NCLC
NATIONAL CONSUMER LAW CENTER

BOSTON HEADQUARTERS
7 Winthrop Square, Boston, MA 02110-1245
Phone: 617-542-8010 • Fax: 617-542-8028

WASHINGTON OFFICE
1001 Connecticut Avenue NW, Suite 510, Washington, DC 20036
Phone: 202-452-6252 • Fax: 202-463-9462

www.nclc.org

COMMENTS OF THE NATIONAL CONSUMER LAW CENTER
ON NEXT GENERATION SOLAR INCENTIVE PROPOSAL
October 28, 2016

The National Consumer Law Center (NCLC), on behalf of its low-income clients, thanks the Department of Energy Resources (DOER) for briefing interested stakeholders on its "Next Generation Solar Incentive Proposal" (Proposal) and for reaching out to NCLC as discussions around the Proposal have proceeded. DOER faces the challenging task of "promot[ing] the orderly transition to a stable and self-sustaining solar market" while doing so "at a reasonable cost to ratepayers."[1] The legislature has mandated that DOER must consider the impact on ratepayers as it develops new incentive policies to promote further growth of renewable energy facilities.

The Commonwealth's promotion of renewable energy resources and efforts to reduce greenhouse gas emissions are commendable and necessary. The planet is warming, dangerously so.[2] As advocates for low-income households, we are well aware that the adverse impacts of climate change – including heat waves and extreme weather events – will heavily burden low-income and minority communities.[3] However, as low-income advocates we at NCLC must also be concerned about the short-term rate impacts that the proposed incentive program will impose.

[1] Acts of 2016, Ch. 75. § 11(b).
[2] NASA, "Global Climate Change," available at: http://climate.nasa.gov/evidence/.
[3] See, for example, "FACT SHEET: What Climate Change Means for Massachusetts and the Northeast," issued in connection with the third U.S. National Climate Assessment (May 6, 2014), available at: https://www.whitehouse.gov/sites/default/files/docs/state-reports/MASSACHUSETTS_NCA_2014.pdf. The Assessment notes: "Heat waves, coastal flooding, and river flooding will pose a growing challenge to the region's environmental, social, and economic systems. This will increase the vulnerability of the region's residents, **especially its most disadvantaged populations**."

In the long run, climate change will create massive disruptions in local weather patterns and food production, and place millions of families at greater risk. In the short run, rising energy prices make it harder for low-income families to keep their lights on and their houses warm. As the legislation directs, DOER must balance the sometimes competing policies of promoting renewables and ensuring rates are reasonable.

Our reading of the Sustainable Energy Advantage Solar Incentive Program Report (SEA Report) reveals little if any analysis of the impact of the proposed program on low-income households. In particular, we see nothing in the SEA Report or DOER stakeholder presentations to suggest that, even with the special incentives included in the "Illustrative Tariff Adder Values," low-income customers who directly pay their electric bills will be able to participate directly in any measurable numbers in renewable projects. We strongly commend DOER for reaching out to the low-income community for comment, and for tailoring incentives specifically for R-2 (discount rate) customers. But too few low-income ratepayers own their home; have a roof properly oriented and in good enough condition to bear solar panels; and have the capital needed to make the up-front investment. Moreover, even if the family met all of those criteria, most low-income homeowners place a higher value on having cash in hand to buy food and pay the mortgage than on investing in long-term energy savings.[4] We see little chance that the incentive adders will actually entice many low-income homeowners to participate directly.

Solar developers in Massachusetts, particularly a notable coterie of non-profit entities, have so far succeeded fairly well in using a community solar approach to provide benefits from renewable projects for the owners and developers of affordable housing. NCLC supports policies proposed by DOER for community shared solar that we hope will continue the growth in this sector of the renewable market. Rent-restricted affordable housing is a vital resource for many low-income families. Providing incentives that will help these housing developments to keep their energy bills down is good public policy. However, to date the community shared solar

[4] An economist would say they have high discount rates.

model has largely not succeeded in delivering energy saving benefits to low-income households who pay their own bills (e.g., R-2/discount rate customers).[5] DOER should not assume that community shared solar will do so in the near future. It is highly unlikely this Next Generation Solar Incentive Program will directly benefit R-2 customers. However, we reiterate our support for targeted incentives that allow community shared solar to provide meaningful benefits for owners/developers of affordable housing.

We also have concerns about the overall costs of the proposed program. We find it hard to quantify the total cost of the solar incentives that DOER is considering, although we believe the total cost to be in the billions of dollars. The SEA Report itself estimates the net present value of the costs, after netting the estimated benefits, to be several hundred million dollars. SEA Report, p. 66, Figure 32, "Net Present Value of Ratepayer Cost by Policy Alternative."

These costs will raise rates. In neighboring Connecticut, solar incentives are significantly lower than the current or even proposed incentives in Massachusetts. While Connecticut has installed only approximately 265 MW of solar[6], its solar programs are newer than those in Massachusetts, and the state is ranked 17th in the country (compared to 6th for Massachusetts) in the amount of solar installed. It is not clear to us why Massachusetts should be providing much more costly incentives than nearby states. NCLC urges DOER to consider whether reducing the incentives being considered in the straw proposal would still allow Massachusetts to continue to grow a strong solar market. We are particularly surprised that DOER is not more seriously considering competitive procurement models for larger solar projects. Competitive procurement has succeeded in Rhode Island and Connecticut in promoting solar projects at much lower cost than DOER is now considering.[7]

---

[5] The lack of success in providing direct benefits to R-2 customers is not due to any lack of good intent on the part of the non-profit community solar developers, but appears to arise from inherent barriers in the way community solar projects can work.

[6] SEIA, "State Solar Policy – Connecticut Solar", available at: http://www.seia.org/state-solar-policy/Connecticut.

[7] The conclusions of the SEA Report may have been biased by what we read as heavy reliance on surveys of market participants. Many of those who are involved in developing solar are not surprisingly averse to marketplace competition, but it is that very competition which is most likely to result in lower costs even as the Commonwealth continues to promote solar.

We also note our opposition to recovery from ratepayers of solar incentive costs through fixed charges, to the extent DOER is considering making such a recommendation to the Department of Public Utilities. As NCLC demonstrated in testimony filed in the recent National Grid rate case (DOU 15-155), fixed charges disproportionately burden low-income and minority households because those households consume fewer kWh — fixed charges would be a larger part of their bills compared to non-low-income households. Fixed charges also diminish the signal that reducing kWh consumption, through energy efficiency investments or installation of renewable resources, makes economic sense.

We thank DOER for the opportunity to be part of these important policy discussions.

Submitted by Charles Harak, Esq.
Manager, NCLC Energy Unit