December 4, 2020

Samantha Meserve
Deputy Director, Renewable and Alternative Energy Division
Department of Energy Resources
100 Cambridge St. Suite 1020
Boston, MA 02114

Re: 2020 APS Minimum Standard Review Stakeholder Questions

Dear Ms. Meserve,

The Northeast Clean Energy Council ("NECEC") appreciates the opportunity to provide a response to the Department of Energy Resources ("DOER") regarding the 2020 Alternative Portfolio Standard ("APS") Review stakeholder questions. The APS has been a critical policy in reducing greenhouse gas emissions in the Commonwealth and driving investment in emerging technologies (e.g., fuel cells). Ensuring the APS' long-term viability is important to a cleaner future and we recommend certain changes to the program with the aim of stabilizing the credit value and incentivizing new development.

NECEC is a clean energy business, policy, and innovation organization whose mission is to create a world-class clean energy hub in the Northeast, delivering global impact with economic, energy and environmental solutions. NECEC is the only organization in the Northeast that covers all of the clean energy market segments, representing the business perspectives of investors and clean energy companies across every stage of development. NECEC members span the broad spectrum of the clean energy industry, including clean transportation, energy efficiency, wind, solar, energy storage, microgrids, fuel cells, and advanced and "smart" technologies.

<u>Responses to Stakeholder Questions</u>

1. What are the benefits of the APS program to ratepayers, including but not limited to economic, environmental, and societal benefits?

2. What are the costs of the APS program to ratepayers, including but not limited to economic, environmental, and societal costs?

The APS delivers ratepayer benefits largely through the emissions reductions driven by eligible resources. With Massachusetts' commitment to net-zero emissions by 2050, sustained emissions reductions are important and deliver value to Massachusetts residents and electricity customers. The primary cost of the APS is the cost of compliance. As with any portfolio standard, the APS must strike a balance between customer cost and project revenue. Currently the APS does not strike the proper balance. APS credit values are too low to incentivize new development. While lower APS compliance costs reduce customer costs, customer benefits are also reduced because new lower-emissions resources are not being developed. Over time, this uncertainty increases customer costs and undermines the objectives of the APS. Stabilization of the APS credit at a level that will drive continued development and ensure customer value through reduced emissions is essential through this APS Review.

> 7. Are there modifications to the APS program that could be made to reduce the volatility of the APS market?

The *Alternative Energy Portfolio Standard Review* report prepared by Daymark Energy Advisors ("Daymark Report") identifies a number of policy levers that DOER could use to stabilize the price of the APS credits.[1] Below, we discuss two of these policy levers.

APS Compliance Obligation

The most straightforward way to increase the price of APS credits and, consequently, to incent development is to bolster demand by increasing the minimum standard. NECEC recommends that DOER increase the minimum standard to a level that would be sufficient to attract new investment in the APS. Alone, however, an increased minimum standard would not correct the issues that are driving low APS credit values.

A more sophisticated compliance obligation mechanism that accounts for instances of over-supply would help to stabilize the credit value going forward, which would provide certainty to developers and customers alike. There is precedent for such a mechanism in existing DOER programs, namely in the Clean Peak Standard. The Clean Peak Standard adjusts the minimum standard upward if market supply is greater than 100% in any compliance year before 2030; if market supply is greater than 120% in any compliance year before 2030, the minimum standard is increased further yet.[2] This provision helps ensure stable credit pricing in the Clean Peak Standard and NECEC recommends that DOER implement such a mechanism in the APS as well.

Modify Technology Eligibility

The Daymark Report identifies three options for modifying eligibility within the APS: combined heat and power ("CHP") phase out, CHP multiplier change, and expanded air source heat pump ("ASHP") eligibility.

Given the significant investment in CHP projects in the Commonwealth in response to policy signals, retroactive eligibility changes that would reduce the ability for existing CHP projects to

[1] Alternative Energy Portfolio Standard Review, Daymark Energy Advisors. (October 30, 2020)
[2] 225 CMR 21.07(1)(b)

generate APS credits would be problematic. These projects have been developed with the expectation that they would receive APS credits and a retroactive change to their eligibility would chill future development of all types as investors would not be able to rely on the value of the APS.

Prospective eligibility changes warrant a more substantial stakeholder process to examine the benefits, costs and market impacts of any such changes. NECEC recommends that, should DOER desire to make changes to technology eligibility, DOER undertake a stakeholder process that includes a technical conference and opportunities for stakeholders to respond to any DOER proposal.

Conclusion

Ensuring that the APS delivers stable and consistent value to customers and developers alike is a crucial outcome from this APS Review. Increasing demand by increasing the minimum standard and implementing a mechanism to further adjust the standard upward in response to market over-supply will help to stabilize the APS credit value and deliver ongoing benefits to customers. Changes to technology eligibility should be further explored through a robust stakeholder process. Thank you for the opportunity to provide comment and please contact me with any questions.

Sincerely,

Jeremy McDiarmid
Vice President, Policy & Government Affairs

Sean Burke
Policy Associate

cc: Will Lauwers, DOER