



Solar Energy Business Association of New England

June 13, 2014

Joint Committee on Telecommunications Utilities and Energy
State House
Boston, MA 02133

RE: H. 3901/S.2019 as amended

Dear Chairmen Downing and Keenan and Members of the Committee,

I am writing on behalf of SEBANE, the Solar Energy Business Association of New England, the organization that has represented the majority of solar companies in Massachusetts for a decade and a half. This letter has also been endorsed by several other solar industry professionals, environmental groups, and clean energy advocates. We are confident that you share our interest in the continued growth and success of the Massachusetts solar energy industry and all its associated benefits. We are writing to express our views on the recent DOER-led solar policy negotiations and the draft legislation resulting from that process.

We appreciate efforts to improve upon the existing energy policy framework and the hard work DOER, SEIA, NGRID, NU, and NECEC have put into the process. However, we are concerned about the effects parts of this legislation will have on locally owned and operated businesses, many that have been in the state for decades, as well as on solar customers. We feel it is important to register our concern with you since certain provisions contained in the negotiated settlement do not represent the interests of our constituents.

The proposed legislation suggests some improvements on existing solar policy, like eliminating the caps on net metering, but it also takes several significant steps backward. One over-riding challenge is the complex means by which the proposed bill would legislate details of the solar market in a way that are counter to the Green Communities Act and stifle the innovative solutions that have emerged under that law. Another fundamental concern is that the legislation makes radical changes to a market structure that is currently working as intended and replaces key provisions with largely undefined mechanisms which have uncertain economic implications.

Understanding that it is difficult, and perhaps unnecessary, to have complete consensus, we have identified four points which require amendment before we could endorse the sweeping changes proposed in this legislation.

1. The distribution portion of the credit should not be eliminated for virtually net metered systems
2. The 'minimum bill' is not the right solution for addressing fair compensation to the distribution companies
3. Solar system sizing should not be limited by arbitrary guidelines.
4. A pathway to participation should be provided for customers within municipally-owned utility territories

1. Equitable access to solar benefits for all citizens = preserving virtual net metering in its current form

Massachusetts leads the nation in providing fair and equitable access to the benefits of solar to all citizens. Upwards of 80% of households and businesses in Massachusetts cannot take advantage of solar because they rent their home or business property, lack adequate credit, don't have appropriate roof systems or orientation, or their site is shaded by trees and other structures.

Through Massachusetts' existing virtual net metering policy, the benefits of solar are available to everyone. The draft legislation would change that and limit access to solar by treating all virtually net metered solar projects less favorably than behind-the-meter projects. Virtually net metered projects would receive a lower net metering credit value. They would also be subject to a performance based incentive that decreases with increasing electricity prices, which makes it impossible to provide the long-term protection from utility rate volatility that current law allows for.

As a fundamental matter of equity and fairness for all citizens, behind the meter and virtually net metered solar customers should continue to be treated equally, as they are under current law.

2. The proposed minimum bill is not the right solution for addressing fair compensation to distribution companies

The utilities clearly need to be paid adequately to keep the grid working when power flows in both directions and for the large investments they will incur in modernizing the grid. We support creating a more appropriate utility rate structure, but to predetermine the solution in the form of a minimum bill severely handicaps an already complex issue with an unnecessary mandate.

The proposed minimum bill presumes a cost to ratepayers from distributed generation but does not address the benefits. Any significant changes to rate structures in MA that are meant to address increased penetration of distributed generation should also include an accurate valuation of the benefits of solar. A growing number of studies demonstrate that the benefits solar provides include fuel diversification; grid resiliency; energy price suppression; power quality improvements; and reduced, deferred, or avoided transmission and distribution system upgrades. All these benefits far outweigh the costs associated with serving solar projects on the distribution system. Solar also provides numerous environmental and economic benefits for the citizens of Massachusetts.

With no ceiling or guidelines in the proposed legislation defining how high that minimum bill would be set, either initially or over time, this provision creates deep uncertainty in the solar market and discourages new customers.

If this matter is to be addressed in the bill, rather than legislating predetermined solutions, DPU should be instructed to examine a range of options in an open public rate restructuring proceeding. The legislation should include a provision safe harboring the more than 11,000 Massachusetts citizens, businesses, municipalities and non-profit organizations that currently benefit from solar on their sites and the thousands of others who participate as off-takers of virtually net metered projects. They should not be penalized for their investments.

3. Practical rather than arbitrary guidelines should define limits on solar system sizing

Energy policy should continue to facilitate a more energy efficient and renewably powered Commonwealth. Existing solar policy imposes no unique limitations on sizing behind-the-meter systems based on load, credits excess generation at the retail rate, and allows customers to virtually net meter to multiple accounts. The draft legislation would change that, instituting a load matching requirement for behind-the-meter projects that could have a chilling effect on energy efficiency, demand response, and other load reduction measures.

The legislation has opaque language to accommodate future increases in a project owner's electricity demand that requires solar customers petitioning utilities on a project-by-project basis and having to justify the need for a larger system before being granted permission to install one. This is inefficient and could discourage solar customers from sizing systems to meet future electric car charging needs, efficient electric heat pumps, or other measures that Massachusetts energy policy seeks to encourage.

From a public policy perspective, there is no reason to drive the rooftop solar market towards smaller projects. To the contrary, with the region's overreliance on natural gas, the associated electricity price volatility and the benefits that distributed generation offers, the Commonwealth should do all that it can to maximize solar development where there is infrastructure already in place to accommodate its placement.

4. Create a pathway for municipal utilities to be involved.

Current SREC incentives are available to municipal electric utility customers. The proposed replacement incentives would not be. While we recognize that municipal utilities do not currently pay the renewable surcharge, it seems overly simplistic to ignore the important role these organizations play in their communities and exclude their customers from the benefits of solar energy. There should be some vehicle for participation in municipal utility territories set forth in the legislation should a municipal utility choose to opt in and make some contribution from their ratepayers in supporting the economics of the program.

Recommendation

While we support efforts to improve upon energy policy and address the issues created by the current net metering caps, there are significant shortcomings and unintended consequences in the proposed legislation.

We respectfully request that the Committee change the portions of the proposed legislation addressed above.

Alternatively, we would suggest substituting the original Smizek and Petrucelli bills that eliminate the caps on net metering and instruct DOER to initiate an open stakeholder process over the next year to develop better solutions to improve and expand access to the benefits of solar for everyone in Massachusetts.

We would like to meet with you to discuss these issues further and suggest specific changes in the bill's language.

Thank you for your consideration of these thoughts and recommendations.

A handwritten signature in blue ink that reads "Thomas W. Thompson". The signature is written in a cursive style.

Tom Thompson
President
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