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October 31, 2016

Michael Judge
Director, Renewable and Alternative Energy Development
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE : DOER Next Generation Solar Incentive

Dear Mr. Judge,

The Office of the Attorney General (“AGO”) appreciates the opportunity to comment on the Department of Energy Resources’ (“DOER”) straw proposal for the next generation solar incentive plan as presented by DOER at a September 23, 2016, stakeholder meeting (“DOER Proposal”).¹ The AGO offers these comments based on the DOER Proposal and a preliminary review of DOER’s consultant’s analysis, *Developing a Post-1,600 MW Solar Incentive Program: Evaluating Needed Incentive Levels and Potential Policy Alternatives*,² released by DOER on October 11, 2016 (“Analysis”).

The purpose of the DOER Proposal is to increase solar installations by providing solar developers with financial certainty through solar incentive payments while recognizing that the

¹ An Act relative to solar energy, St. 2016, c. 75, requires DOER to “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.” Act, sec. 11.

² Prepared for DOER by Sustainable Energy Advantage, LLC, October 11, 2016.

cost of solar development has decreased significantly. Unlike prior programs, the DOER Proposal would determine the amount of the incentive payments via a declining block tariff.

The AGO submits these comments recognizing that the design of the new solar incentive program may change and evolve as stakeholder discussions continue. The AGO commends DOER for its efforts, looks forward to continuing to participate in these discussions, and will provide revised and/or supplemental comments, as necessary.

I. THE COST OF THE DOER PROPOSAL

DOER asserts, and the Analysis assumes, that its Proposal will yield an additional 1600 MW of solar capacity in the Commonwealth. DOER represented at its September stakeholder meeting that this additional capacity could be incentivized at half the cost of the combined SREC and SREC II incentive programs established to spur the same 1600 MW capacity target. Other than this broad statement, neither the DOER Proposal nor the Analysis provide any estimate of the total cost of the DOER Proposal to ratepayers. To offer constructive input on the DOER Proposal design and ultimately support a final design, the electric companies, solar advocates and ratepayers alike need to understand the costs of the various components of the DOER Proposal, as well as the estimated total program costs. As the ratepayer advocate, the AGO is pleased that DOER is focused on reducing costs, but without more data, it is not possible to evaluate whether a fifty percent cost reduction (from the cost of the prior solar incentive programs) is sufficient, or whether further reductions could be achieved through adjustments to different components of the program design.

II. THE ANALYSIS

The AGO strongly supports the continuation of solar incentives to allow the Commonwealth to achieve its Legislative mandate to reduce greenhouse gas emissions and to further diversify electric generation energy resources. The AGO is particularly focused on ensuring that any new incentive program achieves those goals at a cost that is much lower than the cost of prior solar incentive programs.

On initial review, the AGO questions assumptions and conclusions presented in the Analysis. For example, because the Analysis relies on a 2015 wholesale market study completed prior to the enactment of *An Act to promote energy diversity* (“The Act”) in August 2016,³ the wholesale energy values assumed in the Analysis likely are outdated.⁴ The Act required Massachusetts electric distribution companies (“EDCs”) to procure 2800 MW of clean energy. In determining the revenue requirements of solar PV systems, the Analysis looks to wholesale energy values, relying on a 2015 Avoided Cost study. DOER should update the assumptions regarding wholesale energy values presented in the Analysis to include the impact of the Act, since those values likely will be necessary to inform an accurate assessment of total Proposal costs.

III. DECLINING BLOCK TARIFF FRAMEWORK

The AGO supports the move towards a tariff program. A tariff-based program will be flexible enough to capture savings as the cost of solar installations continues to decrease.

³ St. 2016, c. 188

⁴ In making its wholesale energy assumptions, the Analysis relied upon a 2015 avoided cost study. “The projected wholesale energy market prices were trended into the future from the base year using the year-over-year trajectory of Massachusetts wholesale energy prices from the Avoided Energy Supply Costs in New England: 2015 Report (Hornby, et al., 2015).” Analysis, p. x.

Further, because a tariff provides a set revenue stream, a tariff-based program reduces certain solar developers' financing risks, thereby reducing overall program costs.⁵ The AGO also supports linking the solar incentive program and the net metering program.⁶ While these programs are governed by separate statutory provisions, they both seek to incentivize solar and are paid for by ratepayers.

With the shared intent of designing a less costly tariff program, the AGO raises several questions regarding the particular figures assigned to certain DOER Proposal components. The AGO looks forward to discussing these issues with DOER and other stakeholders.

A. BASE RATE TARIFF

As an initial matter, the AGO questions whether the base tariff rates for the separate categories of projects are appropriate. For example, the difference between the highest and lowest base tariff incentive is \$0.20 (\$/kWh). The AGO encourages DOER to provide its justification for how the Analysis supports each of the proposed base tariff incentives as well as the reasons for such a wide range in rates between the different project types. Additional explanation is also needed to support the different treatment in term lengths among differently sized projects. The Analysis appears to conclude that a longer tariff term does not provide annual cost savings for ratepayers sufficient to justify the aggregate cost of the incentive. More specific analysis of the benefits to project development accruing under a 10-year tariff versus a

⁵ The market risks associated with the uncertain price of SRECs/SREC IIs sold on the competitive market have led to higher financing costs, and in turn, higher incentives.

⁶ While each program is treated differently by statute and administrative oversight, the solar incentive and net metering programs are typically used to fund the same projects. In considering these ratepayer-funded programs together, program symmetry can be achieved without legislative action, to the benefit of administrative efficiency, project development and ratepayer savings.

15-year tariff is needed, including assessment of ratepayer costs associated with the different tariff terms under consideration.

B. SCHEDULED BLOCK DECREASE

DOER also should provide data sufficient to demonstrate that the proposed five percent decrease in tariff value from one block to the next declining block accurately reflects installation cost reductions expected over the length of the program. To that end, it is unclear from the Proposal and the Analysis whether the proposed reduction in tariff value between blocks is sufficient to support the investment, or whether further ratepayer savings could be realized, and how that would impact development pace.

Further, a five percent decrease presumes that the initial block values are set at appropriate levels. These initial figures appear to be based on the revenue requirements identified in the Analysis. These revenue requirements were calculated on the basis of a survey of solar developers that DOER conducted to collect data on actual installation costs. Those developers, however, are the very participants that stand to benefit from the Proposal design they are influencing by sharing their installation costs. DOER should confirm whether there was independent verification of the installation costs, and if not, DOER should endeavor to undertake such verification. A third-party verification of costs would aid in the initial design of the tariff block values and provide further confidence in the appropriateness of the five percent decrease. DOER could make available these survey results for public review with developer names and commercially sensitive information redacted. Such transparency could aid in the design of the program and increase confidence in the values assigned to each component of the DOER Proposal.

The use of a competitive bid process to inform solar cost analyses, at least with respect to certain categories of projects, also could provide transparency and improve the Proposal overall. The Analysis dismisses consideration of a competitive bid process with relatively minimal discussion, despite acknowledging that a program based on competitive bids would involve similar costs as a declining block tariff model. Rather, the Analysis' critique of the competitive bidding mechanism relies on solar industry complaints. The DOER Proposal does not include any competitive bidding as part of its incentive design.

Competitive bidding may not be appropriate for all development types, but is finding success in other jurisdictions for larger installations. A competitive bid program could be baked into the declining block tariff program design in ways that DOER should consider. First, as a requirement, any project over a certain size could be required to proceed via a competitive bid managed by the utility. Alternatively, a certain percentage of capacity could be held aside for competitive bidding. Limiting competitive bidding to only a portion of the capacity of the program provides middle ground for those seeking transparency of system costs while recognizing concerns raised by the industry, in particular the impact of a speculative bid process on financing and customer partnerships. The AGO urges DOER to consider such a compromise in order to provide current and verifiable data on system costs for the benefit of the overall incentive program design. These data then could be used to benchmark appropriate tariff adjustments, when necessary.

Regardless of the means, the AGO encourages the development of a mechanism to adjust tariff values if capacity blocks subscribe faster or slower than anticipated.

C. RESERVED CAPACITY

The DOER Proposal presents the possibility of capacity set-asides within each block. Determining the project types that should benefit from further programmatic special treatment requires further discussion. Residential and small commercial rooftop, low income and community shared projects are all potential choices. Also to be determined is whether such set-asides should apply in each block, or only in the first few blocks.

D. COST SAFEGUARDS

Finally, the Proposal design should include mechanisms to avoid system gaming, a problem seen in previous programs.⁷ In the net metering program, the Department of Public Utilities (“DPU” or “the Department”) implemented program design safeguards designed to close loopholes that would otherwise lead to gaming. The net metering safeguards may provide DOER with some guidance as it designs its solar program.

IV. **TARIFF ADDERS**

The DOER Proposal includes three categories of tariff adder values for different policy-driven goals: location based adders; off-taker based adders; and policy based adders. DOER appears to have offered these adders to incentivize particular project types, compensate for higher development costs, or both. Within each category, the illustrative incentive values vary based on project type. Unlike the SREC II program, under the DOER Proposal, adders can be

⁷ See, e.g., *Inquiry into Net Metering and Interconnection of Distributed Generation*, D.P.U. 11-11-C, pp. 19, 23 (August 24, 2012) (establishing a three-factor definition of a net metering facility in order to prevent unfair manipulations of the regulatory system). See also, e.g., 225 C.M.R. 14.05(4)(m)(3) (June 7, 2013) and *RPS Solar Carve Out II Assurance of Qualification Guideline*, §4(A)(3) (April 25, 2014) (requiring systems over 25 kW to have all non-ministerial permits before receiving an assurance of qualification in order to allocate capacity to more advanced projects).

combined from different categories in order to “encourage optimal siting of projects and further policy goals.” While the current adder values are somewhat illustrative and not necessarily final, the adders range from an additional \$0.02/kWh to \$0.06/kWh. If projects were to qualify for adders under all three categories, the added incentive could range from \$0.09/kWh to a maximum of \$0.18/kWh⁸ on top of the guaranteed tariff payment.

For example, using the illustrative tariff values found in the DOER Proposal, a 2 MW qualifying facility (“QF”) would earn a guaranteed tariff payment of \$0.15/kWh (minus the value of energy sold). As a QF, the project would be eligible for a \$0.05/kWh adder as a non-net metered facility. If the project also were a solar canopy that qualified as a low income community-shared solar project with the minimum required number of R-2 customers as offtakers, the adders would total \$0.15/kWh, for a total incentive payment of \$0.30/kWh. Because many developers likely will strive to maximize the value of their projects via a combination of adders, it is essential that DOER carefully consider the adder project types, the adder values available, and the ability for projects to combine multiple adders.

In considering the structure and amounts of these adders, the AGO urges DOER to balance the encouraged behavior against the costs borne by other ratepayers. As an initial matter, the AGO, in the interest of limiting the monetary impacts of the adders on ratepayers, suggests that DOER carefully examine the number of adders and the adder categories for which a project may qualify. While it is important to incentivize certain project types, DOER should provide clear data that support the aggregate incentive amounts that may be available to projects that qualify for multiple adders so projects are not being over-incentivized at a negative cost-benefit to other ratepayers.

⁸ If all offtakers were R-2 customers taking advantage of the low income community shared solar adder.

A. OFFTAKER BASED ADDERS

The AGO strongly supports DOER's efforts to expand access to the benefits of solar projects to low income customers and those ratepayers without the means or suitable property assets to pay for their own solar. The AGO supports equal access to the Commonwealth's solar programs for all customers, but recognizes that some customers, including low income customers, renters, and apartment and condo-dwellers, need additional incentives and mechanisms to achieve equal access. The AGO is encouraged by the creative solutions to solar access barriers included in the DOER Proposal.

1. LOW INCOME COMMUNITY SHARED SOLAR ADDER

As currently proposed, the low income community shared solar adder requires that at least 25 percent of the project's offtakers be R-2 customers, with an additional adder of \$0.01/kWh for each additional 25 percent of offtakers on the R-2 rate. The AGO recognizes that the adder is, in part, a recognition of the potential additional financing risks and project management costs in committing to this type of development. However, given that the base adder value for this project type, \$0.06/kWh, is the highest of any adder, it is important that the goal of maximizing access and benefits to solar projects for low income customers is being properly incentivized. The AGO believes that requiring only 25 percent of offtakers to be customers on the R-2 rate may be too low a threshold to ensure that projects receiving this generous adder are truly being constructed and designed for the benefit of the low income offtakers. Such a requirement would mean that a project with 75 percent of its offtakers on rates other than the R-2 rate could qualify for an additional \$0.02/kWh.

In order to properly incentivize the development of solar projects that maximize benefits for low income customer and to discourage non-low income customers from taking advantage of

this generous adder, the AGO encourages DOER to consider lowering the base level adder for those low-income community shared solar projects with a minimum 25 percent R-2 offtakers, as the adder increases accordingly as the percentage of R-2 offtakers increases. Alternatively, DOER could set a higher threshold for the percentage of R-2 offtakers required in order to qualify for this adder. Increasing the threshold adder would benefit more electric consumers otherwise unable to directly benefit in solar, though the AGO recognizes there is a balance to find in financing such projects. The Analysis does not offer data sufficient to fully analyze the choices presented herein. In an effort to strike the balance the AGO seeks, DOER could further encourage the development of low income community shared solar projects by setting aside a set amount of capacity in each declining block for qualifying projects.

2. COMMUNITY SHARED SOLAR DEFINITION

DOER proposes to modify the definition of a Community Shared Solar Generation Unit to allow for retail electricity supply contracts to be used as an alternative delivery mechanism to net metering. The AGO understands that the addition of retail electricity supply contracts to the definition of a Community Shared Solar Generation Unit is meant to recognize that, for the purposes of the DOER Proposal, such contracts are effectively operating in the same manner as net metering contracts.

The suggested modification of the “Community Shared Solar Generation Unit” definition seeks to even the playing field for retail competitive suppliers to offer a solar product to their customers. Under the current SREC II program, the definition prevented competitive suppliers from receiving the full Market Sector A SREC Factor for such a project. Under the DOER Proposal, however, the project may be kept whole without changing the definition of

“Community Shared Solar Generation Unit” because the project would qualify for another adder not available to Community Shared Solar – the non-net metered adder.

Many competitive suppliers already build non-net metered solar projects and offer access to the electricity supply from those projects to their customers as part of their product offerings. Competitive suppliers offer a fixed or variable price product to their customers via a retail supply contract and do not participate in a net metering program. These projects would qualify for the non-net metered adder just by virtue of the retail supply business model. Thus, under DOER’s Proposal, these competitive supplier projects would be eligible for the proposed non-net metered adder of \$0.05/kWh, as well as an off-taker based adder of either \$0.04/kWh for a typical community shared solar project, or a minimum of \$0.06/kWh for a low income community shared solar project. Therefore, changing the “Community Shared Solar Generation Unit” definition will not level the playing field, but will give competitive suppliers an unwarranted competitive advantage. Unlike competitive suppliers, in order for a typical community shared solar project to benefit low income or community shared solar customers, developers offer a benefit to their customers via a net metering credit on their electricity bills, making them ineligible for the non-net metered adder. Before changing this definition, DOER should consider whether the totality of adders for projects sponsored by competitive suppliers places them on equal footing with those sponsored by non-retail electric suppliers.

The AGO is further concerned that if DOER modifies the definition of “Community Shared Solar Generation Unit,” competitive suppliers will, as part of their line of products, market to their customers the “green energy” associated with a solar project. Typically, if a competitive supplier were to retire the Class I RECs associated with its solar project in satisfaction of its Class I RPS obligation, the energy supplied to community shared solar

customers would accurately be offered to consumers as a “green” product. However, under the DOER Proposal, during the term length of the Solar Incentive Tariff, all facilities are required to transfer the rights to associated environmental attributes to the utilities. Thus, the competitive supplies cannot retire the Class I RECs produced nor can they claim a “green energy” product. This could potentially lead to misleading marketing to consumers interested in taking advantage of green products. This can be avoided, in part, with clear language in DOER regulations and the tariff itself with respect to the transfer of environmental attributes.

Finally, the AGO is concerned that changing the Community Shared Solar Generation Unit definition will create uncertainty when verifying the benefits accruing to low income and traditional community shared solar customers that enter into contracts with competitive suppliers. Because there will be no Schedule Z associated with these non-net metered projects, there are questions as to whether DOER will be able to easily verify that the benefits of community shared solar projects involving competitive supply contracts are in fact accruing to the “offtakers” of such projects. The AGO encourages DOER to require a verifiable mechanism by which competitive suppliers demonstrate to DOER that customers are directly benefitting from a project that receives the adder.

The AGO recommends that DOER carefully consider these issues in considering whether it is necessary to modify the definition of a Community Shared Solar Generation Unit to include retail supply contracts, and whether such projects should be allowed to qualify for both non-net metered and community shared solar or low income community shared solar adders.

B. LOCATION BASED ADDERS

1. SOLAR CANOPIES AND BROWNFIELD/LANDFILL ADDERS

Under the DOER Proposal, solar canopy projects would receive an adder of \$0.04/kWh, while solar facilities constructed on a brownfield or landfill would receive an adder of \$0.03/kWh. Both solar canopy facilities and solar facilities located on brownfields and landfills have higher construction costs than traditional ground-mounted solar facilities. Because construction of a solar facility on a brownfield or landfill requires extensive permitting, site remediation costs, etc., it may cost less to construct a solar canopy facility on a site such as a parking lot or farm than a landfill or brownfield. Additionally, there are many benefits to constructing solar facilities on landfills or brownfield sites that might otherwise not be put to productive use. Accordingly, the AGO recommends that the tariff adder values for solar facilities located on a brownfield or landfill and solar canopy facilities be set at an equal value.

2. BUILDING MOUNTED ADDER

The DOER Proposal includes an illustrative tariff adder value for building mounted solar facilities of \$0.02/kWh. Presumably, this adder is meant to incentivize the construction of solar facilities that are designed to serve onsite load demands and that utilize rooftop space as opposed to greenfield space. A large portion of building mounted facilities are small residential facilities. These facilities are inherently designed to serve primarily onsite load and would likely not be constructed as ground-mounted facilities in the absence of an added incentive. The highest proposed base tariff payment is for small systems with a capacity of less than 25 kW. Given that the vast majority of residential solar facilities are building mounted facilities with a capacity of less than 25 kW, almost all residential solar facilities will fall under the proposed small system tariff. Because these residential facilities will already be receiving the most generous tariff

payment and otherwise do not need an additional incentive to construct on buildings or serve onsite load, residential rooftop solar facilities should be excluded from eligibility for this adder.

C. POLICY BASED ADDERS

1. ENERGY STORAGE ADDERS

DOER proposes different tariff adder values for behind-the-meter energy storage and standalone solar plus energy storage. As proposed, solar facilities with behind-the-meter energy storage would receive an adder of \$0.03/kWh, while standalone solar facilities with energy storage would receive an adder of \$0.05/kWh. While the addition of storage to standalone solar facilities may offset some of the strain placed on the grid by such projects, behind-the-meter projects with a minimum amount of onsite load inherently avoid such grid impacts and should be equally incentivized. Offering a more valuable adder to standalone projects likely would incentivize more standalone projects than behind-the-meter projects while not necessarily ensuring that the storage associated with the standalone projects would fully alleviate the demand placed on the grid by those projects. Accordingly, the AGO suggests that DOER consider whether the adders offered to these two project types should be of equal value.

2. NON-NET METERED ADDER

The DOER Proposal includes a tariff adder value for non-net metered solar facilities of \$0.05/kWh, one of the most generous adders. The AGO understands and supports DOER's desire to develop a solar incentive program that is not dependent on the future of the Commonwealth's net metering program and that provides a level playing field for net metered facilities and non-net metered facilities. However, the AGO is not convinced that (1) an adder is necessary to further incentivize the construction of non-net metered facilities; or (2) whether the benefits of lower net metering participation would outweigh the additional costs of the adder.

First, because the proposed incentive program does not account for avoided net metering costs, under the DOER Proposal non-metered projects may end up with a better revenue stream than net metered projects, even without the adder. This may provide adequate incentive for project developers to opt-out of the net metering program, even without receiving an adder.

Currently, non-net metered solar projects receive energy payments at either the QF rate or as ISO-NE Market Participants, significantly lower rates than the net metering rate. However, today, a non-metered solar project receives the same SREC or SREC II credit revenues regardless of how much the project earns in energy revenues.

Under DOER's Proposal, the amount of the tariff incentive would vary depending on how much the project earns in QF or market energy sales. Ultimately, without an adder, the revenue stream for non-net metered projects and net metered projects would be the same; in each case, the tariff incentive plus their energy sales will equal the tariff payment. The only difference between the two types of projects would be the proportion of the tariff payment that is met by energy sales (via net metering credits for net metered facilities and QF payments or Market Participant sales for non-net metered facilities) and the proportion met by the tariff incentive. While it is true that ratepayers will pay for both net metering credit and tariff incentive reconciliation charges, in incentivizing non-net metered projects, there will be a shift in the proportional share of costs paid directly by ratepayers for the tariff incentive. Incentivizing that proportional cost shift must be justified by ratepayer benefits that need further exploration.

Moreover, the calculation of the tariff payment does not account for the avoided net metering costs for non-net metering projects. Net metering facilities must work through necessary proceedings or administrative paperwork with distribution companies, customers and often the Department in order to fully qualify and participate in the credit program. All net

metering facilities must work with the distribution companies to submit an application for a cap allocation to the System of Assurance. On the occasion when there are project off-takers, facility Host Customers must prepare and submit a Schedule Z to the distribution company. Projects requiring exceptions to the Commonwealth's net metering rules and regulations must file a petition with the Department, resulting in possible project delays and additional legal costs, not to mention uncertainty as to whether the project will be granted such an exception. Finally, net metering customers must comply with net metering rules and regulations, including limits on project sizes for private facilities, limits on transferring net metering credits across ISO-NE load zones, and applicable net metering cap restrictions.

In addition, as DOER has pointed out, the future of the Commonwealth's net metering program is somewhat uncertain. If non-metered projects' total revenue stream without the adder (tariff incentive + savings from avoided net metering costs + energy sales) is better than net-metering projects, it is possible that project developers would be motivated to opt-out of the net metering program, even without an adder.⁹

Second, because projects may already be motivated to opt-out of net metering without the adder, it is unclear how many additional projects would opt out of net metering because of the adder (i.e., would not opt out absent the adder). If the adder would incentivize additional projects to opt out, DOER should consider whether, in this circumstance, ratepayers would actually benefit from the decrease in net metering projects. Including the generous tariff value adder for non-net metered projects could significantly increase the cost of the solar incentive program. It is unclear whether these costs borne by ratepayers would be justified by the benefits ratepayers would receive by having fewer net metering projects.

⁹ The AGO recognizes that developers opting out of the net metering program forgo the revenue stream from credit payments at the conclusion of the tariff payment term which impacts their business case calculation.

Thus, the AGO recommends that before including an adder for non-net metered projects, DOER consider whether the adder (1) is necessary to decrease net metering participation; (2) would incrementally increase the number of projects opting-out of net metering; and, if so, whether the ratepayer benefits of any such decrease would outweigh the costs of the adder. If DOER determines that an adder is necessary and beneficial for ratepayers, DOER should set the adder at a value that reflects the potential benefits to ratepayers that may accumulate from lower participation in the net metering program over time versus the costs of a higher percentage of non-net metered projects receiving incentive payments (tariff payment + the adder).

V. CLASS I REC TREATMENT

DOER's Proposal appears to create a new program to incentivize additional installation of solar PV in the Commonwealth, which in turn will supplement the Class I RECs available for EDCs to use in meeting their Class I obligation of the Renewable Portfolio Standard ("RPS"). The AGO understands the DOER Proposal will not create a new subset of Class I RECs, as was done with SREC and SREC II.¹⁰ Rather, the EDCs will be required to purchase, via tariff, the environmental attributes of the solar generation unit to be minted at the NEPOOL GIS as a Class I certificate. DOER will be directing the EDCs to purchase an above-market product that could otherwise be purchased in the competitive market from another resource at a potentially lower cost. As an illustrative example, under DOER's Proposal, an EDC could purchase 90 percent of its Class I RECs via traditional markets at appropriately \$60/REC, but would be required to purchase the remaining 10 percent via tariff, at an average of \$150/REC. To address these concerns, clarity is needed as to how the Department should conduct its annual review of an

¹⁰ GL ch. 25A, §11F, 225 CMR 14.00

EDC's program costs when there may be two significantly different costs associated with the same product. Any model tariff should recognize this issue and establish an appropriate review process and standard of review.

The difference in Class I REC purchase prices may be further exacerbated from EDC to EDC if solar development under the tariff program proceeds more rapidly in one EDC service territory than another, causing blocks to fill and confusion in the market as to incentive tariffs being offered. Indeed, there may be times when one EDC is purchasing more Class I RECs via a solar tariff (at a higher rate) than its counterparts, creating a disparity between service territories. The Act requires that the costs of the statewide program be shared among all ratepayers of the distribution companies.¹¹ DOER's new program should include safeguards that limit disparities in development and/or program costs between EDC service territories and create a true statewide program.

VI. PROGRAM DESIGN PROCESS

In order to implement its proposal, DOER plans to (1) issue its own emergency regulations; (2) obtain approval of a model tariff from the Department; and (3) have each EDC file its own tariff (based on the model tariff) with the Department. To obtain Department approval of the model tariff, DOER proposes that the EDCs file a joint model tariff with the Department consistent with the regulations DOER will issue for the new incentive program.

The AGO appreciates that DOER has constituted a stakeholder working group that is tasked with considering the process involved in implementing the DOER Proposal. The AGO urges this group to carefully consider the respective roles that DOER and the Department will

¹¹ St. 2016, c. 75, §11(b)(xi).

play in the implementation process. It will be important to distinguish between DOER's role in developing and implementing the program and the Department's role in reviewing proposed tariffs and the associated cost recovery mechanisms.

From the AGO's perspective, one of the most important issues to be considered by DOER and the tariff stakeholder working groups is the appropriate forum for examining the underlying calculations and assumptions used to determine the incentives and adder amounts. In order to protect stakeholder and ratepayer interests, it is vital that there be an opportunity for stakeholders to question and provide input on the proposed incentive and adder values. The AGO appreciates the opportunity to participate in the stakeholder working group discussions and looks forward to continued discussions regarding the best way to implement the DOER Proposal.

As DOER considers the process by which it will implement its Proposal, the AGO urges it to clearly define the effective date of the new incentive program, consistent with the intent of Section 11(a) of the Act. DOER should draw a clear line between projects "qualified pursuant to" the SREC programs and the new incentive program. There also should be a clear cutoff date for projects that qualified under the SREC II program, but that may finalize construction and are ready to interconnect after the qualification date for the new incentive program, to withdraw from SREC II and switch to the new incentive program.

The AGO encourages DOER, stakeholders and, eventually, the Department to act thoughtfully to design and implement this program quickly. The AGO offers its continued support in achieving completion of program design and implementation. Ratepayers will continue to pay the high costs of the SREC II program through at least 2027. The AGO encourages the swift implementation of this new program so as to avoid an extension of the more expensive SREC II. DOER and stakeholders have already demonstrated their willingness to

work diligently toward the development of a successful new program. With that, the AGO is hopeful that the program design can be sufficiently agreed upon before the start of 2017 so that project development can begin under the framework of the new incentive mechanism rather than under the continuation of higher-cost SREC II. Further, ratepayers will benefit from a new program locked into reducing costs over time, rather than extending SREC II or creating a temporary bridge program between SREC II and the new incentive program.

Overall, the AGO is encouraged and excited by the opportunity to join with DOER and the many stakeholders in developing this new solar incentive program. This program has the opportunity to build on the successes of the Massachusetts solar market in providing energy choices to consumers, economic opportunities for skilled workers, climate protection, and an advanced grid for all electric users. Importantly, keeping these goals in mind, program design also must reduce ratepayer costs and maximize benefits for all ratepayers. With a balanced program, Massachusetts will continue to lead the nation.

Respectfully submitted,
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/s/ Elizabeth Mahony

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