



Dedicated to Building a Sustainable Future

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October 28, 2016

Mr. Michael Judge
Director
Renewable and Alternative Energy Division
Massachusetts Department of Energy Resources

Dear Michael:

I am writing to offer comments and suggestions and to seek clarification regarding the straw proposal for a successor program to the SREC II solar incentive program.

Advanced Solar Products is a member of SEBANE, and I have been involved in helping in the formulation of SEBANE analysis and positions for many years, as well as involvement in MA solar policy before SEBANE existed. As President and co-founder of MSEIA, the Mid-Atlantic Solar Energy Industries Association, I have also been involved for decades in the analysis, formulation, and advocacy of solar energy policy in New Jersey, Pennsylvania, and Delaware, having been called “The founding father of solar energy legislation in New Jersey (NY Times Magazine) and one of the “Top Ten Movers & Shakers Influencing Energy Policy in New Jersey” (NJ Spotlight). Having worked on and formulated a frighteningly large variety of solar incentive schemes, I personally believe that the straw proposal for a successor program that you and your Division have put together is innovative, and potentially could add a valuable new twist on the solar energy incentive question. Of course, since your successor program will influence billions of dollars of investment and billions of dollars of ratepayer costs, it is vitally important to “sweat the details”, especially when the program is new and has little in the way of precedent to draw upon.

My comments, suggestions, and questions cover topics outside those covered well by the comments sent separately by SEBANE.

1. Calculation of energy value for behind-the-meter solar: I was not certain how to understand the straw proposal’s description of the tariff payment calculation. Specifically, how exactly is the credit for the value of energy to be calculated, so that it can be subtracted from the tariff? It would seem that the process of trying to calculate the energy value to subtract from the tariff could be very onerous and complicated for projects connected behind the meter. According to the straw proposal, DOER foresees the hiring of a manager to conduct the program. But trying to understand every detail of every customer’s bill in order to make this calculation accurately seems like a daunting and expensive task.

I have a suggestion for consideration regarding the calculation of the energy value for behind-the-meter installs. It is to have the electric distribution company perform a second billing calculation each time they send the customer a bill. The bill they send the customer represents the meter reading taken from the customer meter. That meter reading in turn represents the total usage of the facility minus the solar production for that period. My suggestion is that the utility company also calculate a second, “theoretical” bill amount, representing what the bill would be with a total usage equal to the customer meter reading plus the solar meter reading. Thus, the second bill calculation reflects the total usage in the facility during the billing period. The difference between the second bill calculation and the actual customer bill would be the exact value created by the solar energy generated during the period. The utility company would report the actual bill amount, the second, theoretical bill amount, and the difference (the energy value of the solar generation) to the program manager for calculating the net tariff payment.

Since the utility companies perform the bill calculations in a highly automated and high-volume fashion, and are of necessity the definitive experts on how to bill, I believe that calculating the energy value this way would be both highly efficient and accurate. This could reduce the administrative cost of the program, reduce uncertainty, and perhaps accelerate the startup of the new program.

By the way, I think it is helpful to think of the net payment of the tariff (after subtracting the energy value) as the attribute value of the solar power (similar to the way the SREC represents the attribute value of the solar power now).

2. Source of funds and mechanism for payment: This is really a question, or request for clarification. First, what is the source of funds for tariff payments to solar generators? Will utility companies make the payments and pass them on to ratepayers as a direct pass-through? Or will there be a societal benefit charge on customer bills with funds going into a special account? If there is a special account, who will keep the account? Who will perform the tariff payments to solar generators? Additionally, what will provide security for investors that a 15 year fixed price tariff will remain fixed? Will it be a PSC order, or both an order and a legislative clause (like the New Jersey Offshore Wind Development Act clause re. ORECs)? By the way, New Jersey ORECs are defined in a way that is somewhat similar to your proposed tariff.

3. The tariff as a bundled energy + attribute payment: This suggestion for discussion departs somewhat from the mechanism as described in the straw proposal. It is similar to the idea presented in No. 1, above. The suggestion is that the utility will calculate the customer bill the same way that in No. 1, above, it calculated the “theoretical” second billing amount. In other words, the utility would add the meter readings for the customer meter and the solar meter, and bill the customer according to the total of the two. Then the solar generator would be paid the total tariff price for the solar generation as shown on the solar meter.

In this way, the customer is, in effect, paying a bill representing its total usage for the period, and utility is, in effect, paying the solar generator for the total value of the solar generation (energy + attributes). The utility benefits because it does not sacrifice throughput when a solar system is installed, and need not worry about lost revenue. It is simply buying solar power instead of other electric power sources, at a rate established by tariff. The calculations are also simplified.

In third-party ownership situations with behind-the-meter connection, the third party would not then be selling power to the host site through a PPA, but rather would offer a lease payment for the roof or ground as a way to compensate the host site owner.

The construction of solar systems on buildings with large roofs, but low load, would be simplified in this scheme. The annual usage of the facility would not matter.

It would be necessary to explore whether there would be tax implications for homeowners directly purchasing the solar system under this scenario.

I greatly appreciate the opportunity to submit these comments and questions, and I complement you and your Division for the hard work, open-minded approach, innovative thinking, and collaborative approach that are evident in this process.

Sincerely,

A handwritten signature in black ink, reading "Lyle K. Rawlings". The signature is written in a cursive, flowing style with a large initial "L".

Lyle K. Rawlings, P.E.
President & CEO