INITIAL COMMENTS OF IGS SOLAR
ON THE STRAW PROPOSAL FOR THE
NEXT GENERATION SOLAR INCENTIVE PROGRAM

To the Massachusetts Department of Energy Resources
October 28, 2016

IGS Solar ('IGS'), appreciates the opportunity to provide comments on the Department of Energy Resources' ('DOER') 'Next Generation Solar Incentive Straw Proposal' ('Straw' or 'Straw Proposal') as presented on September 23, 2016. We applaud the leadership from DOER and the Baker Administration in laying out the contours of a program that creates market certainty over 5 or more years and at least doubles the installed capacity of solar in the Commonwealth – all while providing sufficient discipline in the market to reduce costs over time.

IGS looks forward to continuing to work collaboratively through the stakeholder working group process with DOER, utilities and other stakeholders – both directly and through the Solar Energy Industries Association – to build consensus around a program design that helps the Commonwealth achieve its energy and environmental goals, establishes a glide path for reducing the cost of installing solar, and continues to create solar industry jobs. We urge DOER to balance the need to move quickly to implement the new program with the need to iron out important programmatic details.

Due to the ongoing discussions in the working groups, these comments lay out the views of IGS Solar on very high-level programmatic concepts and should not be viewed as inclusive of all positions or concerns that are being discussed in the working groups.

IGS understands DOER's perspective that 'the future of net metering is uncertain and dependent on further legislative action'[1] and appreciates that their efforts to facilitate the deployment of non-net metered systems are done to ensure program and market continuity. Critically, IGS's support for this program and the alternative pathways to net metering ('NEM') should in no way be construed as agreement or support for the concept that wholesale energy rates provide appropriate compensation for electricity produced by solar generators. We will continue to work with the legislature, DOER, and other stakeholders to increase the net metering caps and provide appropriate compensation for the many benefits solar electricity provides to the ratepayers of the Commonwealth.

In the design of its program, DOER should keep in mind that market behavior during the first few blocks will be anomalous vis-à-vis the remainder of the program. As we stated in our May 26, 2016 comments on the SREC II Emergency Regulations, while this extension allowed mature projects to continue to completion, the development of new commercial, industrial, municipal, and community solar projects has practically halted during this long period of

[1] DOER Solar Straw Proposal Briefing, September 23, 2016. Slide 18

uncertainty regarding the new program. Therefore, there is significant pent up demand in all market segments apart from residential. Additionally, the new program creates a very different market design and in many cases will require very different business models. Given all of this, DOER should anticipate that the first few blocks will be reserved at a much faster pace that were the program at a steady state. This has implications for many aspects of the program design.

IGS supports the declining block design to drive a reduction in the incentive payment as more and more capacity is installed. This concept is consistent with experience curves from any number of industries – for every doubling of capacity deployed, there is a roughly 20% decline in costs due to the industry learning how to do business smarter and more efficient. However the 5% decline per 200MW proposed in the DOER Staff Straw is too steep. Throughout the 8 blocks this would be a 34% reduction – and more than this when the reduction from SREC II to Block 1 is considered. IGS recommends a reduction of 3% between blocks which would result in a 22% reduction from the beginning of block 1. This is more in line with general experience curves for cost reductions during a doubling of industry capacity.

DOER has a legislative mandate to enable a diverse market:

> The department of energy resources shall develop a statewide solar incentive program to encourage the continued development of solar renewable energy generating sources by *residential, commercial, governmental and industrial electricity customers* throughout the commonwealth. [2]

While the tariff levels and adders are set to provide appropriate compensation to different project types and sizes, this alone may not ensure a diversity of project types, sizes, and locations. The new program enables very different project sizes and structures from the previous one. The various market segments will respond differently to the opening of the program. Given the declining block nature of the program, one must give consideration to the fact that a relatively small handful of 5MW projects[3] could reserve the entire capacity in a block, potentially forcing all other projects to the lower incentive level of the next block prematurely. The issue of program diversity will be particularly acute at the outset of the program before the market reaches its new steady state. To enable a more orderly transition to the new program, IGS recommends that DOER set the first two blocks at 400MW each. Later blocks could be reduced to 200 MW of capacity each.

As stated previously, IGS appreciates DOER's efforts to enable non-NEM projects as a way to mitigate the uncertainty around legislative action on NEM caps. However, in designing the adders, DOER should ensure that projects that consume 66% or more of the energy onsite are on economic parity with a similar project that chooses to take a non-NEM route. As currently designed, the adder for non-NEM systems creates an economic incentive to be a Qualifying Facility ('QF') or Market Participant ('MP') even if it could consume 66% or more of its energy

[2] The Acts of 2016, Chapter 75, An Act Relative to Solar Energy, Section 11. Emphasis added.

[3] assuming 20% reserved for systems under 25kW, 14 5MW projects could reserve the rest of the 90MW block

onsite through NEM. IGS recommends that DOER set the adders such that projects that consume 66% or more of energy onsite are on economic parity with similar QF/MP projects.

IGS supports responsible land use and site development and encourages further discussion in the working groups. IGS has concerns about restrictions placed on solar development that are not placed on other types of development. If done incorrectly, these restrictions could severely impart the development of solar in the Commonwealth.

We appreciate the opportunity to comment and look forward to continuing to work with the DOER and other stakeholders during the implementation of this program.

Sincerely,

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