September 30, 2016

Ms. Judith Judson
Commissioner
Department of Energy Resources
Commonwealth of Massachusetts
100 Cambridge Street
Boston, Massachusetts 02114

Re: Request to Address Market Uncertainty and Gap between SREC II and Successor Program

Dear Commissioner Judson:

The undersigned organizations and industry associations, on behalf of their member companies, thank the Baker Administration, and the Department of Energy Resources (DOER) staff, specifically, for its commitment to a stable environment for the advancement of solar energy in the Commonwealth.

The new Solar Incentive Straw Proposal, as presented publicly on September 23, 2016, represents a thoughtful approach toward our shared goal of establishing a long-term sustainable incentive framework and enhancing the benefits of solar to Massachusetts ratepayers. While numerous questions remain on certain details of the proposal, we are committed to working jointly with DOER on its final development and implementation.

A major concern, however, is the timing risk inherent with implementing the new incentive framework through a multiagency process. Even under the DOER's most aggressive timeline assumptions, developers would be unable to begin financing and constructing SREC II successor projects until the summer of 2017.

We write today to formally request that DOER take immediate steps to mitigate or eliminate a potential gap between the SREC II program and its successor.

We greatly appreciate the DOER's prior efforts to prevent market disruption at the close of the SREC II Program through emergency regulations, finalized on July 1 and further clarified through the DOER's issuance of the August 31 Guideline.

These emergency regulations were intended to provide a smooth transition to the next incentive program, delivering a limited extension and an incremental step-down in incentive levels. As a result, projects under 25 kW remain eligible for SREC II until the effective date of the new solar program established by the DOER. However, no such continuity currently exists for projects greater than 25 kW, including early stage and otherwise-advanced stage projects that will be unable to meet the 50% construction cost threshold by January 8, 2017.

As a result, no commercial market currently exists for projects greater than 25 kW, which already face lengthy development timelines of six to 24 months. The existing development gap is virtually guaranteed to exist until new DOER regulations establishing the next incentive framework are finalized. Unforeseen delays in the regulatory process at DOER or the Department of Public Utilities, including stakeholder interventions at either agency, would further exacerbate the issue.

In short, a six-month gap between incentive programs will slow the overall growth of the solar industry and the jobs the industry creates. An even longer gap between programs would have a chilling effect on the market and may undermine the Baker Administration's long-term solar goals. However, addressing the issue immediately would ensure a viable market.

To avoid future market disruptions, the undersigned organizations strongly recommend one of several possible actions, as indicated below, that the DOER could take to address the timing issue:

1. **Amend the existing extension criteria under 225 CMR 14.05(9)(s)4(a).**

   Currently, a project greater than 25 kW must demonstrate that 50% of its total construction costs have been incurred by January 8, 2017 in order to qualify for a 4-month extension to reach mechanical completion. Such projects receive a reduced SREC Factor. In order to keep these projects moving toward the formulation of the next incentive program, <u>we propose that the DOER could adjust this extension to expand extension eligibility to all projects which submit a Statement of Qualification Application (SQA) by January 8, 2017</u>. Further, the extension for mechanical completion should be tied to the effective date of the new incentive program (i.e. a project which submits an SQA by January 8, 2017 must be mechanically complete within 4 months after the effective date of the new incentive program).

2. **Introduce new extension criteria under 225 CMR 14.05(9)(s)4.**

   As previously stated, projects that are unlikely to achieve the 50% construction cost threshold by January 8, 2017, but which are otherwise at advanced stages of development, are currently unable to move forward with final development and financing due to the lack of an available incentive program. The same is true for developers and property owners looking to pursue new projects, or who are facing crucial decisions regarding development costs for early stage projects. With the intention of allowing both of these sectors to continue development during the formulation of the next incentive program, we propose that the DOER could introduce a new extension under 14.05(9)(s)4. Specifically, we propose that any project greater than 25 kW may retain its Statement of Qualification provided that it can demonstrate it is mechanically complete by the later of July 8, 2017 and the effective date of the new incentive program.

3. **Revise Guideline regarding RPS Solar Carve-Out II Extensions.**

    The Guideline issued by the DOER on August 31 provides guidance for granting extensions to projects that have not received authorization to interconnect or permission to operate from their local distribution company by January 8, 2017. Consistent with 14.05(9)(s)4(c), Section (6) of the Guideline provides an Extension for Good Cause outside of those extensions permitted under 14.05(9)(s)4(a) or (b). In order to continue project development while the next incentive program is developed we suggest that DOER could issue revised Guidance to clarify that the lack of a final, effective successor incentive program would constitute good cause for an extension for all projects that meet the criteria described above. This, or a similar revision to DOER's Guideline would not require an emergency rulemaking.

Addressing current market uncertainty through these proposed regulatory changes or revised guidance would provide much needed confidence to project developers who must otherwise put new business on hold, to customers eager to save on electricity costs, and to a financing community readily willing to make investments in Massachusetts companies and local sources of renewable energy through the SREC II program. We are seeking this remedy not merely as a means to extend the existing program per se, but rather to ensure the continuation of a viable commercial market for all projects during the development of a new program.

Just as importantly, resolving this critical timing concern would allow DOER and industry stakeholders adequate time to work through the process of finalizing the details of the new program deliberatively, without mounting pressure to close an incentive program gap. This proposal also balances the goals of market continuity at reduced costs to ratepayers, which have each been abiding aims of the Baker Administration.

We look forward to working with you to meet the challenges ahead including working out the details of the new incentive program. We also look forward to engaging in the stakeholder process around the design of the new program and the model tariff language. Our organizations will be commenting separately from this letter about the need for robust stakeholder dialogue during this process.

Please contact any of the undersigned parties listed below with any questions about the recommendations of this letter.

Respectfully yours,

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cc: Matthew A. Beaton, Secretary of Energy and Environmental Affairs
Ned Bartlett, Undersecretary of Energy and Environmental Affairs
Michael Judge, Director of Renewable and Alternative Energy Resource Development, Massachusetts Department of Energy Resources