



**Northeast
Utilities**

800 Boylston Street
Boston, MA 02199

VIA ELECTRONIC MAIL

April 8, 2013

Mr. Michael Judge
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Post-400 MW Solar Policy Development

Dear Mr. Judge,

Thank you for the opportunity to comment on the Department of Energy Resources' ("DOER") proposed policies for supporting solar development in the Commonwealth after the 400 MW goal of the current RPS Class I Solar Carve-Out program has been reached. Northeast Utilities ("NU" or "the Company") recognizes the importance of solar energy to the Commonwealth's renewable energy goals and has directly supported the development of solar resources through several initiatives. Western Massachusetts Electric Company ("WMECO") has installed over 4 MW of solar photovoltaic capacity at its Indian Orchard and Silver Lake facilities, and plans to construct additional capacity. NSTAR Electric Company ("NSTAR Electric") has executed long-term contracts with projects that will provide 5 MW of installed solar capacity and plans to issue another RFP for additional long-term SREC contracts. These initiatives have directly contributed to the Commonwealth's renewable energy goals.

In developing Post 400-MW solar policies, NU encourages DOER to build upon the success of the current Solar Carve-Out. The Company's recommendation to DOER is to maintain the existing Solar Carve-Out framework with a handful of modifications to mitigate ratepayer impacts and offers the following comments in support of that proposal.

1. The Current Solar Carve-Out has Been Successful

As of March 13, 2013 over 195 MW of solar photovoltaic capacity had been installed in Massachusetts under the Solar Carve-Out program, with over 125 MW of that installed in the prior 12 months. After a slow start, the surge in construction demonstrates that the development and investment communities are now comfortable with the program and confident in their ability to build successful solar projects in the Commonwealth. The Solar Carve-Out has been further complemented by other programs, such as net metering and Solarize Mass®. Combined, these programs have

been successful in supporting solar development and have placed the Commonwealth well ahead of pace toward meeting Governor Patrick's original goal of having 250 MW of solar capacity installed in the Commonwealth by 2017.

The introduction of a substantially new solar policy at this time risks interrupting the momentum that has been built. Developers and investors could curtail activity until any new program was understood and its viability proven, leading to a lag in development similar to what was seen at the start of the Solar Carve-Out program.

2. Program Revisions Should be Made to Lower Ratepayer Impact

While NU encourages DOER to substantially continue the Solar Carve-Out program, the Company does recommend making certain modifications that, in the Company's view, would lower ratepayer impacts. Specifically the Company recommends that DOER lower ACP and Clearinghouse Auction prices, escalate annual SREC requirements at a fixed rate, and limit the term of Solar Carve-Out eligibility.

The current Clearinghouse Auction price of \$300/SREC and the current ACP schedule of \$550-\$365/SREC are both well above prices required to support development of competitive solar projects in the Commonwealth, particularly when combined with Net Metering credits and other incentives available to solar projects. Maintaining SREC prices at these levels burdens ratepayers with unnecessary costs while overcompensating solar project owners for reasonable development costs that should more appropriately be borne by the project owners themselves.

Current SREC price support levels are also substantially higher than those of other RPS classes. The Clearinghouse Auction price is nearly 5 times the RPS Class I ACP rate, meaning the solar price "floor" is nearly 400% greater than the maximum price paid for other renewable energy attributes. It is clear from the recent build out of solar capacity in the Commonwealth and the low spot prices for SRECs on the secondary market, in the range of \$180-\$250, over the last 12 months that a much lower floor price is warranted.

NU also recommends that DOER simplify the determination of annual SREC requirements in future regulations to set a requirement for a continued Solar Carve-Out that allows retail electric suppliers the ability to accurately forecast future obligations. The current practice of increasing the SREC requirements in response to higher rates of development is not fair to ratepayers as it rewards imprudent development with higher requirements. There is considerable consensus that the price of solar installations will fall over time. As a result, ratepayers should not be asked to accelerate purchase of solar capacity now when it's likely to be available at lower cost in the future. DOER should set a fixed SREC requirement that adequately supports solar development, but does not burden customers with higher costs in the face of a development boom.

Lastly, NU supports the proposal that Solar Carve-Out projects be "term limited," meaning qualified solar generation units would cease producing SRECs after a specified

term and instead be qualified as a regular Class I renewable energy resource. Such limits would ensure that a Solar Carve-Out program could continue to support new development while not burdening ratepayers with premium payments to existing generating units that have already met their revenue requirements.

3. Central Procurement is Unnecessary and Inefficient

In its presentation to stakeholders on March 22, 2013, DOER introduced the possibility of supporting solar development post-400 MW through Central Procurement of solar contracts, either by distribution companies or State agencies. NU discourages DOER from pursuing a Central Procurement program since it would be administratively burdensome and would not serve the full range of solar development currently underway today.

In addition to requiring new legislation, Central Procurement would require transparent development of a solicitation process and full evidentiary proceedings to approve any executed contracts. Solar development in the Commonwealth would be at risk of slowing while DOER and other entities worked through the lengthy procurement process. The contracts awarded through Central Procurement may also be concentrated amongst a relative handful of projects and developers with greater scale. The development of residential, rooftop and other small photovoltaic systems – the types of projects that have contributed significantly to setting the Commonwealth on the path of reaching its goals – may not be adequately supported by a Central Procurement model.

4. Ratepayers Should Not Further “Firm” the Clearinghouse Auction Floor

The requirement proposed in H. 2915 that distribution companies purchase any SRECs remaining unsold after the Clearinghouse Auction is conducted is unnecessary and burdensome on ratepayers. Such a firm obligation would amount to a de-facto long-term contract, awarded without a competitive process and at prices far above the revenue requirements of many solar projects. Ratepayers would bear the full cost of buying surplus SRECs and project owners would fully shed the limited price risk they currently bear. Nearly 200 MW of solar capacity has been developed without any such firming of the Clearinghouse Auction price floor, proving that the current program is entirely adequate as is to support development of competitive solar projects.

5. Solar Regulations Should be Simple and Clear

DOER’s March 22, 2013 presentation also included proposals to regulate incentive values as PV costs decline and to provide varying incentives based on system size, locations or other factors. NU urges DOER to avoid introducing additional algorithms into the regulation. Such regulatory features create uncertainty for project developers and investors, slowing the pace of development. After several years, the solar energy sector in the Commonwealth is now comfortable with the unique features in the existing Solar Carve-Out program, but introducing new complications into the Solar RPS

could result in a slow-down in development activity as the sector works to, once again, understand how the regulation will function and gain sufficient confidence to commit capital to projects.

The introduction of complicated algorithms also risks the emergence of unintended consequences and undesirable loopholes over time, which then require correction through further changes to regulations. DOER recently initiated a rulemaking in 225 CMR 14.00 Renewable Energy Portfolio Standard Class I, to implement, among other things, a change in the annual compliance requirements for retail electric suppliers for SREC compliance. The effect of those proposed changes (including the retroactive application of additional SREC supply obligations) has caused a great amount of concern and uncertainty, as evidenced by the comments received in that Docket. The frequent revision of RPS regulations increases perception of uncertainty amongst market participants, which is compounded by the notion that such revisions may be imposed retroactively, and should be avoided.¹ For that reason, NU urges DOER to keep the design of a continued Solar Carve-Out simple and clear.

Conclusion

NU appreciates the opportunity to comment on proposals for continuing support of solar development in the Commonwealth after the 400 MW goal of the Solar Carve-Out is reached. The Company recognizes that solar renewable energy is, and will continue to be, a valuable component of the Commonwealth's strategy to meet its environmental and renewable energy goals. NU asks that DOER take these comments under advisement and work toward creating a policy substantially similar to the current Solar Carve-Out that effectively supports solar development at reasonable cost to electricity customers. We look forward to continuing to participate in the process.

Sincerely,



Jeffery S. Waltman

Manager, Power Planning and Supply

¹ On March 25, 2013, NU submitted written comments to DOER highlighting several issues of concern regarding DOER's proposed modifications to the SREC regulations and the potential for the creation of undesirable uncertainty and negative impacts in the marketplace. Of particular concern, and an issue that bears re-emphasis here, is NU's concern that DOER's proposed Section 14.07(2)(a)(2) (proposing changes that would impact existing contracts in place as of August 30, 2012) will have an inappropriate retroactive impact on existing Basic Service contracts for WMECO and others. See NU Comments on DOER Proposal to Modify RPS Class I Regulations at 1-2 (March 25, 2013). The Retail Energy Supply Association ("RESA") likewise submitted comments raising similar issues, stating that, at a minimum, any proposed changes to the regulations should be applied prospectively. See RESA Comments on Proposed Amendments to the Class I RPS at 8-12 (March 25, 2013). NU fully supports RESA's comments in this regard and urges DOER to apply any changes on a prospective basis.