INITIAL COMMENTS FROM THE ALLIANCE FOR SOLAR CHOICE ON THE STRAW PROPOSAL FOR THE NEXT SOLAR INCENTIVE PROGRAM

MASSACHUSETTS DEPARTMENT OF ENERGY RESOURCES

10/28/2016

The Alliance for Solar Choice (TASC) appreciates the opportunity to provide comment on the Department of Energy Resources (DOER) straw proposal for creating a follow on incentive program. TASC commends the DOER, Governor Baker and Secretary Beaton for advancing a proposal to continue to build on the success of the Massachusetts solar industry, creating jobs and providing consumers with energy choice.

1. Program Objectives

TASC agrees with the DOER objective of providing market conditions to maintain and expand the pv and distributed energy resource market in Massachusetts. Further, TASC agrees that providing clear, effective policy mechanisms to advance market goals is paramount. Best practices nationally demonstrate that simple, transparent mechanisms provide the market the opportunity to innovate and grow, reducing costs to consumers and ratepayers and providing the entire ratebase a benefit.

TASC concurs with the DOER that program costs should decline over time with reductions in installation costs. However, in a highly competitive marketplace, the key to reducing costs is to do so gradually, enabling competition and innovation to drive down program costs in the aggregate, rather than creating frequent or dramatic shifts in the programmatic framework.

2. Program Design

Net metering continues to be the cornerstone upon which the success of the Massachusetts solar market is based. Ensuring that the next incentive program operates effectively for net metered customers is critical to continued market success and to empowering consumer choice.

For the residential market, consistency and simplicity are critical. The residential market requires consistency and simplicity to produce a steady and transparent business environment in which inherently local operations can adequately allocate resources to optimize efficiency and the customer experience. To this end, allowing the residential sector to advance through a declining block model in a steady fashion, avoiding sudden spikes in overall block activity and unforeseen disruption is important to a healthy residential market.

TASC proposes a residential market segment allotment within each block, consistent with historic levels of residential participation, to allow for a steady decline from block to block in keeping with residential market dynamics.

In general, TASC recommends that the initial incentive levels set for the program minimize the significant cliff created by the immediate steep decline in incentive value outlined in the DOER proposal for the initial block. To accommodate a reduction in the initial drop off, TASC recommends DOER view reductions in the new program's cost in aggregate, spreading incentive declines over the duration of the program. TASC further recommends that, to avoid frequent market disruption under the program, DOER increase the capacity of each block, reducing the number of blocks for the overall program.

TASC recommends that the values established for the program remain fixed in order to allow for sufficient transparency and business certainty. To account for the potential need to adjust the incentive levels over the course of the program, TASC recommends a pre-determined trigger for review, at which time prospective changes to incentive levels could be addressed based on market conditions on a one time basis that can be sufficiently identified and planned for.

3. Administration

To enable operational flexibility and behind the meter privacy, TASC recommends that DOER hire a third party administrator to facilitate and operate the delivery and administration of the incentive component of the new program. To allow for effective access for all participants, it is critical that program rules ensure optionality through a third party administrator for system owners to receive payment for the incentive portion of the program. For net metered customers, the billing of the energy component of the tariff should remain consistent with current practice, and optionality preserved for the administration and delivery of the incentive to program participants.

The third party administrator should also be responsible for the administrative functions of determining program eligibility, application processes, and timelines, as well as verifying production for use in the incentive calculation.

4. Adders

<u>Storage Adder</u>

Storage is a flexible resource that is key to achieving the state's energy policy goals. Behind the meter, customer-sited storage is an efficient, distributed resource that is not rate-based, but can provide benefits to all ratepayers as well as neighborhood-level resiliency. This resource can be called upon through a utility signal with third-party dispatch or, increasingly, can provide autonomous response.

A storage adder could drive deployment and moderate operation (rebate or performance-based incentive tied to solar production) or it could drive ongoing narrow operation (performance-based incentive tied to storage). Until future market opportunities are created, a storage incentive should drive deployment and moderate operation, ensuring that the necessary infrastructure will be in place to advance modern grid goals. This will ensure that Massachusetts has increased renewable integration, energy cost reductions, and greater resiliency.

The markets for storage services, e.g., demand response, ancillary services, etc., are not developed enough for the economic participation of distributed storage. Additionally, an aggregated fleet of distributed storage could be called upon to provide meaningful peak reduction, yet the fleet must be deployed first. Deployment at scale should be the priority of a storage adder. Rather than having prescriptive performance requirements, the adder could require that the storage assets have some minimum level ability to perform.

The most efficient way to drive deployment is through an upfront incentive, such as a rebate, with reasonable performance requirements. The requirements should not be overly prescriptive. Distributed storage is smart and infinitely programmable and will adapt to future economic uses as the markets and policy develop. The second best means of driving deployment is through an incentive pegged to the pv performance.

Both short duration and long duration storage should be encouraged as they provide unique grid benefits. Behind the meter storage should be paired with solar for incentive eligibility to provide the cleanest power to the grid and avoid brown power arbitrage. Further, only a single meter that measures the output of the integrated system should be required.

California, the national leader in storage deployment, has an upfront capacity-based declining block incentive for storage without performance requirements. This provides stability and visibility to the private sector and is driving deployment while DRAM and other markets develop.

The amount of an upfront incentive for storage could increase if the customer opts into a TOU rate or peak-time program, for example. In the near term, driving mass deployment with a rebate or pv performance tied incentive, while developing storage performance through other means is a sound approach.

Thank you for the opportunity to submit these comments.

Sincerely,

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