



VIA Email to: DOER.SREC@state.ma.us

April 8, 2013

Dwayne Breger, Ph.D.
Director, Renewable and Alternative Energy Development
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020, Boston, MA 02114

Re: Comments – Post 400 MW Policy

Dear Dwayne,

Clean Asset Partners appreciates the opportunity to provide comments to the Department of Energy Resources (“Department”) on the post 400 MW PV incentive policy options and issues the Department is currently considering.

Clean Asset Partners is a Massachusetts company that manages renewable energy system participation in Solar Renewable Energy Certificate (“SREC”) and Renewable Energy Certificate (“REC”) markets in Massachusetts and the New England region. We currently represent owners of over 100 photovoltaic systems in the Massachusetts RPS solar carve-out program, and are pleased to provide input on the potential framework of a subsequent program. Our thoughts and recommendations follow.

TWO PRIMARY POLICY OPTIONS

The Department’s presentation titled “Post-400 MW Solar Program Policy Design” outlines policy options involving either 1) maintaining and expanding the RPS solar-carve-out framework, or 2) establishing a new central procurement approach; we suggest that establishing a secure floor price within the solar carve-out framework would create certainty and have benefits similar to a central procurement approach. We believe such an arrangement could be structured to meet many of the policy objectives the Department outlined in its presentation: providing economic support and market conditions to maintain and expand PV installations; maintaining robust growth across installation sectors; maintaining competitive markets of diverse developers without undue burdens of entry; and addressing financial barriers limiting direct ownership. With respect to having a clear policy mechanism to control ratepayer cost, we believe that too could be achieved under such an approach, through the initial setting of the floor price and ACP levels coupled with the use of SREC factors that can be adjusted over time.

ONE SREC MARKET OR TWO?

We urge two separate programs, even with a “real” floor. Having a wholly separate phase II would prevent diverging from participant expectations that have already been established. Participants in the current program made their PV investment decision, and in many cases also have made SREC sales decisions, based on the parameters and expected dynamics of the current 400 MW program. Among these is the expectation that the market’s current oversupply would last for a predicted period of time under a range of scenarios, followed by a period of undersupply that would last a predicted period of time, followed by the program’s sunset phase. These anticipated supply and demand dynamics and associated expectations regarding SREC prices would be changed if the current program was simply expanded. We understand that the floor price and ACP levels may be lowered in phase II, and while it may be possible to address those changes within a single expanded program through the use of SREC factors, we believe it may not be possible to address the issue of the change in market dynamics through factors.

With respect to the burden of additional compliance obligations, we do not wish to burden electricity suppliers with a growing number of separate RPS compliance obligation categories, and we recognize that a separate phase II SREC program would raise the current number of RPS obligations from five to six. While a separate program for SREC II would create an additional compliance category, the use of SREC factors could limit it to just one more, and adjustments could then be made to accommodate changing SREC market conditions over time without needing to add any more RPS compliance categories for SRECs in the future.

AUCTION MECHANISM – FIRING THE FLOOR

We support the idea of firming the floor to address uncertainties, and see this as a way to improve upon the current program. Under the approach outlined in H. 2915, if distribution utilities were to purchase SRECs that remain unsold in the final stage of the Clearinghouse Auction process, ratepayers might be best served if the utilities held those SRECs until the market is undersupplied again, to avoid the need to buy SRECs at higher prices in subsequent undersupplied years. Such an approach could yield substantial ratepayer benefits.

We understand that the installed price of PV has fallen since the solar carve-out was first conceived, and that lower ACP levels may be appropriate for phase II, especially if there is some type of backstopping to provide more certainty of the price floor. Lowering the ACP levels for the current program participants would increase perceived regulatory risk and diminish confidence that new program rules would remain unchanged. To maintain an incentive for SREC purchases in the current (phase I) SREC market, and also to maintain the expectations of system owners and investors, the present ACP schedule established in the published Guideline and proposed for incorporation into 225 CMR 14 should be maintained.

REGULATING INCENTIVE VALUE AS PV COSTS DECLINE

We applaud the SREC factor idea as a creative innovation. At the Public Meeting on March 22, 2013 some stakeholders expressed concern that factors would be too complicated, but we believe they could be reasonably simple and could be viewed as such once the idea is better understood. While it could be challenging to reach agreement on the exact factors to use, we believe this idea has merit.

Maintaining the ability to adjust a new SREC program incrementally rather than through more dramatic and abrupt changes would provide helpful continuity for the solar industry without overly burdening electricity suppliers with additional RPS compliance categories over time. The SREC factor approach also enables the ability to differentiate between installation types, which could be helpful as well.

MAINTAINING MARKET SECTOR DIVERSITY

We believe that SREC factor adjustments could be justified to maintain market sector diversity on various grounds (e.g., economic, based on job creation) and potentially could support other public policy objectives. We support the idea of a somewhat higher SREC factor for small systems.

OTHER CONSIDERATIONS FOR CARVE-OUT DESIGN REVISIONS

Maintaining a fixed Opt-In term, not subject to formulaic adjustment, could facilitate financing opportunities, and could build on useful financing practices developed around the current program. With a fixed Opt-in term, it may be reasonable to limit solar carve-out participation to each project's Opt-In term to balance adequate incentives and ratepayer savings. The logistics of implementing such an approach, however, may be difficult.

OTHER POLICY ISSUES

With respect to whether DOER should intervene to protect agricultural and forest lands, we believe that dual use applications may be worth promoting, perhaps through the use of a higher SREC factor.

We support the idea of an option for small PV systems to “forward” mint SRECs to help alleviate the financing barrier. Forward minting is an option in Australia for small PV, hydro, and wind systems in that country's mandatory Renewable Energy Target, where system owners can choose to be credited annually, or by one of two alternatives for upfront crediting. The idea of forward minting could be beneficial for vendors and owners of small PV systems as an option in Massachusetts's PRS program, and could be especially important if the Investment Tax Credit is not renewed after 2016. This option would have additional benefits if it was structured to encourage optimal system operations and to prevent SREC over- or under-crediting. To accomplish that, perhaps upfront crediting could be done for an initial period of years, for example for 5 years, with a subsequent, second crediting period, such as for 5 more years, with the amount of additional credit adjusted upward or downward based on metered data from the initial 5-year crediting period.

We greatly appreciate the Department's work to develop policies that will continue to support a growing, thriving, and sustainable PV market and industry in Massachusetts in ways that balance the needs of various stakeholders.

Sincerely,



Steven Kaufman
Managing Director