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 Clean Power Finance, Sunrun and Solar City in response to the proposal put forward by DOER on August 12, 2013. We appreciate the opportunity to comment and applaud the DOER's efforts to craft a follow on program that builds upon the success of the current SREC program, while considering critical enhancements needed to maximize the long term success of the Massachusetts solar industry.

We are directly responding to the DOERs challenge for parties to answer the question: *Should forward minting be extended to third party owned systems?* To which our answer is a resounding yes. We believe this for three main reasons, to which we will address in further detail, but follow:

(1) We do not believe that it is appropriate to introduce a policy that discriminates against customer choice. Some solar customers have the means to directly purchase a solar system. However, many more do not. While forward minting may increase the number of residents who do have the means to purchase a solar system, this policy alone is not enough to bridge this gap.

(2) We believe that for this policy to be successful it will need scale, and to attract investment from all solar market participants and bring crucial investment dollars to Massachusetts.

(3) We believe that the purpose of this policy should still serve the primary policy point of the Massachusetts SREC program "The greatest amount of solar investment, for the least amount of rate payer funds".

We recognize that there are likely to be a number of stakeholders offering comments on the full scope of the proposal DOER has put forward. Considering this, we will leave commentary of many of the other principles outlined by the DOER to other participants in this process and direct our focus to the policy of forward minting for residential solar. We would like to state that it is clear that these policies have been crafted with a great amount of detail, attention, and thoughtfulness – something for which we are greatly appreciative.

We believe the option for forward minting is a key proposal and this policy to be critical in the context of the overall purpose of the SREC 2.0 program, which the DOER has defined as bringing critical solar resources, investment, electricity, and job development to Massachusetts at a cost that is fair and kept low for all rate payers.

In this regard, forward minting is likely the best -- currently available -- means of providing stability and liquidity in the residential solar market. Forward minting would maximize SREC value for residential customers and expand the opportunity to go solar to more Massachusetts homeowners; however those Massachusetts homeowners decide to go solar.

Forward minting will be a strong tool for Massachusetts citizens who decide that directly purchasing a solar system is (a) an appropriate avenue for them and (b) is within their financial means. We also agree there are a great many policy reason to ensure the direct sale market in Massachusetts is not left behind. We also believe that there are, at least, an equal number of reasons for third party owned solar to be allowed to continue to succeed. To that end we believe that the customer choice to go solar should not be limited by a policy that gives access to a policy tool for one method of solar deployment, but not for another. In Massachusetts and in markets across the country, the third party model has expanded access to customers that otherwise would not be able to take advantage of home solar.

Allowing access to forward minting for purchase and third party owned customers will create more efficient use of SRECs in the financing of residential projects. In turn, more efficient financing for residential solar development will reduce customer costs and enable further growth of the residential market, making solar available to still greater numbers of residential customers.

Several of the proposed SREC II program design changes will increase pressure on the ability to monetize SRECs efficiently. The DOER has rightly proposed reductions in the auction floor price and ACP rate. The DOER has also proposed to retain discretion to modify the SREC factors, which will create further uncertainty in the market. The proposal also contemplates ending the Commonwealth Solar II program. These changes put greater stress on the ability to effectively monetize SREC value under the SREC II program and make forward minting even more critical to the industry. Restricting access to forward minting for third party owned residential systems would create a significant disadvantage for third party customers, effectively denying access to solar to many Massachusetts residents.

Studies by Yale University and New York University[1] suggest that the most significant factor in residential solar adoption is consumer awareness and the visibility of solar – essentially if ones neighbor has solar, one is more likely to have solar. Acquiring new solar customers becomes progressively easier for <u>all</u> solar companies with increasing concentrations of rooftop solar, regardless of whether the system is third-party owned or host owned, since prospective customers cannot readily distinguish between the two. Furthermore, recent research

[1] http://mktsci.journal.informs.org/content/early/2012/09/20/mksc.1120.0727.abstract

conducted independently by the National Renewable Energy Laboratory[2] and by the University of Texas suggests that the third party residential model does not cannibalize cash customers but rather expands the solar market into new customer segments, specifically customers with lower incomes or greater cash constraints. What the body of research shows is that an expanded residential market accelerates adoption by opening new consumer segments and by making solar more visible, which in turn helps the entire residential industry grow. Policies that seek to disadvantage third party owned solar customers to promote cash purchases are misguided and self-defeating. Rather than attempting to restrict third party ownership, the entire residential industry would benefit more by focusing on converting the over 90% of prospective customers that are lost through non-competitive factors. An essential policy mechanism like forward minting is a prime example of a policy that would benefit the entire residential industry, enabling greater market penetration for both purchase and third party owned solar, while reducing costs to consumers.

Forward minting is a critical tool that will create greater liquidity in the SREC II market. As a result, SREC value can be more efficiently monetized to finance residential solar to bolster instate solar businesses and to attract investment dollars to the Commonwealth. Maximizing SREC value for the development of residential solar will reduce costs to consumers, while delivering more solar from the rate payer investment in the SREC program, whether they make the personal investment choice to deploy solar at their home or not.

In closing, we believe this policy is a good and thoughtful innovation by the DOER. It works within the policy constraints of the SREC market, ensuring long term stability mitigating the inherent risk associated with regulatory uncertainty. We believe the liquidity that will result from this policy will result in Massachusetts deploying more solar at lower costs, which is good for solar customers and non-solar customer rate-payers. But we believe these positive effects will only occur – not partially occur – when all solar investment choices are honored.

Thank you for the opportunity to comment and we look forward to a continued productive dialogue with the DOER.

Respectfully Submitted,

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Evan Dube, Director of Government Affairs Sunrun
Shaun Chapman, Director of Policy and Electricity Markets SolarCity

[2] http://www.nrel.gov/news/press/2012/1759.html