

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF ENERGY RESOURCES**

---

MASSACHUSETTS SOLAR MARKET –  
RPS SOLAR CARVE-OUT II

---

---

:  
:  
: AUGUST 26, 2013  
:

---

**COMMENTS OF  
TRANSCANADA POWER MARKETING LTD  
RE SREC-II FINAL PROPOSED DESIGN**

TransCanada Power Marketing Ltd. (“TCPM”) hereby submits its comments in response to the Department of Energy Resources’ (“Department” or “DOER”) RPS Solar Carve-Out II Updated Proposed Design presentation (“Presentation”) discussed at the August 12, 2013 Stakeholder Meeting. TCPM appreciates the opportunity to comment on this matter.

**INTRODUCTION**

TransCanada has been granted a license as a competitive electric supplier in the Commonwealth of Massachusetts by the Department of Public Utilities. As a duly licensed supplier serving retail customers in the service territories of each of the regulated Distribution Companies, TransCanada will be obligated to comply with legislative and administrative obligations as they pertain to Massachusetts’ Renewable Portfolio Standards.

**BACKGROUND**

Pursuant to the Green Communities Act, Retail Electricity Suppliers must provide a specified percentage of electricity generation from renewable energy sources, including solar

photovoltaic. In accordance with this requirement, the Department issued final regulations in June 2010 that, among other things, established the current Program (“SREC-I Program”).

The Department is now developing a policy to determine what will occur after the capacity cap of the current SREC-I Program is reached. As part of this effort, the Department held a RPS Solar Carve-Out II (“SREC-II”) Updated Program Design (“Updated Design”) Stakeholder Meeting on August 12, 2013 (“Stakeholder Meeting”) at which it presented the proposed design features and regulatory structure for the SREC-II market.

As a follow-up to the Stakeholder Meeting, the Department offered interested parties an opportunity to submit comments on the Updated Design. TCPM hereby submits its comments on the SREC-II Updated Design.

## **COMMENTS**

### **1. The Post-400 MW Solar Program Will Likely Impose Significant Cost to Consumers**

The installation of an additional 1200 MW of solar PV systems will impose multi-billion dollar costs on Massachusetts ratepayers. While solar PV costs have seen significant decline, Massachusetts solar RECs are selling on the market at \$200/REC, and depending on how the DoER manages the market, the price could be pushed to \$300/REC if the DoER auction floor price is held. This means an incremental annual cost impact to consumers of \$225 Million - \$375 Million at full program build out. At that level, ratepayers will incur an increase of 6% - 10% in their power prices, or 3% - 5% increase in their total electric bill. The DoER has not justified in

any way an increased cost to consumers of this magnitude. Moreover, to the extent of TCPM's knowledge, there has been no public disclosure of the program costs. The DoER will be releasing reports that provide its view of the economics of the SREC-II program in the future. Unfortunately, that will occur *after* the due date for these comments. A separate public comment period must be held to discuss the methodology used to evaluate SREC-II as well as the results of that analysis.

## **2. Legislative Approval Should be Sought Before Implementing Further Expansion of Solar Programs**

The legislature never authorized the solar carve-out program. The legislation on which the DoER has based its entire solar carve-out never even used the word "solar" in its construction. The legislation established no cost or volume bounds of any sort. Yet within the Green Communities Act there are numerous explicit references to the bounds on various initiatives. As just one example, when the legislature authorized contracting for new renewable resources, it explicitly limited the amount that could be contracted. It is hardly reasonable for the DoER to assume that the legislature provided unbounded authority to the DoER to construct multi-billion dollar programs without getting its explicit authorization. In fact, in a letter to DoER Commissioner Mark Sylvia dated April 25, 2013 signed by both the Senate and House chairs of the Joint Committee on Telecommunications, Utilities and Energy, the chairs stated "we look forward to being a partner with DOER as the Commonwealth considers policy options to maintain the

growth of solar PV market in Massachusetts at the least cost to ratepayers after the 400MW cap of the Solar Carve-Out is reached.”

### **3. Critically Price Sensitive Customer Classes Should be Exempted from Mandatory Participation**

TransCanada believes certain classes of customers should be provided with optional exemption from the cost impacts that will be incurred due to any implementation of the Post-400 MW Solar Program. First, industrial customers should be allowed exemption. Industrial customers are highly price sensitive. The jobs provided by industrial customers are critical to the well-being of our citizens and our communities. The rate increases that will be driven by the DoER’s program can only result in job loss if the industrial facilities move operations, partially or entirely, to lower cost areas of the country. The jobs provided by the solar program will only exist as long as subsidies continue; any industrial job loss is likely permanent. Second, hospitals should be allowed exemption. Hospitals are major electric consumers, and the state should not be undertaking programs that result in health care cost increases. Third, education facilities should be allowed exemption. Our state’s colleges and universities are major electric consumers, and the state should not be undertaking programs that result in education cost increases. Finally, municipalities should be allowed exemption. Municipal facilities such as schools, water supply and sewage treatment facilities are all significant electric consumers, and the state should not be undertaking programs that drive up its residents’ property taxes or fees. Any of these customers

should be provided with the ability to opt-in at their discretion if they desire to provide solar program support.

#### **4. Existing Retail Electric Agreements Should be Grandfathered**

Massachusetts has a thriving competitive electric market. Commercial and industrial customers are often served by competitive retail providers, while residential customers benefit from vigorous wholesale competition among suppliers of basic service. A key feature of the market for customers taking service from competitive retail providers is the ability to lock in a fixed price for a fixed term of their choosing. Regulatory change that impacts already executed agreements can only introduce inefficiencies into this market and harm competition. The Massachusetts legislature has recognized this issue, and provided grandfathering for existing contracts when it made changes to supplier RPS obligations in the Green Communities Act. Any program implemented by the DoER should do the same.

## CONCLUSION

For all of the foregoing reasons, TCPM urges the Department to seek legislative review of the SREC-II program and to allow full public debate regarding the high costs and uncertain benefits of the program before any steps toward implementation are taken.

Respectfully submitted,  
TransCanada Power Marketing Ltd.

By

  
Michael E Hachey

Vice President

Suite 300

110 Turnpike Road

Westborough, MA 01581

Phone: (508) 871-1852

E-mail: [mike\\_hachey@transcanada.com](mailto:mike_hachey@transcanada.com)