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The Solar Carve-Out Program

March 24, 2011 - Green Buildings

If you have been considering investing in solar energy, now may be the time. In January 2011, the Mass. Department of Energy Resources (DOER) implemented the final rules for the state's Carve-Out Program for solar energy facilities. The goal of the Carve-Out program is to cultivate solar development by providing a financial incentive for individuals and/or businesses to invest in solar energy systems across the state. The Carve-Out program accomplishes this goal by creating a higher value for the positive environmental attributes of a solar energy system, known as Solar Renewable Energy Credits (SRECs), than for renewable energy credits generated from many other types of renewable energy facilities.

The higher value for SRECs is created by the fostering of a market for their sale. SRECs created under Carve-Out Program can be sold to Regulated Electricity Suppliers to meet their obligations under the Mass. Renewable Portfolio Standard (RPS). The RPS requires 15% of all electricity sold by all Regulated Electricity Suppliers that serve Mass., with the exception of Municipal Light Districts, to be generated by qualified renewables by December 31, 2020. The solar Carve-Out requires that a certain percentage of this RPS be satisfied by solar energy. This percentage of the RPS is set by formula to grow the state's installed capacity of solar energy to 400MW.

Regulated Energy Suppliers can meet their RPS solar Carve-Out compliance obligations by generating solar electricity or purchasing SRECs. SRECs are bought and sold through the NEPOOL Generation Information System (GIS). One SREC is created each time a solar energy system generates one (1) Megawatt hour (MWh) of electricity. SRECs are minted electronically and deposited quarterly into the system owner's or its aggregator's account on the NEPOOL GIS, based on verified meter readings. The price of SRECs is determined primarily by demand and availability; however, the DOER has created some market stability by establishing ceiling and floor prices. The price ceiling is the Solar Alternative Compliance Payment (SACP), the amount that Regulated Electricity Suppliers must pay if they fail to meet their RPS obligations. For 2011, the SACP is set at \$550/MWh. The price floor is the price that a system owner will receive if she is unable to sell her SRECs by the end of a trading year and is forced to deposit them into DOER's Clearinghouse Auction Account. DOER has fixed the Clearinghouse Price at \$300/MWh, minus a \$15/MWh transaction fee.

Of course with any incentive there is fine print to keep in mind. To participate in the Carve-Out, solar systems must be 6 MW or less and must meet certain other qualifications which are set forth in the rules. Additionally, the process of managing SRECs can be very complicated. As such, the sale of SRECs by small generators is generally handled by a third party, known as an aggregator, who manages the sales process for multiple units.

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