

Commonwealth of Massachusetts



HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON 02133-1054

Frank I. Smizik

CHAIRMAN
HOUSE COMMITTEE ON GLOBAL WARMING AND CLIMATE CHANGE
STATE HOUSE, ROOM 274
617.722.2676

Dear Colleagues,

I write to you to provide some clarity on H.4185, An Act relative to net metering and solar power. This bill makes two necessary changes, establishing in law Governor Deval Patrick's goal of 1,600 megawatts of solar energy in the Commonwealth by 2020, and eliminating the net metering cap. The latter is extremely time-sensitive, as we have just about hit the current caps, and there are many late-stage projects that will not get built if we do not act. Again, failure to pass any net metering legislation this month will hurt the burgeoning renewable energy industry by causing uncertainty and unnecessarily stalling viable projects, which will damage our state's economy.

Addressing these goals is the reason I am advocating for legislation to pass this month. I have filed and passed legislation raising the net metering cap twice before, and it became clear to me that arduously raising the cap every two years was inefficient and out of step with the rapidly growing desire for net metered renewable electricity in the Commonwealth. I filed a bill this session that would have eliminated the cap up to a certain date, at which point new mechanisms would be put in place. The bill we are now reviewing, H.4185, which is in House Ways and Means, was a compromise between many different parties with different interests, and is therefore not perfect in anyone's view. Some of the details are complex and I would like to clarify some misconceptions.

The bill includes a timeline for replacing the existing SREC II trading market with a Declining Block Incentive (DBI). The current SREC market allows solar owners to sell credits to utility companies on an open marketplace. The DBI is a more predictable incentive structure, albeit with the same goal- to defray the cost of developing and installing solar systems. The incentive amount declines over time. This is done in order to provide market signals for increased competitiveness of solar, driving lower prices and saving ratepayers money. The change from the SREC market to a new, more stable incentive structure will only affect new projects becoming active after July 2015. Current solar owners will continue to receive SREC credits for the lifetime of their system. While switching away from the SREC market system will affect SREC trading companies (which make a profit off of the trades and add net cost to the net metering system as a whole), the new incentive structure will be far better for people trying to get solar projects financed and built. Instead of dealing with a volatile market, owners will know the exact fixed incentive amount their project will receive for a 15-year period. This will make it much easier for them to receive help from banks, in addition to eliminating the extra costs SREC traders

create, which get passed onto all ratepayers. The new incentive program will be overseen by the Department of Public Utilities, with all decisions being made through an open, public process.

H.4185 also creates a minimum bill requirement that only applies to specific customers in a very specific situation. It will only apply to customers who net meter their electricity, and it will only apply to them in months where they produce more electricity than they use. It ensures that all customers contribute to the cost of maintaining the electric grid. The dollar amount of the minimum bill will be determined by the Department of Public Utilities in a **public and transparent** regulatory process, wherein regulators will consider the benefits of distributed generation as well as the costs to the electric grid. Five dollars is an educated estimate of what the amount could be. The minimum bill charge will not reduce the amount of net metering credits received for producing excess energy. The statute language also completely limits what the money can be used for—upkeep of the electric grid—ensuring that utilities will not make any profit from the charge nor will they use it for overhead, new projects, etc. It is fair to ask that all customers connected to the electric grid help pay for its upkeep, because even if someone is producing enough electricity on their own, they are still connected to the grid and are benefitting from its existence. If net metering customers do not help contribute to the cost of grid maintenance, utility companies will ultimately pass that cost onto regular customers.

I have fought for better renewable energy policies for many years, and I am immensely proud of the work we have accomplished and the economic growth the Commonwealth has experienced thanks to the renewable energy industry. Our ultimate goal is to allow the sector to continue its impressive growth, and that means eliminating the caps on net metering and preserving our 1,600 MW goal in statute. Stakeholders continue to hold constructive discussions about this bill, so it is an ongoing process. It is my sincere hope that all parties will reach an agreement by July 31st so that Massachusetts can continue leading the nation on clean energy and distributed generation. Again, it is imperative that we pass a bill this session.

I am happy to serve as a resource for further questions about H.4185.

Sincerely,

Frank I. Smizik
15th Norfolk District
Chair, House Committee on Global Warming and Climate Change