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February 2, 2024

Department of Energy Resources
Attn: Samantha Meserve
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: SMART Program Public Comments

Dear Ms. Meserve:

On behalf of NSTAR Electric Company d/b/a Eversource Energy, Massachusetts Electric Company and Nantucket Electric Company, d/b/a National Grid and Fitchburg Gas and Electric Company d/b/a Unitil (collectively, "EDCs"), enclosed are the EDCs' joint written comments in response to the Department of Energy Resource's Solar Massachusetts Renewable Target ("SMART") Program stakeholder questions.

Thank you for your attention to this matter. Please contact me or any of the EDCs' counsel if you have any questions.

Sincerely,



Ashley S. Marton, Esq.

Enclosures

cc: Laura Bickel, Esq. – National Grid
Matthew C. Campbell, Esq. – Unitil
John K. Habib, Esq. – Keegan Werlin LLP

JOINT COMMENTS OF THE ELECTRIC DISTRIBUTION COMPANIES

I. INTRODUCTION

Fitchburg Gas and Electric Light Company, d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and NSTAR Electric Company d/b/a Eversource Energy (the “Distribution Companies” or “EDCs”) offer these comments to the Department of Energy Resources (the “DOER”) in response to the DOER’s request for comments on the Solar Massachusetts Renewable Target (“SMART”) program stakeholder questions. The DOER issued fourteen questions for stakeholders to address. The EDCs address each question in turn below.

The EDCs’ comments reflect continued support for the SMART program as an important driver of solar development in the Commonwealth. The next phase of the SMART program should ensure that it is as cost-effective as possible for ratepayers and continues to meaningfully advance the Commonwealth’s clean energy goals. As outlined below, the EDCs have recommended several changes to program adders and block structures toward this objective. The EDCs also emphasize that changes to the SMART program should be considered in the context of the overall future incentive environment for solar and storage in the Commonwealth. Tariff options for behind-the-meter (“BTM”) solar will expand when the Department of Public Utilities (“Department”) revises net metering regulations to implement 2022 legislation removing the cap on net metering for Class I facilities, and substantially relaxing the cap for Class II and III facilities. For Energy Storage Systems (“ESS”), also incentivized under SMART, incentives and revenue sources now include the Clean Peak Standard (“CPS”), the ConnectedSolutions program, and access to ISO-NE

wholesale markets. Careful calibration of overall incentives is needed to support the Commonwealth's energy goals while managing impacts to ratepayers.

The net metering, CPS and ConnectedSolutions programs referenced above exist, along with the SMART program, in a complex regulatory and energy program landscape that also includes EDC interconnection tariffs and Heat Loan financing programs available to energy storage. Each of these initiatives, policies and programs are elaborate on their own. When combined, they present a complex, patchwork of incentives that are virtually impossible for the Commonwealth's residents to understand. In combination, these programs are not, accessible or easily comprehensible to the Commonwealth's residents. However, the decisions made by these residents will define the success or failure of the Commonwealth's climate policies.

Further, this complexity is not without costs, both in terms of the administrative burden placed on solar market participants, EDCs and state agencies, as well as customers who face challenges evaluating how solar investments may benefit them. With this as context, the EDCs recommend that the DOER, the Department, and the Healey Administration more broadly use review of the SMART program as an opportunity to simplify program offerings directed towards residential energy consumers. The EDCs comments suggest several potential programmatic improvements that we believe will advance these goals.

II. DOER QUESTIONS

1. **The SMART program currently provides added incentives for certain project types, including building mounted, canopy mounted, landfill, brownfield, agricultural, floating, community solar, and projects serving low income or public entities, projects with energy storage, and axis tracking. DOER seeks additional feedback on changes or improvements that will advance achievement of the Commonwealth’s 2050 GWSA mandates while balancing land use, equity, and economic considerations.**
 - a. **What project type incentive changes could improve program outcomes?**

The EDCs recommend DOER examine the levels of certain existing program adders and consider adjustments to ensure that ratepayer costs are commensurate with benefits in the next phase of the SMART program. In particular, the EDCs suggest evaluation of the costs and benefits going forward of the Community Shared Solar (“CSS”) adder and the ESS adder. These adders have been far and away the most utilized adders in the SMART program to date—currently accepting capacity in tranches 13 and 12 respectively, where most other adders are in tranches 1, 2, or 3. Now that markets and other supports for ESS and CSS are more robustly established, reducing the costs of these adders could support more cost-effective solar per dollar of incentive funds and ultimately reduce costs to ratepayers.

With respect to the CSS adder, the EDCs recommend DOER consider whether reduced incentives are appropriate going forward. The CSS adder increases incentive costs by approximately 3 cents per kWh at current enrollment rates—or about \$40,000 annually per MW of photovoltaic (“PV”) capacity.¹ While CSS provides a positive opportunity for a broader set of customers to participate in solar ownership and obtain bill savings, these savings also come at a cost to other ratepayers by increasing the overall costs of the SMART program. Uptake on the Low-Income CSS adder has been comparatively much smaller—currently accepting capacity in

¹ Assuming a 15% capacity factor.

tranche 4—suggesting that more focus is needed on effective outreach to low-income customers. Now that CSS is well established as an offering in Massachusetts, the EDCs recommend that DOER closely examine whether the CSS adder can be re-set at a lower level and still drive desired outcomes. If such a reduction results in slowed CSS growth below state targets, incentives could be adjusted upward again (i.e., under an adjustable block model—see EDCs’ response to question 2 below).

The EDCs support the growth of ESS resources in the Commonwealth and agree that opportunities to pair solar PV generation with ESS should be maximized. However, the ESS adder increases incentive costs by approximately 1.5 to 5 cents² per kWh of PV generation at current enrollment rates—or about \$20,000 to \$65,000 annually per MW of solar PV capacity receiving the adder. Due to the strong incentive environment for ESS, EDCs are well on track to exceed the Commonwealth’s target of 1,000 MWh of installed capacity by the end of 2025.³ Additional ESS incentives that have become available since the inception of the SMART program promise to support even further growth. While the SMART program has been successful in spurring early-stage ESS development in the Commonwealth, the CPS, ConnectedSolutions, and ISO-NE wholesale markets should be the primary revenue streams for ESS into the future. Furthermore, solar facilities are only required to install ESS capacity amounting to a minimum of 25% of solar PV DC rated capacity in order to receive the ESS adder, and are compensated for the adder based on kWh of solar exported. This structure incentivizes batteries that are often sized at the minimum level to receive the adder, but significantly increases the overall incentives paid to large facilities. Overall, these factors suggest that as the ESS market and policy environment has matured, other

2 Depending on system characteristics.

3 As noted in DOER and MassCEC’s December 2023 *Charging Forward* report, currently installed ESS capacity plus just 20% of capacity in the current evaluation pipeline will be enough to meet the target.

programs can now provide more cost-effective use of ratepayer funds towards incentivizing ESS. In light of this, the EDCs recommend that DOER transition away from support for ESS within the SMART program through the current adder structure, or reduce such support to the minimum level required (per kWh of ESS capacity) to support ESS development. However, the EDCs do not necessarily recommend that requirements for the largest solar PV facilities participating in the SMART program be removed at this time. Co-locating ESS with solar PV can significantly minimize the distribution system impacts of additional PV generation and should be encouraged through increasingly cost-efficient mechanisms.

b. Should other project types also be prioritized?

The EDCs do not have recommendations at this time for project types to prioritize, and support an approach that generally delivers solar deployment in alignment with the Commonwealth's targets and goals as efficiently as possible for ratepayers.

2. The current SMART program structure includes a declining block model. Is a structure with fewer blocks and a greater decline between blocks preferable to a greater number of blocks with a smaller decline between blocks? Are there any other modifications to the declining block model structure that could more effectively support solar development?

The EDCs recommend DOER consider changes to the SMART program structure that extend beyond the number of blocks and the decline between blocks. Enrollment levels among new residential and small commercial customers in the SMART program have substantially declined, and the EDCs do not expect them to rebound under a continued declining block structure. Also, such customers are eligible to receive on-bill credits through net metering tariffs that currently exceed the total compensation supported under the current declining block model. These current dynamics (no additional incentive and a declining block model) if continued may cause new customers to avoid the SMART program—and the associated fees.

Additionally, a declining block model may not support the sustained, orderly development of the Massachusetts solar market for larger projects. Recent increases in labor, financing and material costs are at risk of interrupting what has been a persistent long-term trend of declining system costs within the industry over more than a decade. Continued adherence to a declining incentive structure may lead to similar declines in SMART program enrollment among larger projects, or limit development to only those project types that are eligible for the highest adders, as reduced compensation becomes inadequate to support the economic development of more projects.

For these reasons, the EDCs recommend DOER consider transitioning the SMART program to a simple structure that establishes annual incentive rates through an adjustable block mechanism, as well as consider standardized competitive procurement structures within such a mechanism to set efficient incentive values for the largest projects. A simple adjusting block structure could be based on annual solar deployment targets that are consistent with achieving the Commonwealth's clean energy and climate targets. Under this structure, DOER would annually adjust incentive rates based on achieved deployment progress toward those targets. Total compensation/incentive rates should be generally maintained if annual solar deployment is in line with established targets, decreased if deployment substantially exceeds targets, and even increased in the event that solar deployment is significantly falling short of levels required for Massachusetts to achieve its targets, in complement with other Commonwealth policies. This approach to adjusting incentive levels in response to actual enrollment rates is similar to the pricing method employed in the California Renewable Market Adjusting Tariff ("ReMAT") and other renewable incentive programs across the country. Similar annual targets and incentive adjustments should

be considered for project categories that receive adders to ensure the Commonwealth is sustaining the intended diversity of solar installation types.

Notably, incentive values for BTM facilities should account for the upcoming expansions of the net metering cap and ensure that SMART incentives are complementary and not duplicative. The adjustable block structure could provide a useful tool in tailoring appropriate incentive levels over time.

3. Are any eligibility criteria in the SMART program a barrier to participation? What are they, and how would you address these barriers? How would you streamline these eligibility criteria?

The EDCs have not identified specific eligibility criteria within the SMART program regulations that are believed to be a barrier to participation, but the process through which eligibility for the SMART program is determined in parallel with other programs and tariffs is likely a barrier that could be better addressed - particularly for residential and small commercial customers. As explained earlier, the SMART program exists in a complex regulatory and energy program landscape in which a project (with storage) must separately navigate net metering tariffs, interconnection requirements, demand response offerings and special financing programs. At a minimum, DOER should consider consolidating the SMART program application with the EDC interconnection application for residential and small commercial projects. Such consolidation would not necessarily alter the independence of SMART program eligibility review by the Solar Program Administrator, but would enable consolidated submission of information that is presently resubmitted for multiple purposes and create opportunities for customers to receive a single, coordinated approval for interconnection, SMART program participation and enrollment in other storage programs.

4. **Is the current SMART reservation period (excluding any blanket extensions) adequate given current development and construction timelines? If possible, please provide a representative project timeline inclusive of key project milestones, such as permitting, procurement, and interconnection, to help inform DOER's understanding of the development process and current project timelines.**

The EDCs view the current 12-month reservation period as adequate, given that projects require an ISA before reserving capacity. The EDCs also do not object to DOER continuing to provide extensions for good cause on a reasonable and justified basis.

5. **Are there any emerging technologies or project types that are not currently eligible for SMART that DOER should consider making eligible for the program? Please describe potential project applications, any suggestions for eligibility requirements, and what level of incentives if any would be needed spur project development of the project type.**

The EDCs do not have specific feedback on this question.

6. **Are program compliance requirements clear prior to program enrollment? What are the key challenges with satisfying the data and/or documentation requirements for various program compliance checks, such as compliance with the energy storage, low-income, or community solar requirements? Are there any modifications you would suggest to DOER's compliance processes, or alternative data/documentation you believe could satisfy the requirements?**

The EDCs strongly support all efforts to clarify and simplify the SMART program compliance requirements and rules to make it easier and more accessible to customers. At present, the SMART program is complicated. It is administered pursuant to 29 pages of detailed regulations, more than a dozen guideline documents and equally complex distribution company tariffs. It is also administered alongside what are arguably even more complex net metering rules and tariffs. The complexity of SMART program requirements and rules has not necessarily supported many of the desired outcomes of the program. Participation of low-income customers remains well below generally agreed upon goals and participation as a CSS subscriber is frequently a frustrating experience for many customers.

DOER should work closely with SMART program stakeholders, including the EDCs, to aggressively seek opportunities to consolidate, streamline and reduce program requirements and rules. The following non-exhaustive list of opportunities could be a useful starting point for such an evaluation:

- Simplify criteria for storage adder eligibility and incentive amount. Potentially by substituting with criteria that aligns participation of storage in the SMART program with other storage programs; and
- Institute simple measures that would support intended outcomes for CSS subscribers; set maximum allocation equal to historical usage and limit subscriptions to multiple CSS projects.

Simpler rules and requirements such as these can be more readily understood, applied and enforced, and will ultimately support better outcomes for customers. At the same time, DOER should ensure that rules and requirements provide flexibility for EDCs to optimize program operations.

7. Are SMART application processes and requirements clear? Is communication between applicants, the Solar Program Administrator, and DOER clear and effective? Please describe any improvements you believe could be made to the SMART application process.

There are opportunities to streamline and improve the process for applying to the SMART program and parallel programs and tariffs. As discussed in the EDCs' responses to question three and six, the EDCs recommend DOER consider consolidating the SMART program application with the EDC interconnection application for residential and small commercial projects. Further consolidation with storage program enrollment could produce additional improvements in the customer experience.

- 8. Are there solar canopy project types that currently fall outside the SMART program's definition of Solar Canopy that you believe should be eligible for the Canopy adder? Please provide example project types and describe their benefits.**

The EDCs do not have specific feedback on this question.

- 9. Are there examples of dual use agrivoltaics policies in other jurisdictions that align with Massachusetts' solar and agricultural objectives? Please provide citations and summaries of those policies.**

The EDCs do not have specific feedback on this question.

- 10. What modifications to SMART incentive payment calculations, as currently set forth in 225 CMR 20.08, if any, are needed? Please provide examples formulas or calculations for DOER review.**

As discussed in the EDCs' response to question two, the EDCs recommend DOER consider calculating incentive payments through an adjustable block mechanism. The EDCs also recommend DOER consider implementing a fixed incentive floor that would apply to all eligible BTM projects, avoiding the issue of zero-value incentives (e.g., driven by the value of energy). This incentive floor—even if set at a relatively low value (i.e. 1.0 c/kWh)—would ensure that all eligible systems that would have a non-zero incentive to enroll in the SMART program have the option to be compensated for their RECs without having to arrange to sell them separately.

- 11. How could the program be designed to insulate projects and participants from unforeseen market circumstances that materially impact the value of the SMART program incentive? For example, global events impact supply chain and energy costs.**

As noted in response to question two, an adjustable block structure that re-sets base compensation annually for new projects entering the SMART program would help to adjust for changes in market circumstances and ensure that solar development continues in line with the Commonwealth's goals.

12. What additional consumer protection measures or modifications to existing measures should the SMART program incorporate to ensure such protections are achieving their objectives, especially as they pertain to low-income customers?

The EDCs appreciate the opportunity to review consumer protection considerations and would like to collaborate with the DOER and the Office of the Attorney General more in the future, in order to provide input regarding interactions between the solar industry and consumers.

Recent New England solar market trends underscore the importance of consumer education and protection for all customers participating in Massachusetts solar programs. Demand and interest in solar PV has never been higher in Massachusetts with customers considering solar options in response to recent volatility in energy supply rates and utility bills. Yet there is less transparency in the Massachusetts market at this time since the overwhelming majority of PV installers are no longer enrolling customers in the SMART program, and thus no longer submitting system pricing data or consumer protection materials. For example, Eversource has observed notable increases in residential PV pricing in the neighboring Connecticut solar market with similar net energy crediting mechanisms and incentives. Reported average system pricing has increased by nearly 50% in less than 2 years, to over \$6.00/watt, and consumers are similarly signing long-term lease or PPA agreements at higher rates.⁴

The EDCs recommend DOER comprehensively evaluate the effectiveness of the current customer disclosures. The EDCs note that these customer-facing documents were not designed with feedback from customers themselves. DOER may consider conducting surveys/focus groups to determine if current consumer protections/disclosures have been effective and are providing

⁴ https://www.eversource.com/content/docs/default-source/save-money-energy/eversource-ct-rres-aggregated-average-data-by-date.xlsx?sfvrsn=e6ab9462_2, retrieved January 31, 2024

meaningful information to their intended audience.⁵ Earlier review of customer disclosure materials, ideally before project approval, would likely improve consumer protection. These materials are currently reviewed months after projects have been constructed and after customers have signed multi-decade financing agreements. Finally, the EDCs suggest DOER more aggressively sanction, via temporary or permanent automatic removal from the SMART program, any firm that engages in clearly misleading marketing, including with communications that imply partnership with EDCs/state or “Free Solar.” Staffing by agencies with solar consumer protection obligations should be adequate to ensure appropriate enforcement of consumer protections and should be funded through nominal fees on solar installers doing business in the Commonwealth.

13. Are there any Commonwealth policies (e.g., renewable energy goals, land use priorities, housing policy) that you believe the SMART program inadvertently conflicts with? Please describe any potential modifications to SMART that would alleviate these conflicts.

The EDCs do not have specific feedback on this question.

14. Is there any additional feedback you wish to provide to DOER?

The EDCs do not have any additional feedback at this time.

III. CONCLUSION

The Distribution Companies appreciate the opportunity to submit comments on the SMART program and look forward to continued collaboration with the DOER and stakeholders on this matter.

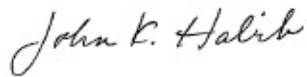
⁵ For example, Eversource’s Voice of the Customer group regularly conducts user experience research to evaluate whether program materials and customer facing content is useful and understandable to the general public.

Respectfully Submitted,

DISTRIBUTION COMPANIES

By their attorneys,

**NSTAR ELECTRIC COMPANY D/B/A
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