



Raise The Caps This Year

WHAT IS NET METERING?

Net metering is a billing mechanism that credits solar energy system owners for the electricity they add to the grid. For example, if a commercial customer has a PV system on the building rooftop, it may generate more electricity than the building uses during daylight hours. If the building is net-metered, the electricity meter will run backwards to provide a credit against what electricity is consumed at night or other periods where the building's electricity use exceeds the system's output. Customers are only billed for their "net" energy use. On average, only 20-40% of a solar energy system's output ever goes into the grid. Exported solar electricity serves nearby customers' loads.

HOW DO THE NET METERING CAPS IN MASSACHUSETTS WORK?

Under Massachusetts Law net metering caps are set as a percentage of total electric distribution utility company load. For private projects, the current cap on net metered capacity is 7 percent. For a public project, or projects that involve a public entity such as a municipality, school district or other public institution as the offtaker, the cap on net metered capacity is 8 percent. Residential solar projects are entirely exempt from the net metering caps, so state net metering caps basically apply to commercial, industrial and community solar projects. Projects must apply for a net metering cap allocation through MassACA, an entity set up to process and award allocations of net metered capacity. More information on MassACA, including information on projects awaiting cap allocations can be found at www.massaca.org.

WHY DOES THE STATE LEGISLATURE NEED TO RAISE THE CAPS THIS YEAR?

Because there's a gap between now and 2018 where solar projects don't have the necessary policies to get off the ground. The Baker Administration's new solar

incentive program — called the Solar Massachusetts Renewable Target (SMART) — won't be ready until sometime in 2018. That program includes an option similar to net metering. But in the meantime, current projects that are eligible for the interim incentive program — the Solar Renewable Energy Credit (SREC) 2 program — are stalled, because utilities have hit their net metering caps. That program provides incentives for large commercial, industrial, and community solar projects, as well as smaller residential projects, but for these projects to get off the ground, the Legislature must raise state metering caps — and do so this year.

State incentives and net metering work together to provide value to solar customers. Incentives recognize solar's environmental and societal benefits, and net metering fairly compensates solar adopters for the actual energy they produce. The solar industry, and its customers, need both policies to keep building solar projects and keep creating good jobs. Right now net metering is not available to many businesses and communities across the state because, once again, some electric distribution utilities have hit their caps. With SREC 2 extended by the Administration, the Legislature should raise the net metering caps to keep pace.

HOW MUCH ROOM IS LEFT UNDER THE CAPS?

The short answer is not much and it is disappearing fast. Two utilities, National Grid, which serves many customers in central and western Massachusetts and Unutil, a small utility serving customers on the New Hampshire border, have hit their caps for private projects.¹ Hitting the caps essentially means certain solar projects will not move forward in these regions. Figures 1 & 2 show the current state of cap allocations as of April 26, 2017. Businesses and communities across the state are losing out on the benefits solar can provide.

¹Real time data from MassACA shows National Grid now has a waiting list for public projects.

NET METERING IN MASSACHUSETTS

HOW MUCH SHOULD THE LEGISLATURE RAISE THE CAPS?

A law last year raised the NEM caps by 3 percent and essentially addressed a backlog of solar projects that could not move forward without legislative action. But this was a short-term solution. The Massachusetts State Legislature should raise the NEM caps by 5 percent for public and private projects this year. Based on SEIA's analysis, this level of cap increase should support another 1,600 megawatts (MW) of solar development and would be consistent with Governor Baker's solar development goals.² This long-term increase provides the kind of certainty needed to keep building solar projects and growing jobs.

WHAT IS THE NEW SMART PROGRAM?

SMART is a new incentive program being developed by the Massachusetts DOER, based in part on legislative direction from Chapter 75 of the Laws of 2016. This initiative will establish a 1,600 MW declining block incentive program that will apply to all electric distribution companies. Base compensation rates will decline by set percentages in each block of capacity. A key feature of the program is that it will include additional incentives for certain types of projects, such as solar projects developed on landfills and brownfields, or projects that serve low income customers. SMART is unlikely to be fully implemented until sometime in the spring of 2018.

²Results in roughly 1,100 MW of new capacity.

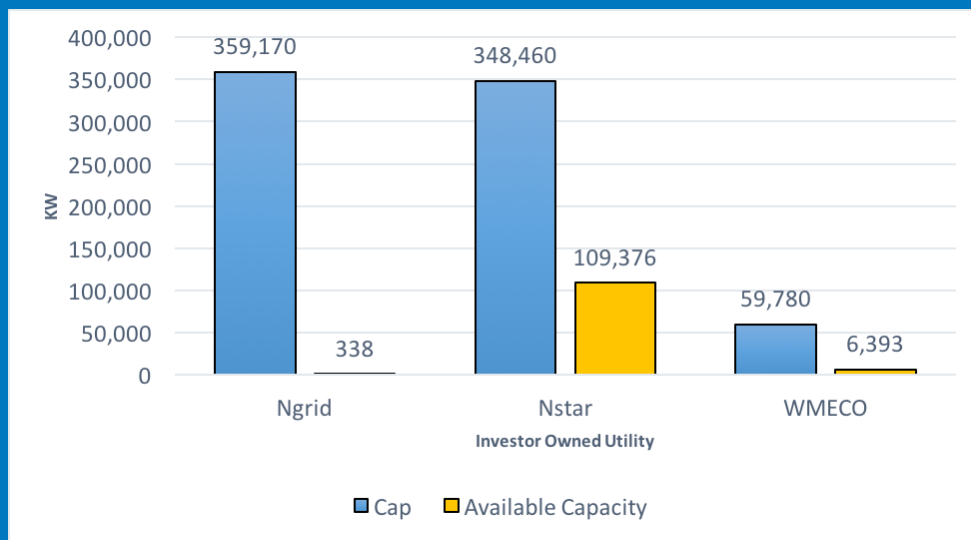


Figure 1: Net Metering Available Capacity In National Grid, Eversource and WMECO (Accessed 4/26/17)

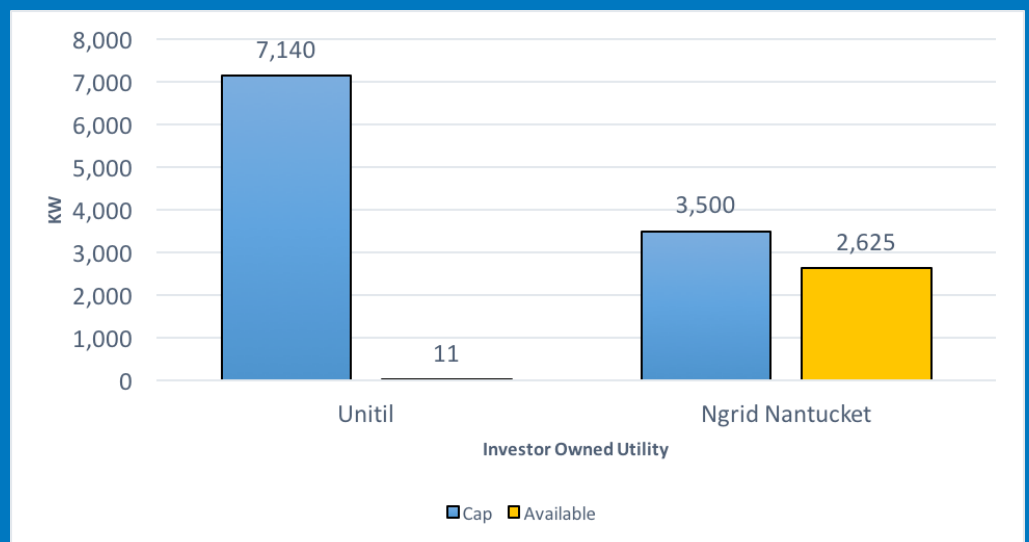
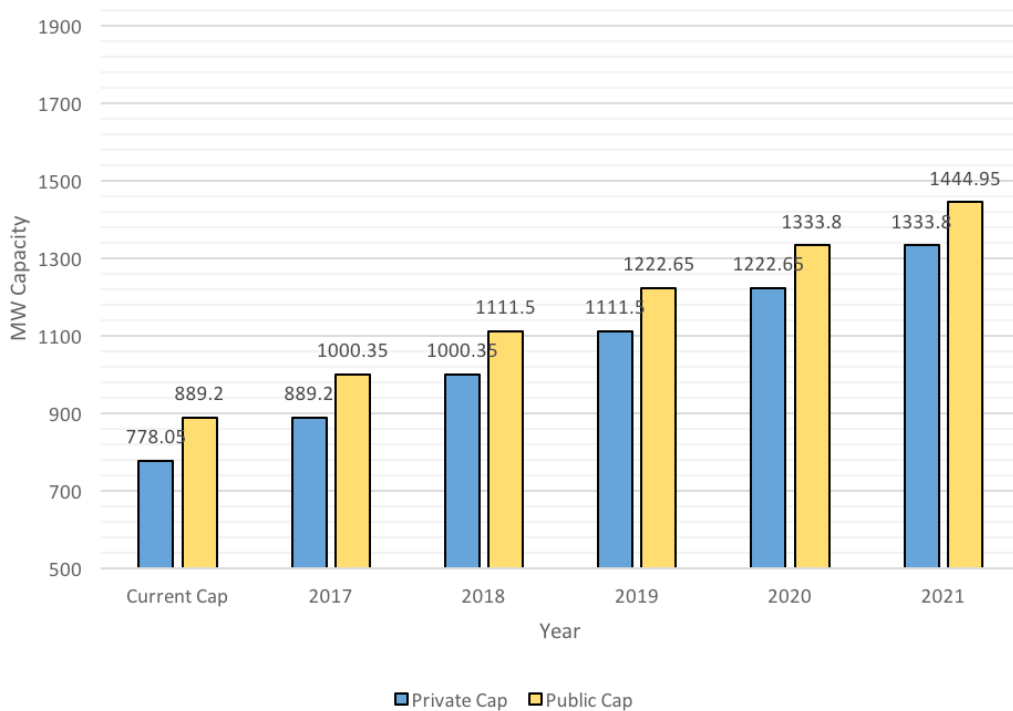


Figure 2: Net Metering Available Capacity In Unitil & National Grid Nantucket (Accessed 4/26/17)

NET METERING IN MASSACHUSETTS

Figure 3: Needed Net Metering Cap Increases 2017-2021



ISN'T THE NEW SMART INCENTIVE PROGRAM SUPPOSED TO AVOID THE NEED FOR A CAP INCREASE?

The SMART program is not a replacement for net metering, but rather a replacement to the SREC program that will reduce costs to ratepayers while allowing for sustainable solar development. While DOER envisions having a mechanism through SMART that provides an alternative to net metering through the creation of an “on bill crediting mechanism,” this mechanism is far from settled. DOER acknowledges that this administrative mechanism would need to be initiated by the utilities. This proposal would need to be approved by the Department of Public Utilities and questions remain about the level of compensation this tariff would provide. The additional tariff further complicates the regulatory pathway for developers and adds regulatory risk.

WHAT ARE THE CONSEQUENCES OF FAILING TO RAISE NEM CAPS?

Hitting the NEM caps in utility territories means businesses and communities cannot take advantage of the benefits solar can provide. That results in stalled projects, lost investment and firms shifting their capital to states across the Northeast. Jobs that would have employed Massachusetts workers will be created elsewhere.

About SEIA

Celebrating its 43rd anniversary in 2017, the Solar Energy Industries Association® is the national trade association of the U.S. solar energy industry, which now employs more than 260,000 Americans. Through advocacy and education, SEIA® is building a strong solar industry to power America. SEIA works with its 1,000 member companies to build jobs and diversity, champion the use of cost-competitive solar in America, remove market barriers and educate the public on the benefits of solar energy.

For more information, contact:

David Gahl

Director of State Affairs, Northeast

Email: dgahl@seia.org

For all media inquiries, contact:

Alexandra Hobson

Senior Communications Manager

Email: ahobson@seia.org

Phone: (202) 556-2886