



55 Union Street, 4th Floor
Boston, MA 02108
V: 617-710-1114
e: bsha@massgravity.com

Comments of the Bay State Hydropower Association

DOER RPS Rulemaking

Category C - Minimum Standard Class II

April 1, 2022

Introduction and Purpose of Comments

The Bay State Hydropower Association (“BSHA”) would like to thank the Department of Energy Resources (“DOER”) for the opportunity to submit its comments about the Renewable Portfolio Standard (“RPS”) for Class II non-waste to energy. Per the notice of this rulemaking proceeding, these comments are submitted in Category C and are in response to DOER’s “Notice of Public Comment and Hearing” issued in March 2022.

BSHA participated in DOER’s earlier rulemaking about the RPS program and filed comments on July 25, 2019. Those comments are specifically incorporated by reference in these comments.

Our purpose is to urge DOER to change its current rule about the Minimum Standard for Class II non-waste-to- energy facilities (“Class II non-WTE”), establishing a standard with periodic re-setting that results in a sustained, predictable, and non-volatile market. This in turn will support the continuous revenue for qualifying Class II non-WTE facilities as the Legislature intended.

Bay State Hydropower Association

The Association was established in 2007 to advance the use of hydropower, a renewable, carbon-free energy resource in Massachusetts, and thereby support the economy, improve the environment, and contribute to emissions reductions essential to the success of the *Global Warming Solutions Act*, as shown in the 2050

Decarbonization Roadmap Energy Pathways study, which presumes the continued contribution of clean energy from the Massachusetts hydropower fleet. BSHA members' facilities which qualify under the RPS for Class II non-WTE rules in statute and regulations are relied upon in the emissions inventory critical to demonstrate emission reduction success.

For BSHA members with facilities which qualify as Class II non-WTE facilities, the continued, predictable, and sustaining revenue from the RPS program is a lifeline for continued operations, maintenance, and environmental compliance. Unfortunately, the current Minimum Standard for this class of RECs does not provide the reliable support necessary and results in significant market volatility. The Legislature's commitment to vintage hydro resources is being thwarted by the current Minimum Standard.

Requested Change

Here is text which, if adopted in this rulemaking, the BSHA believes, will result in lower market volatility and more predictable RPS revenue for qualifying facilities – Class II non-WTE – satisfying the statutory intent of this program.

Insert in 225 CMR 15.07(c):

Every energy retail supplier shall provide Massachusetts end-use customers with a minimum requirement of kilowatt-hour sales of energy from Class II non-waste-to-energy generation. Effective 2022, the department shall annually conduct an analysis per subsection (b) and reset the retail supplier's minimum requirement of Class II non-waste-to-energy generation attributes for compliance in new or renewed retail supplier contracts in the calendar year following each annual review, to ensure and promote the continued operation of existing energy generating resources that qualify as Class II non-waste-energy facilities, but at no time shall the Renewable Generation Minimum Standard for energy retail suppliers be set lower than 3.6 per cent nor higher than 5.5%.

The quantification of the Minimum Standard in the above proposed language is described in detail in an analysis conducted for BSHA by Sustainable Energy Advantage, LLC (SEA), a widely respected energy consulting organization. The Memo from SEA to the BSHA's President, dated January 26, 2022, is attached for inclusion with these comments in the official record of this rulemaking. ("SEA memo.")

Basis for the Proposal

The method by which the Minimum Standard has been set is generally known. Details of its history are described in the January 26th SEA memo.

Three major factors combined to bring the Class II non-WTE market to its current state of instability: 1) a decline in the observed consumption of electrical energy in the Commonwealth (system load), 2) an increase in the maximum capacity of facilities eligible to participate in the program from 5 megawatts to 7.5 megawatts, and 3) a major and unanticipated influx of RECs from qualified generators located outside ISO NE.

These factors are described in detail in the January 26th SEA memo.

If accounted for in the existing Minimum Standard Formula, the three factors enumerated above would raise the current 3.6% cap by 0.2%, 0.8%, and 0.9%, respectively (see SEA Memo of January 26, 2022, page 11).

Although we cannot now propose a solution to this problem, BSHA wishes to note that the selection of certain data points used in the Minimum Standard formula can, because of vagaries of regional hydrology and other factors, introduce a tendency to "over-steer." For instance, the formula adjusts the minimum target three years out by using changes in supply and demand that occurred between 3 and 4 years prior. This coupled with the current situation means that the Class II non-WTE program is in a new phase because of evolving unintended circumstances that include declining REC prices, increased volatility and fact-based perceptions of volatility and risk. Consequently, this situation does not provide price signals and revenue stability – which the RPS program

for these facilities was intended to provide – to support investments in rehabilitation, enhance capacity, and respond to environmental requirements.

Simply put, sustained surplus conditions can result in REC prices in the Class II non-WTE program below levels necessary to cover long run costs at these vintage facilities. This has consequences for the Commonwealth's climate change objectives because this situation threatens and may diminish supply from these facilities' contributions to the state's emissions inventory. Such a loss would have to be made up from higher cost clean generation.

Given all of this, our analysis says that an increase in the Minimum Standard for Class II non-WTE is necessary. If there is to be a cap on the Minimum Standard, it should be 5.5%.¹

Greater Security at Comparable Cost for Ratepayers to Maintain Class II non-WTE

Supporting investment in the continued operation of legacy hydroelectric eligible for the Class II non-WTE RPS tier is a materially more reliable cost-controlled means of reaching the Commonwealth's deep decarbonization goals than exclusive reliance on new renewable energy supply for a number of reasons. Foremost among these is the observation that siting, permitting, and successfully interconnecting new renewable energy facilities anywhere in New England is difficult, with material attrition or delay for a material fraction of the development pipeline inevitable.

New projects are subject to failure to receive permits, failure to attract financing, delays related to supply chain challenges, permitting, delays related to interconnection. Such projects are often subject to unanticipated cost increases, significant costs to interconnect, or lack of public acceptance that can result in project-killing litigation. In that context, a sited and interconnected asset is a precious commodity, providing reliable progress towards (or avoidable attrition from) meeting the Commonwealth's goals. Nearly everything else is speculative to a degree, in terms of when and whether it

¹ The SEA memo referenced above and included with these comments for the record, discusses all the factors driving low REC prices, things that have impacted the program over the years, and includes calculations arriving at this figure, based upon the facts discussed therein.

will materialize. Through this lens, locking in known supply has clear benefits even if the cost is comparable to deploying new renewables. or reaching commercial operation

Conclusion

Given the analysis conducted by SEA, DOER should use the current rulemaking opportunity to change the method of setting the Minimum Standard for RECs purchased from qualified Class II non-WTE facilities. If DOER likes, we would be happy to discuss our proposed rule change at any time.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'T. Tarpey', written over the typed name.

Thomas Tarpey
President
Bay State Hydropower Association