
Massachusetts Proposes New Solar REC Carve-Out Program

2009-12-22

The Commonwealth of Massachusetts recently proposed to implement a Solar Renewable Energy Certificate (S-REC) Carve-Out Program to jumpstart the construction of commercial-scale solar PV projects in Massachusetts. The Commonwealth will issue emergency regulations that allow the Carve-Out Program to begin on January 1, 2010, and thereafter will issue final regulations for public notice and comment. It is anticipated that the final regulations will become effective in May 2010.

The new S-REC Program, which will be administered by the Massachusetts Department of Energy Resources (DOER) and be limited to projects up to 2 megawatts (MW) in size, contains an innovative auction account that is intended to provide long-term revenue stability to projects by ensuring that all of the S-RECs generated in a given year are purchased by load serving entities. Under the Program, Massachusetts will require that a percentage of the Commonwealth's Class I Renewable Portfolio Standard (RPS) be satisfied with renewable energy certificates generated from solar PV projects that are constructed after January 1, 2008.

For compliance year 2010, the Alternative Compliance Payment (ACP) Rate under the S-REC Program is set at \$600/MWh. In contrast, the ACP Rate for 2010 under the Class I RPS Program is set at \$60.92/MWh. To respond

to fluctuations in the S-REC market, DOER retains jurisdiction to reduce the ACP Rate by up to 10% on an annual basis.

In an attempt to provide revenue certainty to project developers, DOER will establish a state-sponsored auction account (the Massachusetts Solar Credit Clearinghouse) into which solar PV generators can deposit unsold S-RECs. A solar project will be eligible to deposit its surplus S-RECs into the auction account only for a limited period of time. The length of this opt-in period, which initially will be set at ten years, will be determined by DOER at the time that a specific solar project is installed.

In the event a solar project deposits eligible S-RECs into the DOER's auction account, DOER will "re-mint" the S-RECs into Extended Life S-RECs which can be used for compliance purposes in either of the next two compliance years. The Extended Life S-RECs will be sold by DOER in the auction at a fixed price of \$300/MWh. If the bid volume is insufficient to clear the volume of available Extended Life S-RECs after several rounds, then DOER will increase the Minimum Standard for the Compliance Year to reflect the total amount of S-RECs that were deposited into the auction account. DOER anticipates that increasing the Minimum Standard to reflect the amount of available S-RECs will fully clear the auction in the following round.

Revenues received from the auction will be paid to the projects that deposited S-RECs into the auction account, minus an auction fee of five percent (or \$15/MWh). Any auction fees received by DOER, as well as any ACP payments that are made in short-market years, will be overseen by DOER to benefit the continued development of renewable energy in the Commonwealth.

Additional information on the Commonwealth's new Solar REC Carve-Out Program can be found [here](#).