

August 26, 2013

Massachusetts Department of Energy Resources via e-mail to DOER.SREC@state.ma.us
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Comments regarding the August 12, 2013 DOER Proposal for SREC II

On behalf of Consolidated Edison Solutions, Inc. (“CES”) and Consolidated Edison Development, Inc. (“CED”) (collectively the “Con Edison Companies”), I am writing to provide comments in response to a proposal dated August 12, 2013 (“August 12 Proposal”) from Massachusetts Department of Energy Resources (“MA DOER”) on proposed changes to the current Renewable Portfolio Standard Class I Solar Carve-out (“SREC-I”) program to create a separate SREC market (“SREC-II”) and impose new compliance obligations on retail electricity suppliers.

As background,

- CES is a retail electric power supplier that maintains an office in Burlington, Massachusetts, sells electricity to 150,000 customers in Massachusetts, and develops solar projects at large commercial and institutional facilities.
- CED is a developer and operator of ground-mounted solar projects.
- Collectively, CED and CES have twenty-two operating solar generation facilities totaling 20 MW in Massachusetts.

The MA DOER proposes to structure the SREC-II program along the lines of the existing SREC-I program with several significant changes including having only a portion of a facility’s output qualify for SREC-II production, with the remaining portion being ineligible for minting any Renewable Energy Credits (“RECs”). Furthermore, the new program would commence in January 2014, roughly four months from today, and impose a yet to be determined cost burden on existing electric suppliers and their customers.

In order to ensure that the new SREC-II program does not interfere with the existing markets, the Con Edison Companies offer the following suggestions:

I. ALL SREC-II PROJECTS SHOULD BE ELIGIBLE TO MINT CLASS I RECS FOR ANY PRODUCTION NOT ELIGIBLE FOR SREC-II MINTING

The August 12 Proposal would enable qualifying solar project to mint only a portion of their output as SREC-II credits and would give no REC credit for the remaining production, presumably because of the complexity to sell two different types of RECs from a single solar project. This approach is illogical and conflicts with the original premise of the SREC-I market which was to be a subset or carve-out within the overall Class I REC market. Solar projects clearly qualify as eligible to mint Class I RECs but typically choose to mint the more valuable SRECs when they are able to do so. Similarly, all their output will qualify for Class I RECs after each project's 10 year SREC program eligibility expires.

By limiting the ability of SREC-II eligible projects to mint only a subset of their production, the August 12 Proposal would artificially raise the cost of the SREC-II market because qualifying projects would not receive RECs for all of their electrical production. Furthermore, the August 12 Proposal would prevent SREC-II prices from converging with Class I REC prices as SREC-II projects could find it more attractive to mint 100% of their production as Class I RECs rather than a subset of their production as SREC-IIs. For example, if Landfill / Brownfield projects can only mint 80% of their production as SREC-IIs with no REC credit for the remaining 20%, they would find to advantageous to opt out of SREC II program and mint 100% of their production as Class 1 RECs when the price for Class 1 RECs was greater than 80% of the SREC II price. Finally, preventing SREC-II eligible projects from minting Class I RECs for their non-SREC-II production could undermine an accurate recording of the state-wide RPS achievements.

For the reasons discussed above, the Con Edison Companies recommend that SREC-II eligible projects get Class I RECs for the non-SREC-II portion of their output and for any production that occurs before they are eligible for SREC-II production. As indicated above, this approach will reduce the overall cost of RPS compliance, help promote price convergence

between SREC-Is, SREC-IIs and Class I RECs, make it more transparent as to how many RECs are being produced in Massachusetts and help projects transition to being pure Class I producers beginning in year 11 when they are no longer eligible to produce SREC-II credits.

II. ALL EXISTING RETAIL CONTRACT SHOULD BE GRANDFATHERED

The Con Edison Companies request that the MA DOER ensure that the regulation implementing the SREC-II design includes provisions which exempt all retail supply contracts executed or extended prior to the effective date of the regulation. The MA DOER has a long tradition of protecting customers from paying more for compliance costs resulting from new regulations imposed after contracts were executed. Continuing this practice will avoid having to pay for risk premiums to account for unknown future compliance obligations.

III. SREC-II REQUIREMENT SHOULD BE DEFINED THREE YEARS FORWARD

The SREC-II requirement should be defined in regulation three years forward to avoid or reduce the need for further grandfathering. Any adjustments to the existing RPS compliance requirements should apply to years four and beyond. This approach will allow retail markets to factor the anticipated compliance costs into customer contracts and allow consumers to make more informed decisions about investment in efficiency measures and electricity-consuming equipment. Unexpected year-over-year changes in requirements undermine the ability of customers and their suppliers to control costs and make rational investment decisions. Given the long-term focus of the renewable market, a longer term time-step to make changes is appropriate.

IV. SREC-I CREDITS SHOULD BE ELIGIBLE TO SATISFY SREC-I OR SREC-II COMPLIANCE REQUIREMENTS

The existing SREC-I product should be considered at least as valuable as the new SREC-II product just as the SREC-I is at least as valuable as the existing Class-I REC. There is a very real possibility that, when the SREC-II market is tight, SREC-IIs would clear at or near the

applicable ACP and exceed the price of SREC-I credits. This outcome would be counter-productive to an efficient policy goal if, at the same time, there was a surplus of SREC-I credits from existing projects. Therefore, the Con Edison Companies recommend that the implementing regulations explicitly state that an SREC-I can be used to meet either SREC-I or SREC-II requirements to prevent the SREC-II market from clearing higher than the SREC-I market.

Respectfully submitted,



Stephen B. Wemple
Vice President, Regulatory Affairs
wemples@conedcss.com
914-993-2149