Massachusetts SREC-II Update

July 18, 2016
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MA SREC-II CUMULATIVE SOLAR BUILD

MA SREC-II eligible installed operational capacity as of 6/22/2016 is 508.53 MW; total qualified capacity, inclusive of 967.64 MW of qualified/NOT-operational capacity is 1,476.17 MW

Monthly build over the last 6 months has increased by 11.8% to 29.6 MW/month as compared to the longer term average. Total MW build for the 3 months ending May 2016 is down. The difference is primarily due to pre-ITC cliff build in December 2015 through February 2016 as compared to the fall...
On July 1st, 2016, the emergency changes to the SREC-II program that the Massachusetts Department of Energy Resources filed on April 8th, 2016, were officially promulgated and put into effect. These regulations adopted the following changes:

- Project eligibility for the SREC-II program is officially extended until January 8, 2017, subject to the following criteria:

- Projects under 25kW must submit an SQA with PTO by January 8, 2017 to receive current SREC factors. Systems that do not submit ahead of this deadline will continue to be eligible under SREC-II until a new program is established, but at a lower SREC factor

- Projects over 25kW must have PTO or prove they are “mechanically complete” by January 8, 2017. If they cannot make either of these demonstrations, but can demonstrate that it has expended at least 50% of its construction costs, the new PTO/mechanically complete deadline will by May 8, 2017 for the system to be SREC-II eligible at a reduced SREC factor

Source: MA DOER
MA EXEMPT-LOAD ADJUSTED COMPLIANCE OBLIGATION

In November 2015, the DOER released updated RPS compliance exemption data. These figures are important as the exempt load reduces the number of SRECs needed to be purchased for the MA SREC-II program. Figures below demonstrate 2016 obligation, 2017 is still forthcoming.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Projected Load (MWh)</th>
<th>Actual/Projected Exempt Load (MWh)</th>
<th>Exempt Load (%)</th>
<th>Compliance Obligation (MWh)</th>
<th>Projected Reduction in Obligation (MWh)</th>
<th>Projected Adjusted Obligation (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>48,129,294</td>
<td>23,171,635</td>
<td>48.14%</td>
<td>41,279</td>
<td>19,874</td>
<td>21,405</td>
</tr>
<tr>
<td>2015</td>
<td>48,847,294</td>
<td>11,865,442</td>
<td>24.29%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>48,952,227</td>
<td>6,529,910</td>
<td>13.34%</td>
<td>377,877</td>
<td>50,406</td>
<td>327,471</td>
</tr>
<tr>
<td>2017</td>
<td>48,815,897</td>
<td>3,612,904</td>
<td>7.40%</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
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<tr>
<td>2018</td>
<td>48,562,242</td>
<td>2,062,567</td>
<td>4.25%</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
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<tr>
<td>2019</td>
<td>48,366,423</td>
<td>1,492,780</td>
<td>3.09%</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

1 Taken from 2014 RPS Annual Compliance Report (forthcoming)
2 Aggregated from data provided by retail suppliers
3 Data taken from 2014 RPS Annual Compliance Report (forthcoming)
4 Established for 2014 and 2015 in 225 CMR 14.07(3)(c) and (d). Calculated using the formula in 225 CMR 14.07(3)(e) for all subsequent years.
5 The Projected Adjusted Obligation provides DOER’s best estimate of the overall compliance obligation and hence market demand by factoring in the reported Exempt Load. The actual Compliance Obligation will be based on the actual Load and Exempt Load served in that year.

Source: MA DOER
2015 SREC-II generation
- Q1 – Q4 SRECs generated: 192,855
- Exempt Load Adjusted Obligation: 122,617
- Oversupply: 70,238 (57.3% of obligation)

2016 SREC-II forecast generation
- Excess 2015 supply: 70,238
- 2016 projected SREC generation: 615,413
- Exempt Load Adjusted Obligation: 327,471
- Oversupply: 358,180 (109.4% of obligation)

Note: Forecast assumes trailing twelve month average build rate of 26.5 MW/month. Projection is based on assumption TTM average is held constant through 2016. 2015 oversupply assumed to be applied towards 2016 obligations.

Source: MA DOER, NEPOOL GIS, and SRECTrade Estimates
Current MA16 SREC-II market: $270 bid @ $280 offer

Source: SRECTrade Market Insights