nerej
CELEBRATING 55 YEARS

Mass. continues to encourage strong solar deployment; holds opt-in term steady at 10 years

August 23, 2012 - Green Buildings

The State of Mass. Department of Energy Resources (DOER) continues to show strong support for renewable solar energy, announcing recently it will continue to support a 40-quarter (10-year) Opt-In Term for solar projects that receive Statements of Qualification through July 19, 2013.

So what does that mean for businesses interested in deploying solar projects in Massachusetts over the next 12 months? First, it's important to understand what the DOER's Opt-in Term is all about and what the impact on system owners will be when and if the Opt-In Term changes. The basics: the state uses financial incentives in the form of SRECs (Solar Renewable Energy Certificates) to reward solar system owners for generating renewable energy. The state has mandated that a percentage of electricity which utilities sell must be generated through renewable energy sources, with a specific percentage attributed to solar. Utilities can't meet the requirements on their own so they purchase it from other solar energy producers - i.e. business and residential solar installation owners. One SREC equals 1,000 kWh (kilowatt hours) of electricity and these SRECs are sold to companies that sell power in Mass. in order for them to meet the mandate.

An Opt-In Term is the length of time that an installation is allowed to participate in the SREC auction. Once a project is qualified, its Opt-in Term cannot be changed. This rule helps guarantee that solar projects continue to generate a steady source of revenue for a specific term. The SREC market floor is $300 (or $285, after a 5% admin fee is taken by the state). A system owner that receives a Statement of Qualification before July 19, 2013, will be allowed to participate in the annual auction (if desired) for 10 years.

When the state next reviews the program in July 2013, it could make a change to the Opt-in Terms for new projects based on the results of the past year. If there is an oversupply of SRECs, then the Opt-In Term could be decreased (by up to 2 years). If there is a shortage, the Opt-in Term will stay at 10 years.

Setting a guaranteed auction term helps property owners considering a solar project understand their long-term revenue stream. Keeping the Opt-In Term at 10 years is a strong statement toward encouraging more property owners to consider deploying solar renewable energy solutions during 2012.

After understanding these critical regulatory guidelines, the next area for a potential owner or investor to understand to optimize their economic benefit is deal structure - i.e. is it best to own, lease, enter a Power Purchase Agreement (PPA) or pursue a more complex arrangement such as a Sale Leaseback, Partnership Flip, or an Inverted Lease? More to follow on these options....

Jim Dumas is principal of Solect Energy Development LLC, Hopkinton, Mass.and is a monthly contributing Solar Developer author for the New England Real Estate Journal's Green Building section.