

# Massachusetts Stakeholders for Competitive Solar

June 13, 2014

Joint Committee on Ways and Means  
State House  
Boston, MA 02133

RE: H. 3901/S.2019 as amended

Dear Chairman Brewer, Chairman Dempsey and the Members of the Joint Committee on Ways and Means:

Over the past four and a half years, Massachusetts has seen immense success and astounding growth in the deployment of Solar PV generating assets as a result of the State's RPS program. Years of hard work from the DOER and collaboration with innumerable people and firms in every sector of the industry have provided the market with a clear policy framework that has achieved its intended goals. Unfortunately, the current net-metering cap policy structure is not working as intended. However, the proposed change to this aspect is threatening the stability and potential of the existing incentive programs. While we support reform in this area that could potentially strengthen these programs, we strongly disfavor the recently-proposed regulations, and the process by which these regulations are being promulgated.

The solutions proposed by a highly-limited group in collaboration with the Massachusetts regulated utilities to lift the net metering cap limits may be ideal for some parties, but they simply enact a tradeoff for the Massachusetts solar industry and Massachusetts ratepayers. The proposal offers the solar industry an unfair exchange of net metering capacity for a centralized incentive program controlled by the regulated utilities. While a solution must be reached that raises the net metering caps, we are confident that this does not need to be done at the expense of Massachusetts' highly successful, decentralized SREC program.

The current successes were achieved over the course of several years of stakeholder time, capital, and intellectual effort. This new net metering compromise would throw aside tested, community-accepted efforts, and would replace SREC-II with an untried incentive program that puts control in the hands of the regulated utilities, a group with a lot of power and a lot to lose under the existing SREC system. Additionally, all suggestions made that the new incentive program would reduce ratepayer costs are unverifiable because the levels are not set under the current proposed legislation.

## **Proposed Solutions**

- Double the existing net-metering caps while allowing for thorough study and a continued open discussion on the matter.
- Retain the existing incentive structure which has provided for so much growth and success.

## **The Massachusetts SREC Program is a Proven Success with Important Precedent for the Future of Solar**

- The success of the solar industry in Massachusetts has proven that market participants have been able to thrive under the existing framework, and have built a successful existing infrastructure to continue to leverage more growth.
- SREC-I has been in place for 4.5 years; in that time, the incentive program has driven the development and installation of more than 600 MW of solar across almost 12,000 projects (as of 6/6/14).
- The DOER also publicly notes the following national rankings of the Massachusetts Solar Market:
  - 4th in Solar Capacity Installed in 2013.
  - 5th in Cumulative Installed Capacity.
  - 2nd in Commercial Installations and 6th in Residential Installations.
  - 4th in Total Solar Jobs and 6th in Per Capita Solar Jobs.
- Furthermore, the 2013 MassCEC Jobs Report states that over 1,800 firms in Massachusetts work primarily in the renewable energy sector, employing over 21,000 people. Nearly 60% of the renewable energy jobs support the solar sector.
- According to a recent report titled, "A Survey of State-Level Cost and Benefit Estimates of Renewable

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Portfolio Standards,” issued by the National Renewable Energy Laboratory (NREL) and the Lawrence Berkeley National Laboratory, compliance costs for the state of Massachusetts in 2012 equaled \$111 million compared to benefits of \$328 million, representing a net benefit of \$217 million under the current Renewable Portfolio Standard incentive program.

- The new SREC-II program is already a success. Within the first week of the program application window, approximately 110 MW of capacity was issued an Assurance of Qualification by the DOER.
- The existing SREC programs protect ratepayers because they are market-based. SREC prices adapt as supply, demand and market dynamics shift. Incentive pricing is not fixed in place by regulation.

Below are our recommended provisions to be considered for the current legislative proposal.

## **This Is About Net Metering, Let’s Keep It That Way**

- Net metering policy is the issue at hand here, not the SREC program.
- A complete uncapping of the net metering levels may have been a lot to ask of the regulated utilities. Our recommendation would be to double the existing net metering caps to allow for continued growth and development to occur in the near term.
- Effective immediately, as proposed similarly in Representative Smizik’s original bill (HB No. 3901), a committee will be formed to research and review the long-term viability of net metering in the Commonwealth. It is expected the results will be favorable from an engineering perspective, as the regulated utilities have agreed to remove all caps under the current legislation. The results of the committee would be required to be finalized and proposed to the legislature by June 30, 2015.
- In addition to studying the long-term viability of net metering, the committee would be tasked with evaluating a minimum bill charge for all distribution customers. It should be noted that the minimum bill would also be subject to an analysis of benefits that distributed generation resources provide to reducing stress on the electric grid. Under the current legislation, distributed generation system owners are only seen as net users of the electric grid. However, in some instances the existence of the distributed generation system could be a net benefit to the reduction of peak electric demand.

## **SREC Incentives Are Working**

- The market has proven that Solar Renewable Energy Certificates (SRECs) are a widely accepted incentive structure to help the successful deployment of distributed generation in the Commonwealth.
- Based on data from the DOER as of 6/6/14, over \$1.5 billion has been invested in solar assets under the current SREC program. This only includes operational projects, and there is much more still to be finalized under SREC-I and SREC-II.
- SREC markets are not perfect, but they have done a tremendous job to date. Why fix something that isn’t broken, especially after only 4.5 years of successful implementation? In addition to forming a committee to study net metering, we would recommend to bring together a public stakeholder process to focus on how to address the current shortfalls of the SREC program. For example, topics to consider would be:
  - How to improve SREC market liquidity and long-term contract opportunities.
  - Focus on minimizing cost to rate payers through stable pricing, while providing the appropriate level of incentive to solar project owners.
  - Provide more market transparency with clearly published supply and demand information as well as pricing data.
  - Continue to encourage more competition among electricity suppliers not only to facilitate cost reduction pressure, but to make the market as open and accessible as possible.
- The state of Massachusetts is in a unique position because it can utilize its deregulated electricity supply structure to continue to foster a competitive market for both traditional and renewable electricity. Continued use of the existing REC and SREC markets is the clear path to fostering the most competitive market for all stakeholders in the incentive program. This includes solar developers and system owners, competitive electricity suppliers, and the Massachusetts electricity ratepayer.
- A shift toward a centralized, regulated utility controlled solar incentive would hurt the competitive landscape creating a shift that would disadvantage local firms. The business model of large, national developers is well-suited for this centralized incentive proposal because their advantage lies in sourcing the lowest cost of capital. Simultaneously, eliminating the SREC market moves to a more consolidated

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industry leaving less room for entrepreneurs as the regulated utilities continue to acquire more control over the program.

- SREC-II was adopted through a public stakeholder process. Additionally, the DOER hired a team of four consulting companies to evaluate a variety of program alternatives. Stakeholder comments and the consultants' findings resulted in the decision to continue with SREC incentives, a decision which should carry substantial weight in current discussions. Instead, the proposing parties have disregarded this decision in favor of catering to the regulated utilities. The historic development of SREC-II can be found [here](#).
- A shift in policy, especially after the last year of SREC-II development, reveals instability and invites uncertainty into the market. There is no need to further exacerbate the slowdown that has occurred in the transition from SREC-I to SREC-II. The threat of another program shift to a new program has already upset the market.

Moving forward, we would appreciate the opportunity to incorporate these suggestions into the current version of the net metering legislation. We understand there is not much time to waste, and are prepared to act quickly to amend the legislation as needed.

Thank you for your consideration and we look forward to continuing to work with the Massachusetts solar stakeholders to help ensure long term growth of the state's solar industry.

Best Regards,  
Massachusetts Stakeholders for Competitive Solar