via email to DOER.SREC@state.ma.us

August 26, 2013

Dwayne Breger
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: SREC-II Policy Design Comments

Dear Dwayne,

The following comments are submitted on behalf of the Solar Energy Industries Association ("SEIA") and the New England Clean Energy Council ("NECEC") in response to the Solar Renewable Energy Credit, Second Phase (SREC-II) proposal put forth on August 12, 2013.[1] SEIA and NECEC greatly appreciate the opportunity to comment on DOER's proposal.

SEIA and NECEC recognize the care that the DOER has taken to construct an efficient, financeable, well-designed market for the continuation of the SREC program. We also appreciate DOER's sense of urgency in establishing the new SREC program. It is critical that DOER work quickly to provide a clear path forward for the Massachusetts solar market now that projects in development are no longer able to access the first phase of the solar carve-out. A gap is now inevitable; keeping that gap as short as possible is important for all stakeholders, and critical for the smooth, healthy continuation of the local industry, the people it employs and customers.

[1] The Solar Energy Industries Association (**SEIA)** is the national trade association for the U.S. solar industry and is a broad-based voice of the solar industry. SEIA's companies work in all market segments – residential, commercial, and utility-scale. These comments represent the views of the trade association and not necessarily those of any individual member. The **New England Clean Energy Council (NECEC)** is a clean energy business association whose mission is to accelerate New England's clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies. The Council's members and sponsors include clean energy businesses, services and technology companies, venture investors, major financial institutions, universities, industry associations, utilities, labor and large commercial end-users. They span the broad spectrum of the clean energy sector, including energy efficiency, demand response, renewable energy (e.g., solar, wind, hydro, anaerobic digestion), combined heat and power (CHP), biofuels, advanced and "smart" technologies (e.g., smart grid, fuel cells, storage, batteries, materials), among others.

Overall, the proposed program design retains many of the strengths of the first phase while adding improvements to the second phase. However, we do have significant concerns, and we recommend here some key adjustments to the program design.

1. Minimize Uncertainty in the Managed Market

DOER has proposed creating a separate "Managed Market" wherein ground mounted projects exceeding 500 kW and/or applying less than two-thirds of system output to on-site usage would be subject to a competitive bidding process for the right to secure a Statement of Qualification within the Solar Carve Out II Program. DOER anticipates a minimum of two annual Managed Market solicitations, with the annual contestable capacity determined as the delta between future SREC obligations and the weighted average SREC production from the total installed capacity in the "unfettered" market segments. Thus, the Managed Market is considered more of a "flex" market with annual capacity solicited intended to keep the overall SREC market in balance.

Ground mounted projects tend to be some of the longest lead-time solar resources, with development cycles on the order of 18-24 months. The inability to predict with some degree of certainty whether, and to what extent, these resources will be called upon in the future will dampen developer and investor interest and increase this financial risk for those willing to invest in the face of this uncertainty. We propose the three modifications.

First, we recommend that DOER conduct solicitations in the managed market three times per year, not twice. Our experience with other programs in other states leads us to believe that three or four solicitations per year strikes the right balance between providing opportunities frequently enough that there is always a solicitation coming soon when a project is ready to move forward, and infrequently enough to avoid slicing the market into very small chunks.

Second, we strongly urge DOER to provide a firm forward view of what capacity will be available in any solicitation that will be occurring within 24 months. For example, if the first solicitation is in Q1 2014, and the solicitations are in Q1 and Q3 every year, then DOER should initially define managed market capacity at the outset of the program for Q1 2014, Q3 2014, Q1 2015, Q3 2015, and Q1 2016. Then, after the Q1 2014 solicitation, DOER should define capacity available in Q3 2016, and so forth. That will allow sufficient predictability within the project development cycle, increase transparency, and hold the managed market harmless in the short term in the event of quick growth in the un-managed market, without undermining the aim of encouraging projects in the un-managed market. This would of course create somewhat more variability in the rate of solar growth overall, but this is a modest compromise in exchange for more definition around the managed market. If DOER believes that ***all*** project types are of value, a mechanism like this is warranted.

Third, although DOER stresses transparency as a major objective of the proposed managed growth procurement process, as presented, it is missing. For

example, project selection decisions will be made not just upon as-bid SREC factor, but also "non-price criteria," using unspecified weighting in the ranking process. Moreover, DOER has not committed to publishing the non-price parameters of projects that receive an award. Thus, the selection process appears to be entirely too subjective, or at least will have the appearance of being subjective and arbitrary. We request DOER define and quantify, to the extent possible, the non-price criteria.

Fourth, we recommend that DOER consider including other project types that have so far not been defined in the un-managed market. We recommend DOER seek input from stakeholders on whether there are additional project types that are currently in the managed market that have good reason to not belong there.

2. The SREC Factor

In its August 12 stakeholder meeting, DOER presented the SREC Factor mechanism as the tool to differentially incentivize PV market segments.[3] In its proposal DOER suggested the SREC Factor remain fixed over the life of the program unless change is warranted "*by substantial external changes in policy or market conditions or by the prospect of unsustainable growth in the non-managed market segments*."[4] SEIA and NECEC support DOER's flexibility to adjust the SREC Factor for material changes in the policy framework or economic fundamentals underpinning the solar carve out. For example, should the net metering cap be reached prior to reaching the stated 1600MW solar goal, DOER should be able to modify the SREC Factor. DOER will need the ability to respond to market developments that threaten the ongoing viability of the SREC market. We urge DOER to include mechanisms for adjustment as well. We encourage DOER to incorporate tools for flexibility and to provide transparent and objective mechanisms, such as formulas, in the SREC Factor.

3. Application of Sixty-Seven Percent Threshold Requires Clarification

DOER proposes a threshold criterion of "67% on-site electric use annually" to determine which sector a project falls in, and therefore what SREC factor it is entitled to, and whether it will be subject to the managed growth sector selection process. DOER's intent is not obvious and more clarification is needed. For example, some sites may contain multiple meters serving the load on the site, and a generation project. What is the definition of the site? Does it matter if the project is physically on the site, but served by its own meter and in a virtual net metering arrangement with the on-site loads (and perhaps other off-site loads)? Or must the meter the project is connected to also serve load of at least 67% of the project's output? NECEC and SEIA members request clarity around the application of this threshold.

4. All Ownership Models In The Residential Market Should be Encouraged

[3] In its comments of June 24, SEIA raised significant concerns with the SREC Factor approach.
[4] Slide 13,bullet two, DOER presentation of August 12, 2013.

In order to ensure access to solar for all Massachusetts residents, DOER should support both customer owned and third party owned systems. Third-party owned systems have numerous benefits, including providing the homeowner with a maintenance and performance guarantee and residential market expansion by enabling customers who may be precluded from owning systems because of the up front cash requirements access to home solar. We recommend DOER not pursue policies resulting in different treatment for leased and owned systems. Further, we suggest DOER work with other appropriate state agencies such as the Massachusetts Clean Energy Center, to ensure a viable and diverse residential market.

In summary, we appreciate DOER's general approach to the next phase of the solar carve out, but encourage DOER to take measures that would ensure more transparency and certainty.

Sincerely,



Carrie Cullen Hitt	Peter Rothstein	Janet Gail Besser
SVP State Affairs SEIA	President, NECEC	Vice President, NECEC