

Net Metering and Solar Incentive Proposed Framework

**STAKEHOLDER MEETING
JUNE 11, 2014**

Meeting Agenda

June 11, 2014

2-3pm. Review framework.

Today's Meeting is to EXPLAIN a compromise framework for net metering and solar incentives. This is not a regulatory proceeding nor is it a legislative hearing.

3-4pm. Q&A.

Please consider those waiting to speak after you and limit your time at the mic. All parties are willing to follow up with additional conversations.

Process

- Multiple bills with different approaches filed to address net metering caps. TUE hearing March 11.
- DOER engaged each bills' major proponents, SEIA and NGRID with NECEC, NU and DPU for stakeholder discussion.
- Meetings began March 14th.
- Agreement on framework and legislation reached for the future of net metering and solar incentives.

Negotiation Objectives

1. Continue the deployment of DG while reducing ratepayer impacts.
2. Relieve pressure on renewable energy development from net metering caps, and create a sustainable future framework for small scale renewable energy systems.
3. Preserve availability of both behind the meter and virtual net metering.
4. Maintain opportunities for customers (hosts and off-takers) to directly benefit from DG.
5. Enable market to reach 1600 MW DC goal at lower cost and with comparable market outcomes.
6. Map out a seamless transition that allows for shift from one incentive regime to another with minimal market disruption; protect existing projects.

Market Gains

- 1600 MW solar goal written into statute.
- No NEM caps for solar, effective immediately.
- Transition begins 7/1/15, completed 9/30/16.
- Retains allowance of “virtual metering” (VM), with restrictions.
- Certainty beyond current political context.
- Takes risk out of solar incentive program (as a fixed known payment).
- Avoids an inherently uncertain process with respect to the value of virtual metering.
- Maintains SREC II policy goals re: project type, size, and locations as well as reduced ratepayer impacts.
- Provides for continuation of Ag, AD, and wind net metering projects.

Phase 2 Solar Net Metering Systems

(Behind-the-Meter)

- Continuation of full retail valuation of NEM credits.
- Can not be sized larger than what is needed to meet 100% of expected future load; customer has some leeway in representing future load growth.
- Customer has option to cash out if credits accumulate to more than half the annual load (cash payment calculated at Class III private rate).
- Net Metering eligibility lasts for life of Unit.
- Facility size limited to 5 MW AC.

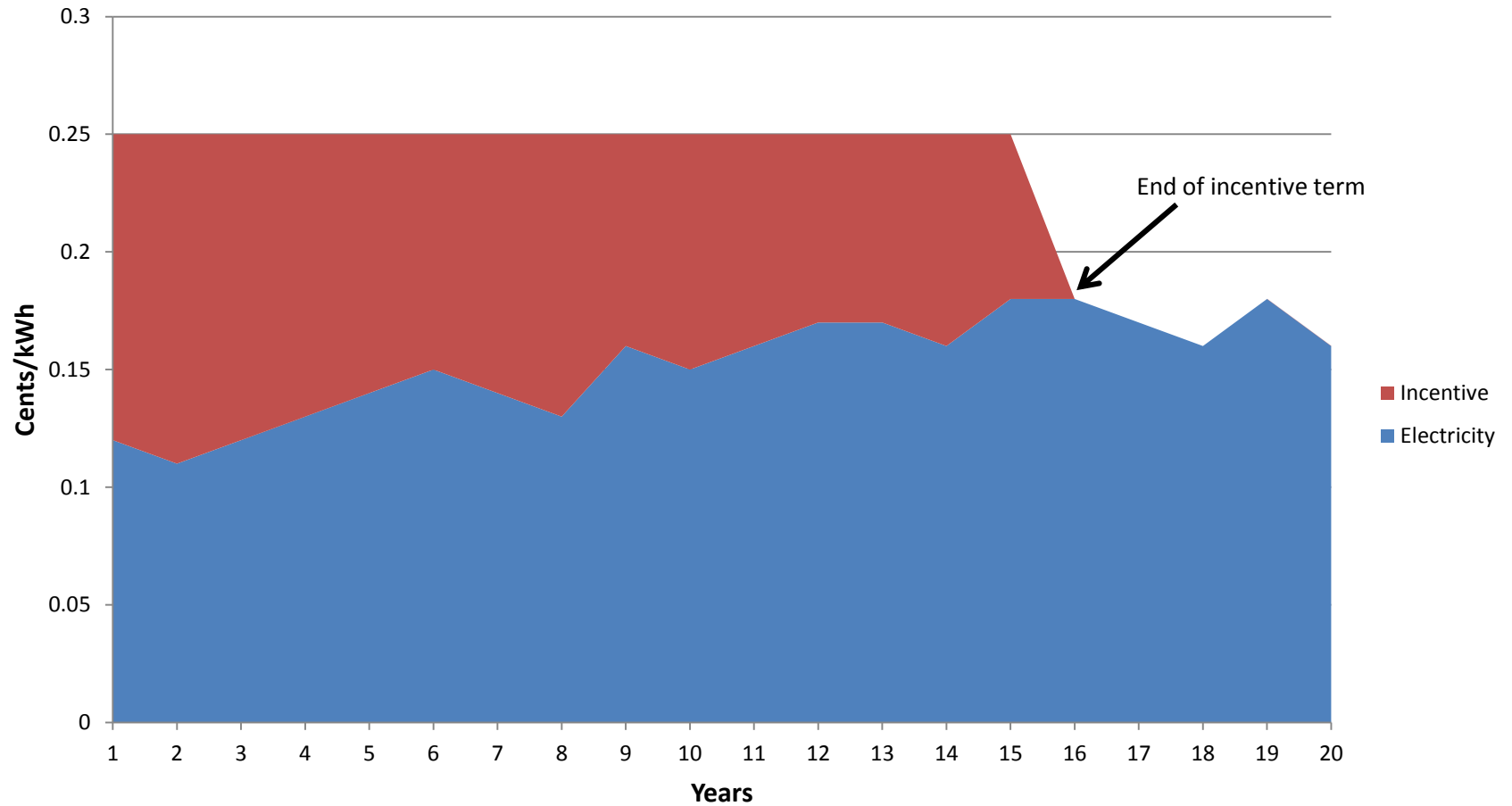
Solar Virtual Metering Systems

- Virtual metering preserved for eligible projects/off-takers
- Credit calculation changed – no kWh distribution credit included (current Private Class III rate).
- Division between preferred off-takers and others:
 - Preferred Sectors – facilities limited to 2 MW AC per parcel, 5 MW AC per landfill:
 - Municipalities and other governmental entities
 - Affordable housing/Low income
 - “Campus” projects; (i.e., multiple meters served by same on-site system)
 - Community shared solar, as defined in SREC II
 - Private entities – facilities limited to 1 MW AC per parcel:
 - Host and off-taker must be related parties
- Same geographic boundaries as today (same utility service territory and load zone).
- Utilities may elect to provide payments to Municipalities rather than continuing the allocation of credits to multiple accounts.

Declining Block Incentive Structure

- 1,600 MW total solar program goal - total capacity includes SREC, SREC II, and this successor program
- New declining MW block design
 - Transparent schedule laying out block sizes and related incentive levels
 - Declining Block Values designed to provide sufficient revenues to build facilities and with differential values for market sectors similar to SREC II Market Sectors.
 - Incentive level automatically steps down as blocks are filled
 - First come first served based on capacity reservations, projects must be advanced-stage to reserve capacity
- 15 year Incentive payment stream (may be shorter for smaller systems). NEM and VM credits continue for lifetime of project.
- Phase 2 Solar Net Metering systems
 - Incentive independent of NEM credit value.
- Solar Virtual Metering systems
 - “Contracts for difference” framework
 - VM credits and incentive operate in tandem to achieve fixed revenue stream. As NEM credit value increases, incentive decrease and vice-versa.

Contract for Differences



DOER and DPU Regulatory Role

Historical Background

- At March 22, 2013 Stakeholder Meeting, DOER stated its interest in “central procurement” to reduce price risk, enhance project financing, and save ratepayers costs. DOER recognized need for legislative process and committed to SREC II regulatory process to assure market continuity.
- DOER commissioned Task 2 Report: *Comparative Evaluation of Current Carve-out Policy to Other Policy Alternatives*. Evaluation demonstrated significant ratepayer cost savings of central procurement with standard offer.

Declining Block Tariff Development

- Under the Declining Block framework, DOER will engage in a stakeholder process to develop block values. DOER will file a petition with the DPU for program approval following an adjudicated process. Utilities will file associated illustrative tariffs.

Declining Block Incentive Mechanics

- Under the Declining Block Incentive (DBI) Program, there will be no SRECs created.
 - Any project qualified to receive SREC or SREC II credits under the current programs will continue to do so until they expire.
- DBI non-energy attributes of solar facilities will be minted as Class I RECs and may be used by utilities for their basic service Class I requirement or sold in the Class I market.
 - Proceeds will be credited back to distribution customers.
- Facilities will receive incentive payments via tariff mechanism approved by the DPU.
- Competitive Suppliers will NOT have a new solar carve-out obligation but retain their obligations under SREC and SREC II.

Minimum Bill

- Instructs utility regulators to implement a minimum monthly bill for all customers, to ensure that all customers are paying something each month to cover their fair share of the costs incurred by the utility in developing, maintaining, operating and upgrading the distribution system.
- Non-discriminatory charge.
 - Applies equally to all customers whether they have DG or not.
 - May be scaled depending upon customer load.
- DPU process would establish minimum bill value.
- This is not a fixed charge.
- DPU may exempt or modify the minimum bill for the low income rate class.

Transition

- NEM caps lifted immediately.
- DPU Order and conforming tariffs by July 1, 2015.
 - New program effective immediately upon issuance of DPU order.
 - Projects obtaining Assurance of Qualification (AoQ) prior to effective date safe harbored in SREC II and existing net metering rules.
 - Program choice (SREC II or Declining Block) optional for projects receiving AoQ between July 1 and December 31, 2015, but if electing SREC II, must pay \$60/kW deposit against completion.
 - Beginning January 1, 2016 all projects that do not have an AoQ will be in the Declining Block Incentive Design and new metering framework.
- SREC II Minimum Standard adjusted to reflect final supply pool of SREC II qualified projects.
- Other mechanics of program and transition to be worked out as part of DOER filing by November 2014.

Other Issues

- Merchant Solar Generating Facilities (QF/stand-alone projects) will receive a fixed 15-year incentive ; energy will be sold at the wholesale rate.
 - Incentive will be set at the time the facility qualifies for the DBI at the same level a comparable solar virtual metering facilities would receive.
- Segmentation of facilities: prohibits facilities built on contiguous parcels unless parcels and facilities owned by different people/entities or facilities are built 12 months apart.
- A Phase 2 Solar Net Metering facility and a Solar Virtual Metering facility may be located on the same parcel IF the total aggregate capacity is no larger than 2 MW AC.
- Certain policy-driven project types will receive an additional incentive to encourage their development, including: municipal/other gov. entities; low income housing; geographically target areas of the distribution system; and emergency power generating facility.

Non-Solar Net Metering

- Agriculture, AD, Wind and non-solar DG facilities under 60 kW will continue under a new 3 % peak load cap exclusive of solar qualified under SREC, SREC II and the new program (this allows for approx. 275 MW of non-solar DG capacity to be built).
- Continuation of current valuation of NEM credits.
- Once the cap is reached, new projects may meter at the Class III rate.

Responsibilities Under New Programs

- DOER will
 - Design the declining block program with fixed prices for bundled and unbundled tariffs, with stakeholder input.
 - Develop the eligibility criteria/regulations for projects and qualify projects for RPS eligibility.
- DPU will
 - Review the program design and proposed tariffs.
 - Assign a party to run the eligibility and enrollment assurance system (potentially same as Mass ACA today).
 - Review the program's progress, and balance the costs between the companies.
- Distribution companies will
 - Develop new tariffs to comply with Act.
 - Collect deposits during transition period for projects.
 - Develop tariffs to implement payments, and implement needed system changes.

Program Highlight Review

- 1,600 MW of Solar will be incentivized.
- Eliminates net metering cap for solar projects.
- Preserves opportunity for behind-the meter and virtual metering via new net metering/virtual metering program (Section 139 ½).
- Known, predictable payment stream for projects through the Declining Block Incentive Program (Section 11K).
- Provides ample transition timeline for solar projects in development or about to start development.
- Affords continued net metering for non-solar DG.
- Opens DOER-driven public stakeholder process to determine incentive values based on market segments and conditions.