



Massachusetts Department of Energy Resources (DOER)

Next Generation Solar Incentive Straw Proposal

Comments of the Massachusetts Municipal Wholesale Electric Company (MMWEC)

October 28, 2016

MMWEC appreciates the opportunity to offer comments on DOER's Next Generation Solar Incentive Straw Proposal. As MMWEC understands, the Straw Proposal would replace the existing incentive structure, which relies generally upon net metering credits and the sale of Solar Renewable Energy Certificates (SRECs), with a new structure that relies upon tariff-based incentives. This takes the Commonwealth's solar incentive program, which has evolved since being introduced in 2008, in an entirely new direction.

MMWEC shares DOER's goal of promoting cost-effective solar development in the Commonwealth and we look forward to continuing to collaborate with DOER on ways to support the Department's objectives. We are proud of our track record and by next year expect there to be more than 45 megawatts of solar capacity in the 20 MMWEC Member Municipal Light Plant (MLP) service territories alone. With an overall power supply that is more than 43% carbon-free, the MMWEC/MLP commitment to a clean energy future for Massachusetts is clear. The challenge lying ahead is to find ways to continue to incentivize solar development in MLP service territories, without unduly impacting MLP ratepayers or compromising effective local control. Given the diversity of MLPs and their communities and the statutory limitations on DOER to mandate MLP participation, a uniform statewide tariff-based incentive program is not appropriate for MMWEC's Members. MMWEC and MLPs have a history, however, of creating effective solar incentive initiatives that complement DOER's statewide programs, and we anticipate similar success with the next generation solar incentive program at hand.

Who We Are

MMWEC is the Joint Action Agency for Massachusetts municipal utilities, established as a not-for-profit, public corporation and political subdivision of the Commonwealth by an Act of the General Court in 1975. Twenty of the not-for-profit, consumer-owned Massachusetts MLPs are Members of the MMWEC organization, and 28 are Project Participants in various MMWEC-owned generating assets. MMWEC provides a variety of energy, power supply, financial, risk management and other strategic services to its Member utilities, including ownership, operation and management of electric power facilities. As a catalyst in bringing green energy technology to its Member utilities, MMWEC has performed various functions in the development of numerous MLP renewable energy projects and programs. Efforts include MMWEC's Solar Photovoltaic Energy Program, various renewable project financing initiatives, and the development of wind energy projects like the Berkshire Wind Power Project, which at 10 turbines and 15 megawatts is the second largest operating wind farm in Massachusetts.



Our Green Energy Commitment

Today, solar projects with a capacity of more than 45 megawatts are operating or under development in the 20 MMWEC Member MLP service territories. There are nearly 120 solar projects in the MMWEC Solar Aggregate, most of them residential, with a capacity of more than 2.5 megawatts. MMWEC believes that a similar level of solar development is taking place in the 20 non-MMWEC Member MLP territories.

With Massachusetts energy policy focused on developing a low-carbon power supply, the power supply of MMWEC's 20 Member utilities is more than 43% carbon-free. As compared to the New England region as a whole, the MMWEC/MLP power supply is about 40% cleaner than all of the generating resources serving New England.

These numbers include the MLP entitlements to the Seabrook and Millstone Unit 3 nuclear resources owned by MMWEC, but even without nuclear, the carbon-free numbers are approximately 18% for MMWEC's Members and 16.6%, according to MEAM, for all 40 MLPs.

The DOER presentation notes that implementation of a tariff-based incentive would "leave MLPs and their customers without access to any statewide solar incentive beyond Class I RECs." This is true and will affect solar development in MLP service territories, but MLPs and their customers would continue to have access to locally approved incentives that are not part of a statewide program.

Currently, MLPs and their customers with solar resources are able to generate and sell SRECs to incentivize solar development. Elimination of the statewide SREC incentive would remove a significant source of revenue to incentivize solar development in MLP communities. However, many MLPs also provide solar incentives developed at the local level that would not disappear if the Commonwealth moves to a tariff-based incentive program. For example, a number of MLPs provide net metering credit to their solar customers and/or rebates for solar development. These and other potential incentives would not be affected by changes in the state program.

In addition, solar developers are attracted to MLP territories by an easier path for project development. This stems from a more coordinated and streamlined development process that includes expedited site plan review, low-cost electrical interconnections, debt financing and other creative, often customized agreements. Significantly lower interconnection costs, coupled with a quicker review period, are important advantages in developing projects in MLP territories versus investor-owned utility territories.

The point is that MLPs, many with the assistance of MMWEC, have and continue to use their local decision-making authority to stay in step with the Commonwealth's solar energy policies and are contributing significantly to achievement of the Commonwealth's renewable and clean energy goals. The same social, political, economic and customer pressures that are driving development of the Commonwealth's energy policies are present in MLP communities. MLP light boards and commissions are not isolated from these pressures, and they are responding to their customers' calls for increased involvement in clean, renewable and innovative energy initiatives.



Unique Considerations

The public power business model includes local control over decisions that affect the reliability, cost and environmental impacts of electric service, exercised by locally elected or appointed municipal utility officials. In constructing energy policy for the Commonwealth, state legislators and regulators generally defer to the local decision-making authority of municipal utility officials, who are answerable directly to the customers they serve in open public meetings. This is arguably the most direct and effective method of regulation.

In the absence of local control, the private, for-profit investor-owned utilities are subject to state and federal regulations governing their rates and service. These regulations include mandates to meet renewable portfolio standards, customer surcharges to finance renewable and energy efficiency initiatives, and the application of certain tariffs, such as the solar tariff proposed here by DOER.

Under state laws that recognize the local decision-making authority of MLPs, MLPs generally are not subject to such regulation. MMWEC believes that statutory authority does not exist to subject MLPs to the solar tariff proposed by DOER. MMWEC understands that this issue will be addressed further in comments from the Municipal Electric Association of Massachusetts (MEAM) and we urge you to consult their comments for further elaboration of this position.

The MLP brand of commitment to clean, renewable energy is different from state-mandated initiatives and may vary from community to community, depending upon many different factors, including each MLP's customer base, existing resource mix and future power requirements. For example, solar resources in one MLP community already meet approximately 13% of the utility's demand, leaving little room to add additional solar power to the energy mix without jeopardizing reliability. Depending upon their current portfolio, land availability and other factors, other MLPs may have the capacity to accommodate varying amounts of additional solar energy. **Due to these variations, a one-size-fits-all tariff incentive for solar development would not produce the desired results and could even cause harm in terms of reliability and cost in MLP communities.**

As the state's solar incentive program has evolved over the years since 2008, so have the MMWEC and MLP programs that are designed to accommodate customer calls for solar energy while keeping in step with state energy policies. With the state incentive program changing again, as it has in the past, MMWEC is working with its Member utilities to develop solar incentive alternatives that meet the various requirements of individual MLPs.

Yes, loss of the SREC incentive would be a blow to all MLPs and their solar customers, but all MLPs have demonstrated their capability to develop new programs and incentives to meet their customers' needs. MLPs have kept pace and in many cases led the way in the development of clean and renewable energy for the Commonwealth, all without mandate to do so. MMWEC believes that this record of success, coupled with quality, reliable service and competitive rates, validates the MLP business model, which is based upon local control and not-for-profit operations.



History of Collaboration

It is important for all stakeholders to understand that MMWEC and our Member MLPs have embraced the Commonwealth's clean and renewable energy policies, without any mandate to do so. And they have done so while continuing to set the standard for excellence in reliable electric service and competitive rates.

To illustrate this point, specifically with respect to solar energy, recall implementation of the Patrick Administration's Commonwealth Solar program in 2008, the state's first solar development incentive program. This program provided rebates to photovoltaic projects, with the size of the rebate depending upon the size of the project. The rebates were funded by the Massachusetts Renewable Energy Trust, with revenue generated by a mandatory surcharge on investor-owned utility customer bills, and by the Alternative Compliance Payments made by investor-owned utilities.

Because MLPs did not contribute to the Renewable Energy Trust or make Alternative Compliance Payments, MLP customers were not eligible for rebates under the Commonwealth Solar program. By mid-2008, working with the DOER, MMWEC had developed a turnkey solar development program for MLPs and their customers. In fact, DOER reached out and was working together with MMWEC from the onset of the Commonwealth Solar program to explore options for MLP participation, in large part to support the developing solar/renewable energy businesses in Massachusetts.

Using all Massachusetts-based products and services, the MMWEC program offered one-stop solar project shopping for MLPs and their customers, who could purchase solar energy panels, electric current inverters and installation services through a single contract with MMWEC. In conjunction with local MLP solar incentives, the MMWEC program offered a streamlined and cost-effective method for MLPs to develop the potential for solar energy within their communities.

The MMWEC program was developed with the support of and praised by then-Secretary of Energy and Environmental Affairs Ian Bowles, who commended the program for its support of in-state renewable energy businesses and its potential for bringing additional solar energy projects into operation.

In 2010, the Commonwealth Solar program changed to incorporate a development incentive based upon the production and sale of the SRECs. While MLP-based projects were not eligible for the state rebates, they were eligible to participate in the SREC initiative. To qualify for and sell SRECs, projects are required to meet a series of registration, production verification and other requirements.

In order to help MLPs and their customers capture the benefits of the SREC initiative, MMWEC started providing a range of project qualification and registration assistance. It also received DOER approval as an SREC aggregator for MLPs, enabling MMWEC to aggregate and sell in bulk the SRECs created by solar projects in MLP communities. These services are provided at cost, delivering additional savings for those projects.



Next Steps

MMWEC would welcome a cooperative and collaborative process that involves individual MLPs, MMWEC, MEAM, and other stakeholders working together to ensure the needs of our Members and their customers continue to be addressed as the Commonwealth's solar program enters this new phase. This process has worked for MMWEC and the Commonwealth in the past, and there is no reason to believe it will not work in this case. We appreciate the productive and ongoing communication we have with DOER, and believe it can be a good starting point for conversations about this particular issue.

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