MassSolar

SolarIsWorking.org

DOER Next Solar Incentive Straw Proposal The Good, Bad and the Ugly of MA solar policy

October 13, 2016

Boston Area Solar Energy Association (BASEA)

Who is MassSolar?

MassSolar is a collaboration of Massachusetts solar businesses, solar owners, environmental advocates, community organizations and motivated citizens. We are dedicated to:

- Supporting the continued growth of the Massachusetts solar economy;
- Modernizing the electricity grid;
- Maximizing the potential of solar as a solution to climate change; and
- Ensuring that everyone has fair and equitable access to solar power.
- Blog posts and updates available at Solarisworking.org

Goals for Solar PV in the Commonwealth

- 8 GW of Solar PV installed by 2020. This would be approximately 20% of the state's electrical capacity and aggressively move us to the Global Warming Solutions Act Goals.
- We want direct ownership and community shared solar to prevail, flourish and provide all the ratepayers and residents of the Commonwealth with equal access to solar PV distributed generation.

DOER Straw proposal outline

- Relies on tariff-based incentive program; hoping to be more predictable than net metering, and would be uniform across the state and all EDCs

- There would be a declining block model, so that after a certain number of MW are built, the tariff values would decrease in each successive block. Each block to be 200MW at least twice a year. Project size limited up to 5MW AC.

- Incentives (through adders) projects that meet the following:
  - Location (building on landfills, brownfields, parking lots)
  - Policy (Behind the meter on-site storage batteries)
  - Off Taker (Community solar and low-income owner)

- New siting stipulations would remove incentives from sensitive sites (wetlands, prime ag land, conservation land, forested land)

Illustrative Tariff Values

Capacity Based Tariff Rates (kW AC)		
System Capacity	**Incentive ($/kWh)**	**Term Length**
Less than or equal to 25 kW AC (Low Income) [1]	$0.35	10-year
Less than or equal to 25 kW AC	$0.30	10-year
>25 - 250 kW AC	$0.23	15-year
>250 - 1,000 kW AC	$0.18	15-year
>1,000 - 5,000 kW AC	$0.15	15-year

1. Must be an R-2 customer to qualify

Note: These are proposed values and are not necessarily indicative of final tariff rates

Illustrative Tariff Adder Values

Location Based Adders	
Type	**Adder Value ($/kWh)**
Building Mounted	$0.02
Brownfield/Landfill	$0.03
Solar Canopy	$0.04

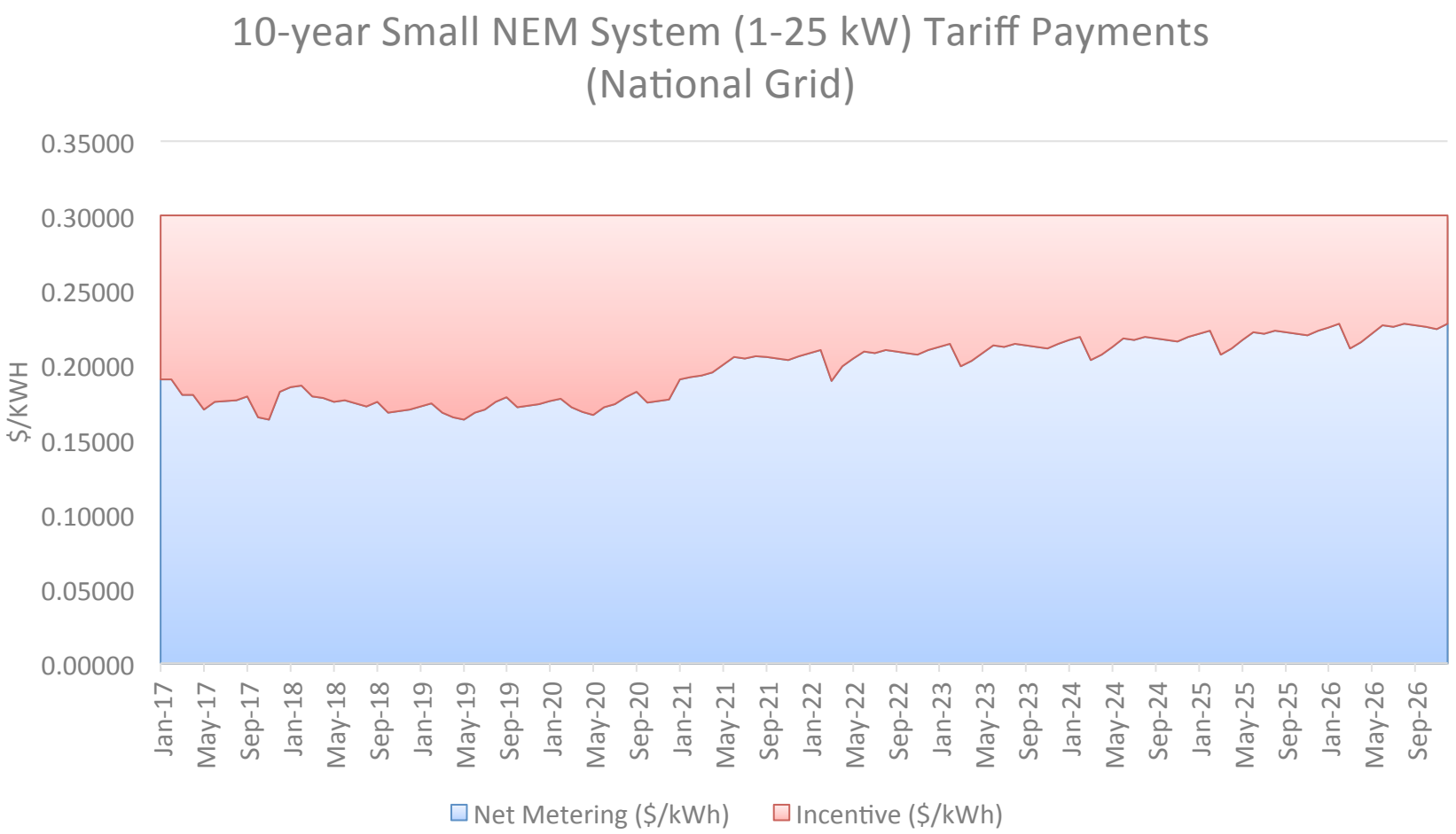
Off-taker Based Adders	
Type	**Adder Value ($/kWh)**
Community Shared Solar (CSS)	$0.04
Low Income Property Owner	$0.04
Low Income CSS [1]	$0.06

Policy Based Adders	
Type	**Adder Value ($/kWh)**
Behind-the-Meter Energy Storage [2]	$0.03
Standalone Solar + Energy Storage	$0.05
Non-Net Metered	$0.05

1. Must be at least 25% R-2 customers (extra $0.01/kWh for each additional 25% of off-takers consisting of R-2 customers)
2. Must be connected to the meter of a customer with a minimum amount of load to be determined

Note: These are proposed values and are not necessarily indicative of final tariff rates

Small System Tariff



Note: Graph is illustrative of how tariff payments would be determined and does not reflect projected values

Implementation Schedule

- Fall 2016
  - DOER engages with stakeholders to build consensus around program design
  - DOER files emergency regulation by end of year
- Winter 2017
  - DOER conducts rulemaking to permanently promulgate emergency regulation
  - EDCs file model tariff with DPU
  - DPU issues procedural schedule for proceeding
- Spring 2017
  - DOER concludes its rulemaking
  - DPU completes review of model tariff
- Summer 2017
  - Compliance tariffs approved by DPU
  - Program goes into effect

NOTE: Schedule is illustrative of anticipated timelines, but actual timeline may differ

Stakeholder Comments

Need to bridge the gap between SREC II and this program

- There are already projects that are waiting on a new incentive program because caps have been met in half the state. There are already enough projects to fill the first if not second block of 200MW.
- Development for some projects has already stopped; need to extend SREC II or have a plan for projects that have already stalled.
- The set time-frame relies on establishing consensus very quickly and being able to come up with solutions to acknowledged problems in just a few months. Need to have a back-up plan if it takes longer. It could take more than 2 years to finalize and adopt new regulations and tariffs from DOER and DPU.

Problem with “Block” structure of decreasing incentives

- As proposed, after certain MW in each region are met, the incentives would decrease by 5% which doesn’t take into account cost of labor and higher project costs due to low hanging fruit having been picked.
- Blocks create uncertainty because of long permitting process (which block—how much of an incentive can you expect for your project). Credit and financing need stable pricing to execute projects. How/ when to “lock in” the rate?
- Not time defined, but MW defined, so it could run out much faster than expected. Is there a mechanism for adjusting tariff incentive rapidly to respond to market signals.
- Need to provide developers with projects waiting with assurance that their project will be included in the next declining block, allowing them to invest in early stage design work.

Continued

Problem with “Block” structure of decreasing incentives – continued

- Offer a 20 year program at the same values, instead of a 10 or 15 year program to make projects more easily financeable for larger than 25kW systems.
- Does not take into account the change in ITC to 26% in 2020, 21% in 2021 and 10% thereafter for commercial. Residential goes to 0%.
- Residential and small Commercial need a separate carve out to save space in each block.

Base Rates and differences between size

- Unclear how & why base rates are chosen. No Value of solar study. How will rates be adjusted in the future?
- Large projects (including community shared solar) would get half the rate of under 25 kW. They cost less to build, but this makes them less attractive.
- Why limit to 5MW AC project size?

Does not address problems with interconnection and permitting processes

- Currently time-consuming and costly
- Suggestion: make a one-stop permitting process, the same across the state
- Need to determine if municipalities or utilities should be the ones paying for upgrades to substations (and analog to digital upgrades).

Adders

- Needs to be clear about how to build storage systems that qualify
- Does the adder take into account depreciation because batteries don't last forever?
- Why restrict multiple adders on one project in each category?
- Should define a reasonable standard for restrictions to building solar farms in forests or on farmland that is not overreaching or discriminatory against only solar development. eg. A Walmart can locate on private land wherever it wants where solar would be denied.
- Member owned direct ownership of community shared solar should receive the same adder as direct owned residential systems.

Net metering work-around

- Eliminating the net metering cap would make this unnecessary
- Non-net metering adder of $0.05 on top of everything else? How would this work? Is this enough? Currently a loss of 7-13 cents?
- No clear way to incentivize alternative/ emerging storage technologies
- Low Income may not be able to enjoy the cash payments as they would NM credits.

Municipal Light Plants

- Currently no plan to integrate them into this straw proposal.
- Provide an incentive similar to what is available to IOU customers and an opt in price for towns to participate based upon the same cost to ratepayers in the IOU towns

The BIG picture

This Straw Proposal goal of 3200MW (additional 1600MW) of Solar PV represents only 8% of the Commonwealth's electric generation. Is this Straw Proposal getting even close to the 2020 goals of the Global Warming Solutions Act?

Our current rate of 300-400MW/year installed PV needs to be ramped 2x+ to get to 20% Solar PV by 2020 in order to have any chance for reducing our GHG emissions to 40% in 2030.

Make sure that you submit comments to the DOER about your concerns with the Straw Proposal by Oct 28th.

DOER.SREC@state.ma.us

Next Steps

- Straw proposal and audio recording of today's meeting is posted on the "Development of the Next Solar Incentive" page of DOER's website
- Written comments on proposal will be accepted through October 28th 2016
- Comments should be submitted via email to DOER.SREC@state.ma.us
- DOER will provide updates as the program design is updated and modified throughout the fall

Your Comments to DOER

1) It is crucial to create an interim program to fill the void between the January 8th expiration of the SREC II program and the implementation of the new program.

2) The new incentive program should include a fair definition of forested and agricultural land that does not discriminate against solar development as opposed to any other type of development.

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Your Comments to DOER

3) The new incentive should feature a higher adder fee structure and longer terms to encourage projects to pencil in the last block, not just the first block.

4) The proposal must include a system of assurance to lock in a block rate at the beginning of the project development cycle so project owners can accurately predict expenses. A reservation fee similar to MassACA may be appropriate.

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Your Comments to DOER

5) DOER should commit to revisiting blocks changes periodically (for example, once a year) to evaluate market signals. The increasing block size and decreasing rate set in advance may not be adequate to meet our solar build-out goals.

6) A solution for Municipal Light Plants would be to set up a fund that they can opt into, in order to pay for their own subsidies on a pro rata basis.

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