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October 28, 2016

Sent via email

Commissioner Judith Judson
Massachusetts Department of Energy Resources
100 Cambridge St., Suite 1020
Boston, MA 02114

Re: Preliminary Comments on Next Generation Solar Incentive Straw Proposal

Dear Commissioner Judson,

In response to DOER's solicitation for feedback on the Next Generation Solar Incentive Straw Proposal, Sungevity is pleased to present the following comments for consideration in the development of the new program.

Founded in 2007, Sungevity is a national solar energy provider focused on making it easy and affordable to benefit from solar power. Sungevity works with local installation partners to install all of our projects, supporting small businesses and local employment in every market in which we operate.

Sungevity has been an active participant in the Massachusetts solar market since 2011 and appreciates DOER's diligent work with the SREC I and II programs, as well as this year's emergency regulations. With many key details unresolved regarding this new framework, Sungevity wishes to put forward some overarching concerns and considerations as the process to successfully increase solar deployment moves forward.

As DOER recognizes, the program can be "improved to better control ratepayer costs, while continuing to expand solar deployment" and that "market risk and uncertainty has resulted in higher incentives than necessary".[1] We therefore wish to focus our limited initial comments on these factors contributing to overall market risk and uncertainty, in particular for the under 25kW market segment.

<u>Program ceiling should be flexible, anticipate success, and account for continued growth of the industry</u>

It is the stated objective of DOER to "maintain robust growth across installation sectors"[2] and to "provide economic support and market conditions to maintain and expand PV market in MA".[3] The previous SREC II program lasted for only two years and culminated with the need for emergency regulations to prevent market disruption.

[1] DOER Solar Straw Proposal Briefing from Sept 23, 2016, slide 2
[2] I.d., slide 3
[3] I.d., slide 4

It should be a principle concern of all stakeholders to avoid a similar outcome. The next generation program must account for continued market growth in line with the state's objectives and the potential for pent up demand if there is a gap between programs for larger systems. A well-conceived successor program should have more permanence. Sungevity therefore suggests that a sufficiently high ceiling be implemented or that the program give DOER authority to extend and expand the program as may be necessary based on its success, market factors and market response.

Tariff rates should be reduced on a pre-set time schedule instead of capacity blocks for projects under 25kW

Small residential-scale systems should not be competing for the same capacity allocations as megawatt-scale projects. Additionally, they should not be subject to the often volatile swings in demand that such larger projects can create, especially as caps are approached. At the same time, further compartmentalizing block allocations, first by EDC load share (as suggested by DOER in the straw proposal) and then again by project size could be unnecessarily complex and administratively burdensome for both program participants and administrators.

In order to set signals of market certainty with customers, developers doing a high volume of smaller projects must have reasonable forward market visibility in order to present a coherent offering to customers through the sales and installation cycle. This becomes especially difficult as caps are approached, knowing that sporadic large project demand for capacity can make forecasting the timing of the cap very difficult. This would pose an incredibly difficult task for high volume smaller scale developers to accurately model savings to customers when the underlying tariff is changing potentially rapidly and on unpredictable schedules.

To reduce this market risk and uncertainty, Sungevity suggests eliminating blocks and reducing the tariff rates on a pre-defined time schedule for projects under 25kW. This would give a clear, predictable signal to the market and allow incentives to be set at rates that don't need to be unnecessarily inflated to compensate for uncertainty, better aligning with DOER's objectives.

Given the smaller size and more predictable subscription rates of the under 25kW market segment, the ability to administer and forecast capacity and the future dates at which incentives should drop is more manageable than with other classes of projects. Such a structure could be developed by which the base incentive rate and/or the length for which it is made available can be adjusted based on subscription rates in the lead up to it being made available.

There is precedent for such a program design as this would mirror that of the successful tariff-based Renewable Energy Growth Program in Rhode Island, where small and large scale projects are not competing for the same capacity allocation and tariff rates for their small solar segment are available continuously, historically lasting a full year.

Tariff term lengths should include a 20-year option

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In order to better align with the operational life of a solar system, and to reduce uncertainty related to TBD tariffs that may be available decades down the road, Sungevity would like to see longer 20-year tariff options available. This longer term mirrors standard 20-year PPA and lease terms and will also be necessary in order to allow this new program structure to be compatible with third party ownership financing models.

A reasonable program design element that would mirror the Rhode Island Renewable Energy Growth Program would be to offer two different tariff term lengths with tariff rates adjusted accordingly. This would balance the interests of some customers who may want to see their investment recouped more quickly with the interests of other customers who desire longer-term tariff certainty.

Conclusion

As DOER recognizes, reducing market risk and uncertainty should be a primary design consideration of the next generation solar incentive program, as this brings significant benefits to program participants, program administrators and ratepayers alike. The three key recommendations outlined here would make significant strides towards these goals. Sungevity therefore respectfully urges DOER to consider the merits of these approaches in the development of the new program.

Thank you for your consideration and please feel free to reach out with any questions.

Sincerely,

Hilary Pearson

Hilary Pearson
Director, Government Affairs
Sungevity