

# Massachusetts Solar Owners Association

## Response to SREC II Proposal Hearing – 8/15/2013

Michael Judge & Dr. Dwayne Breger  
Department of Energy Resources  
100 Cambridge Street Suite 1020  
Boston, MA 02114

August 26, 2013

Question: Is the Solar PV boom soon to become a Solar PV bust?

RE: DOER August 12, 2013 PowerPoint Slide Presentation on Solar RPS Carve Out.

Dear Mr. Judge & Dr. Breger,

There is no question that SRECs in Massachusetts, as they have in other states, created a huge “gold rush” in solar PV development. We are four years ahead of the original Governor’s goal of 400 MW by 2017, and well on our way to the new goal of 1600 mW by 2020. However, the boom has proved to cause a problem with excess supply in relation to demand. Even the nearly failed auction this summer saved by DOER’s one time agreement to buy uncleared SRECs, will not prevent SRECs from trading well below the so-called floor price in the future.

It appears that DOER will not address this problem in SREC I, and instead introduce a new SREC II program with new control mechanisms such as SREC Factoring, Managed Growth, and Forward Minting that will slow solar PV growth through complexity, and added risk for PV investors. What is ironic is that SRECII will not meet the proposed “Policy Objectives” (Slide 3), it will instead be detrimental to the success of Solar PV thus far, and here is why:

- It won’t **provide economic support and market conditions to maintain and expand PV installations in MA**. SREC Factoring is intended to either spur or slow PV growth in particular sectors. Why should a residential 10 kW system get only 90% of the SRECs they produce, and who knows what SRECs will be worth in the future anyway? Managed Growth is to intended to frustrate all PV development over 500 kW, and for those who want to take their chances, they have to “bid” against their own best interests, then cross their fingers that in six months the DOER decides in their favor.
- It won’t **maintain steady growth of market towards when the technology reaches cost parity with RPS Class I** incentives. If the Calter Bill fails then SREC II values will surge and then sag.
- Absolutely won’t **meet the Governor’s goal of 1600 MW installed by 2020** as SREC II will over compensate and radically slow PV growth.

- Won't **control ratepayer costs**. If this is a goal, then just end all pollution control and switch to natural gas because it's cheap (not clean). But if science is correct we have a climate issue that only solar and other non-polluting energy can help fix, and this will require incentives from the ratepayer. Today renewable energy gets one incentive to every seventy-three fossil fuel incentives. DOER should give no quarter or credibility to anti-solar lobbyists such as Trans-Canada!
- Won't **maintain robust growth across installation sectors**. The intent of SRECII is to frustrate and stop large solar PV, but it will do the same to small direct owned solar PV as well. The solar installer has about 10 minutes to sell solar PV to a prospective residential client – SRECII, even with Forward Minting will require an hour or more, and even then Forward Minting is not bank-worthy as collateral. The one sector that will benefit is the fastest growing, the residential TPO (Third Party Owner) market where there is little to no consumer protection from the state. The SRECII forward minting will be icing on the TPO cake as it reduces their risk, channels cash flow out of state, and improves profit margins at the expense of MA solar consumers.
- Won't **manage market growth to meet 2020 goal and until the market is better prepared for Class I RECs**. Perhaps this is a good time to talk about the betrayal of RECs to those who invested in Solar PV prior to 2010. For those of us who invested in PV in the early 2000s we were promised that RECs valued at \$60 would soon increase to \$200 or more. Instead they dropped to \$30 by 2008, and by 2010 Mass Energy Alliance, the broker of most small PV RECs, abandoned us altogether. It is safe to say that the SREC had a part to play in this, and there is no telling if the value of small PV Class I RECs will ever improve. DOER should address this in the near future to give solar investment credibility today.
- Won't **maintain competitive market of diverse PV developers, without undue burdens of entry**. SRECII is all about burden and complexity, and it favors only one PV residential developer -- the TPO.
- Won't **address financing barriers limiting direct ownership, without compromising third-party ownership model**. If Forward Minting is allowed for TPOs it will decimate direct ownership. Forward Minting fails unless it is offered only to direct ownership, at a non-discounted, non-factored rate, backed by a government fund (similar to a SBA loan), and without any underperformance penalty. In fact with the end of Commonwealth II up front incentives in Jan. 2014, direct ownership will continue to become extinct unless there is a "bankable" alternative. The residential direct owner is also unable to take advantage of equipment depreciation, if SREC Factoring is to remain a part of SREC II, then applying a Factor of .6 to TPOs will help offset the depreciation advantage.
- Will not **minimize** but instead increase **regulatory complexity and maintain inconsistent non flexibilities to respond to changing conditions**.

**Summary:** Since the turn of the century the state's approach to encouraging the expansion of solar PV investment can be summed up with two words, inconsistency and complexity. SREC II is both of these, and will bust the success of solar PV growth since 2010. This may sound cynical, we have watched MTC programs morph into Commonwealth Solar II programs managed by MassCEC with little rhyme or reason for complex changes to application rules and incentive levels. Net Metering changes have also contributed to consumer confusion, and now there will be more complexity if SREC II goes forward as proposed.

**Is there a better solution ...** the answer is yes.

#### PLAN A – A Better way to fix SRECs

By simply giving direct owners a fixed value SREC for each year, their solar PV investment becomes “bankable.” This will immediately bolster direct ownership and keep more jobs and investment from flowing out of Mass. The better way to “manage” the sectors is to deal with each from their individual risk and incentive perspective. Both TPOs and Large PV are businesses with tax and capital advantages that residential PV investors lack. Keeping upfront incentives up to 10kW and fixed value SRECs up to 25 kW with no “Factoring” for only direct ownership will help balance and grow this sector. As to the issue of over demand caused by large PV, consider the fact that most of the 351 communities in MA have, or will have very soon, very stringent zoning bylaws that will limit large solar impact on farmland and forest lands, along with controls on allowable production sizes, screening, and land coverage. Zoning bylaws will be a better method than “Factoring” if coupled with market value SRECs to manage large PV.

#### PLAN B – The Feed-In-Tariff (FIT)

The Feed-In-Tariff (FIT) is an American idea from the 1980s that Germany and Europe adopted successfully for the past thirty years. A FiT is simple and easy to understand, it is bank-worthy collateral, making solar as valid an investment as adding to or improving real estate. How simple ... a FiT guarantees the solar PV investor will get a set amount for every kilowatt hour produced, say twenty-five cents (equal to a \$250 SREC), regardless of market conditions or other factors for a set period of time. No complexity, no inconsistency, and most important, very little risk. FiT will keep solar investment in Mass. as it can be limited to state only electric users. This will increase direct ownership both large and small. Investor and community solar farms could be better managed by requiring they sell to in-state off-takers and offering attractive discounts to large users such as non-profits and municipalities. The cost to ratepayers would not change as the FiT would be sourced from the same revenues as SRECs. Once the FiT period had run out (say ten years) the investor would then still get Net Metering and be eligible for Class I RECs if desired.

Please let us keep solar growing by applying **commonsense**.

Sincerely,

Christopher Smith, Facilitator and Founding Member, [www.MASOA.org](http://www.MASOA.org)  
19 Prospect Street, Hatfield, MA 01038 413-247-5362