffs and adders, and additional language should be added in the regulations to make this clear, prior to the schedule being posted following the Block 1 Procurement. The regulation should read, “Following the first Capacity Block, all Base Compensation Rates and Compensation Rate Adders will decline by four percent *of the initial Block 1 value* per Capacity Block.”

20.07 (3)(a) 1. – Schedule for Procurement:

The current schedule does not allow sufficient time to select a Solar Program Administrator to run the competitive procurement. The DOER should consider moving the date for the 100 MW procurement back to October 24, and then opening the solicitation for a minimum of 15 business days. This will enable the Solar Program Administrator, which will not be in place until at least late September, to then engage and set up the required process and website to run the solicitation.

20.07 (3)(a)(2)(i) – Performance Guarantee Deposit:

Section 20.07(3)(a)(2)(i) requires any Solar Tariff Generation Unit that participates in the procurement must provide a performance guarantee deposit . Under the regulation, the deposit will be refunded if the project is constructed within 12 months of the SMART Program effective date. The definition of “constructed” is not clearly defined in the Emergency Regulations. DOER should include a definition of “constructed” in the Definitions section so that the Solar Program Administrator can easily and clearly review project completions and certify that such facilities have met their timeline. The Distribution Companies suggest that DOER adopt a definition similar to that used in utility solar projects and in the SREC 2 reservation guideline, both of which refer to projects being “Mechanically Complete.”¹ DOER may wish to refer to completion of a final electrical inspection or issuance of a certificate of completion.

Additionally, the Emergency Regulations do not address how the performance guarantee deposit will be handled if a Generation Unit is selected and accepts the award, but fails to meet the construction deadline approved by the DOER (i.e., 12 month, or within any approved extensions). The Distribution Companies believe that consistent with the intent of the performance guarantee deposit, the funds should be sent to the interconnecting company to offset program costs in those circumstances. The Distribution Companies request that the DOER clarify the regulations accordingly.

20.07 (3)(b) – Indices for Solar Tariff Generation Units:

The Emergency Regulations apply a Base Compensation Rate Factor for projects equal to or less than 1 MW AC that functions as a multiplier of the Weighted Average Clearing Price. 225 C.M.R. § 20.07(3)(b). The Weighted Average Clearing Price is established based on the Clearing Prices for units with capacities between 1 MW and 2 MW AC. However, the initial competitive procurement includes a separate price for units with capacities between 2 MW and 5

¹ In D.P.U. 16-105, Eversource indicated that it would consider a project “constructed when the following conditions are satisfied: (1) all required permits and approvals excluding authorization to interconnect are received; (2) all of the solar generating equipment for the facility on the project side of the Point of Interconnection has been installed, including panels, inverters, data acquisition system equipment, and mounting equipment; and (3) the distribution company verifies that the facility has been installed per item 2, above.

MW. The Emergency Regulations include a lower ceiling price for those large projects, largely because it is expected that projects greater than 2 MW AC will benefit from some economies of scale and resulting savings. To account for and capture those savings, and as reflected on slides 10 and 11 of the Final Program Design presented by DOER on January 31, 2017, National Grid suggests there should be a reduction of the Base Compensation Rate for projects between 2 MW and 5MW AC by an amount that should be informed by the RFP results and the input received in the stakeholder process and records held by DOER on system costs. This will ensure that cost savings from large scale projects are passed on to all customers.

20.07 (4)(b) - Off Taker Based Adders:

The Low Income Property Adder, the Low Income Community Shared Solar, and extra index price of 230% of the base tariff (vs. 200%) for a Low Income Solar Tariff Generation Unit all have requirements to show the applicant or recipients are legitimate low-income customers. However, given the length of the program, circumstances of customers and off taker entities are bound to change. The regulations should require monitoring by the DOER or the Solar Program Administrator to validate that Low Income recipients and entities continue to meet the standards as low income customers or entities, at least annually. If they no longer meet those requirements, the added tariff value should be removed on a going forward basis, and the adjustment should be shown on a new Statement of Qualification sent to the appropriate distribution company.

20.07 (4)(d) The Tracking System Adder

The Emergency Regulations include a Compensation Rate Adder for solar tracker technology. The solar tracker adder was not previously discussed in the DOER's earlier straw proposals, whereas all other Compensation Rate Adders are consistent with the rates identified in the DOER's January 2017 proposal. The Distribution Companies do not believe that the solar tracker adder is needed as there is substantially more production from a tracking system which makes up for the added cost of the system. As estimated by the PVWatts solar output calculator offered by the National Renewable Energy Laboratory, a two-axis tracker in Boston is predicted to produce 34% more energy than a standard fixed ground mount system facing south and angled at 20 degrees. This would generate substantial additional revenue that should more than offset the added capital and maintenance costs of a tracking system.

20.07 (5) Adder Caps:

Section 20.07(5) of the Emergency Regulations provides that: "No individual adders shall be provided to more than 320 MW of Solar Tariff Generation Units across all Distribution Company service territories and Capacity Blocks." The Distribution Companies understand the cap language to apply to each of the individual categories of adders listed in 225 C.M.R. § 20.07(4), but encourage DOER to change the language so that the adder caps apply to each

category of the adders instead. As currently written, the limit on each individual adder within the Emergency Regulations will be far less effective in controlling the cost of the program.

Additionally, the Distribution Companies note that it is not clear how the capacity of adders for storage will be calculated. DOER should clarify that the amount of Compensation Rate Adders for storage will be based on the alternating current (“AC”) capacity of the applicable Solar Tariff Generation Unit.

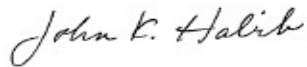
III. ADDITIONAL ITEMS FOR DOER CONSIDERATION

The Emergency Regulations do not clearly address whether or how a Solar Tariff Generation Unit may be expanded after initially qualifying for the SMART Program. For example, the Emergency Regulations do not address whether an owner may add panels to a unit even if they do not increase the size of their inverter (which determines the AC capacity), or whether DOER will create a firm ratio of direct current (“DC”) to AC nameplate capacities that will restrict the amount of DC generation behind any inverter. To address this issue, the Distribution Companies suggest that the regulations should restrict owners from adding DC capacity after a Statement of Qualification is issued, beyond some de minimis amount, and within a specific DC-AC ratio. If capacity is added under the ratio limit but beyond the de minimis amount, the project should restart its application. Post-interconnection capacity additions should also be grounds for potential termination of the SQ, and should be so stated in the regulations.

The Distribution Companies are also concerned about the potential for Solar Tariff Generation Units to receive multiple or duplicative incentives under SMART and other incentives in the Commonwealth, which will result in added burdens on all customers. DOER should consider reviewing the grants and rebates offered through existing or future funding mechanisms that have been paid by Massachusetts electric customers and determine whether or not it is appropriate to consider a prohibition on SMART qualification should the SMART generation unit receive funds from these sources.

Respectfully Submitted,

**NSTAR ELECTRIC COMPANY AND
WESTERN MASSACHUSETTS ELECTRIC
COMPANY D/B/A EVERSOURCE ENERGY**



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