Subject: Division comments on first draft CPs

SEA Team,

The Division appreciates the opportunity to offer the following comments and observations to the first draft of ceiling prices (for below 5 MW classes)

1. The Division is concerned about the potential impacts to ratepayers of the increased capital costs currently modeled. For the solar classes, these increases range from 20% to 30% higher than the costs assumed in last year's ceiling prices. While this may not translate directly to increased costs for the competitive classes where competitive bidding should drive the results, for the administratively set small classes this will represent a big increase in the PBIP's paid for projects accepted in the 2024 program year. The Division also notes that there are some indications that price pressures from equipment may be easing somewhat with costs for key components (e.g. panels) decreasing (see NREL Spring Solar Industry Update 2023 - https://www.nrel.gov/docs/fy23osti/86215.pdf). All of this seems to indicate a lot of uncertainty over future year costs which may make it difficult to reasonably project multi-year ceiling prices.
2. On the topic of setting three year prices, the Division is interested in whether SEA has recommendations for a mechanism, including timing, by which interested can request a reopening of the pricing for years 2 and 3 of a three year plan. For example, in the event that the results of open enrollments and / or changes in key drivers suggest that the ceiling prices may need to be adjusted, how would parties to this process be able to raise concerns or provide evidence of the need to consider a change, and who would manage this process?
3. The Division suggests that the previous practice for estimating the future value of net metering credits, in which a 40% haircut was applied to net metering credit estimates to reflect uncertainty around potential changes to net metering policies, does not need to be modified to add an additional 20% related to the impacts of Senate bill 684. The whole point of the 40% reduction was to capture the kinds of changes that the recent bill included. In other words, this 20% reduction passed in the recent bill is a part of the 40% already assumed. The Division recommends retaining the 40% reduction as modeled previously with no additional reductions applied.
4. The Division is concerned that the Ceiling Price (CP) for the Medium Solar class exceeds the CP for the Small Solar II class and is just about equal to the CP for the Small Solar I class. This does not seem to make intuitive sense given that the Medium Solar class is modeled at 250 kW or about 10 times larger than the Small Solar II class. Given these economies of scale, it seems reasonable that the CP for a Medium solar project would be considerably lower than that for the Small Solar class. Furthermore, the average of the bids received in 1st open enrollment in 2023 for Medium scale projects was ~ 25.08 cents/ kWh (six projects totaling 1,315 MW) which is about 25% lower than the proposed 2024 ceiling price for Medium solar of 33.45. The Division believes more analysis is warranted before supporting a conclusion that the Medium CP should exceed the Small Solar CP.

Thank you,

Mike