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Massachusetts Department of Energy Resources  
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Boston, MA 02114  
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**Re: Comments: SREC II Final Proposed Design**

Thank you for the opportunity to submit comments on DOER's proposal for the SREC II program. We are pleased with the overall program design and we look forward to participating. We offer these comments for DOER's consideration as staff continue to make improvements to the final program design elements.

**Discretion to Adjust SREC Factors Downward**

While we understand DOER's desire to maintain limited discretion to adjust SREC factors downward if market participation is higher than anticipated at published prices, we are concerned about introducing uncertainty into the overall program and the cooling effect it may have on customers, developers, integrators and financiers. We believe there is an easy solution

that maintains flexibility for DOER to manage growth, while reducing the risk that project economics may sour in the middle of the development process. We suggest that you model your process for making any necessary downward adjustments on the process you are currently implementing to wrap up the SREC I program. In other words:

- 1) Announce the upcoming change;
- 2) Allow projects that have made it past a certain milestone in the development process by a certain date to obtain the previous SREC factor, provided that they are able to meet a proscribed construction schedule;
- 3) All other projects become eligible for the new SREC factor.

In addition, we recommend that DOER place a limit on the amount that it may reduce the SREC factor in any one year. We offer a delta of 0.1 for your consideration; this would allow customers, developers, integrators and financiers to apply an upward limit on the risk that an SREC factor may decline at some point early in the development process.

### **Forward Minting**

DOER's "Forward Minting" proposal is an innovative idea that could help catalyze the market for residential installations owned by the property owner. However, as currently described, we feel that it may pose risks to the success of the overall program if not sufficiently clarified and limited.

For instance, we request clarification on how "forward minted" SRECs would impact the annual SREC II compliance obligation. If a homeowner is permitted to sell 10 years of SRECs in

one year, would those SRECs (a) be eligible to apply to that one year's compliance obligation; or (b) count against annual compliance obligations over the 10 years in which the SRECs are actually generated? **We urge the DOER to adopt the latter method (b)** for accounting for "forward minted" SRECs to avoid potentially destabilizing the annual balance of supply and demand with an influx of speculative, future SRECs.

If DOER chooses method (a) instead, and all 10 years of forward minted SRECs from a residential project are counted against a single year's compliance obligation, we urge DOER to establish a cap on the forward minting program for each compliance year. We feel that limiting forward minted SRECs to some pre-defined level (perhaps 5-10% of the compliance year's SREC target) would avoid the risk of market distortion.

In either case, the DOER's initial inclination to limit this program to solar systems owned by the home or property owner should absolutely be upheld in the final program rules. The value of the forward-minting program is that it offers a solution to homeowners who lack access to financing for residential solar installations. Third party solar energy providers have built their businesses around the fact that they *do* have access to financing. Third-party ownership models are therefore one solution to the barriers facing would-be residential solar owners; forward-minting should only be established as an *alternative* solution.

### **SREC Factors, Compliance Obligations, and Actual Solar Installations**

We would like to request further clarification on the relationship between compliance obligations and actual solar installations, vis-à-vis SREC factors. For example, if the DOER's target build numbers for Compliance Year X is 200 MW, is the total compliance obligation for

that year determined by a simple formula ( $200 \text{ MW} \times \text{PF} = 240,000 \text{ SRECs}$ , where  $\text{PF} = \text{Production Factor} = 1200 \text{ MWh/MW}$ ) or a more complex formula that takes into account the SREC factors as well as DOER's assumptions about how much solar development will occur in each sector? The two alternatives will result in different outcomes, in terms of the actual number of MWs installed. Along the same lines, when a load serving entity contracts for SRECs directly from a supplier through a multi-year contract or on the spot market, will those SRECs have been "de-rated" by the factor appropriate to market sector of the project from which they are produced? To avoid market distortions, we recommend that SREC factors be applied consistently to each different aspect of the SREC market in Massachusetts: (a) the compliance obligations should adjust according to predicted market sector development and applicable SREC factors; and (b) SRECs sold in the spot market, via multi-year contracts and through the clearing-house auction should be de-rated consistently.

### **Net Metering**

We note that it is very likely that the net metering caps in Massachusetts will be reached long before the SREC II targets have been met. We would like to request information about what assumptions DOER has made about the end of net metering eligibility in Massachusetts, and how it may impact the SREC II program. Would DOER consider the net metering caps being met an event that would trigger an adjustment in SREC factors?

### **Ground Mounted Projects**

In the proposed rules, a ground mounted project where more than 67% of the electricity produced is used "on-site" is assigned an SREC factor of 0.9. If less than 67% of the electricity

produced is used on site, it is assigned an SREC factor of 0.7 or falls into the Managed Growth sector (depending on the project's size). We offer the following comments for DOER's consideration:

- We support the 67% threshold, as long as it applies to net annual on-site consumption, as opposed to real-time on-site consumption. We request that DOER clarify this point in the final rules.
- In addition, we believe it will be important (potential critical for project financing) for DOER to allow for some flexibility regarding a project's ability to meet this threshold at all times. Property owners change, tenants change, on-site load changes, and project owners and investors need assurance that if onsite energy supplied dips below 67% of the project's output for a period of time, the project's SRECs will not immediately get reassigned to a lower SREC factor. Therefore, we encourage DOER to adopt a clearly defined "grace period" policy for ground mount projects both above and below 500kW that maintains the objective of the 67% threshold, but provides flexibility to account for temporary, unanticipated changes in onsite energy load.
- DOER should make sure that the term "on-site" is clearly defined in the final rules. We urge DOER to adopt a fairly flexible definition that allows the energy generated by the solar system to feed multiple meters (in a shopping center or campus environment, for instance). Consider establishing public ways as lines of demarcation, e.g. as long as the energy is consumed on the same side of a public way from the solar generating system, the project meets the threshold for "on-site" consumption.

### Other DOER Topics of Interest (from Slides 20-21 of the June 7<sup>th</sup> Presentation)

- **Incentive Levels:** We believe that the proposed incentive levels for rooftop solar installations strike an appropriate balance to catalyze solar development without overheating the market. The declining forward schedule does not pose a particular challenge to project financing, as long as the forward prices are fixed and certain. (See our concerns about uncertainty regarding SREC factors on Pages 1-2).
- **Managed Growth and Solicitation:** We absolutely agree with DOER's plan to provide a model solicitation document for comment during the rulemaking process. As you well know, the devil is often in the details, and SoCore welcomes the opportunity to help make sure the solicitation is designed to succeed.
- **DOER's Discretion to Modify SREC Factors:** See Pages 1-2.
- **Forward Minting:** See Pages 2-3.
- **Technical Policy Analysis:** We would be interested in attending a "technical session" led by DOER's consultants to review their analysis.

Thank you for the opportunity to submit comments. We look forward to participating in the SREC II program.

Sincerely,



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