

ELECTRONIC DELIVERY ONLY

May 3, 2024

Massachusetts Department of Energy Resources
Commissioner Elizabeth Mahony, c/o Samantha Meserve
100 Cambridge Street, 9th Floor
Boston, Massachusetts 02114
doer.cps@mass.gov

RE: CPS Review Comments

Dear Commissioner Mahony,

We appreciate the opportunity to provide expertise to inform the improvement of the Clean Peak Energy Standard (“CPS”) Program to better contribute to achievement of the 2050 Global Warming Solutions Act (“GWSA”) mandates.

CPS Program Improvements

With respect to Clean Peak Energy Standard (“CPS”) Program improvements that could better contribute to the achievement of the 2050 GWSA mandates, we encourage work with the Massachusetts Department of Environmental Protection to integrate into the CES a requirement for each electric distribution company to file with the agency a plan to reduce peak demand by 50% by 2025 and to file with the Massachusetts Department of Public Utilities a plan to pay for combined strategies, such as energy storage systems, time-of-use rates, and energy efficiency services. This innovative requirement would help fill an existing gap between the MassSave program (which encourages overall demand reduction) and the CPS (which attempts to encourage use of lower-emitting sources to meet peak demand).

Encouraging Long-Term Contracts

While DOER has identified providing “revenue certainty for clean peak resources to enable financing” as a primary objective within its CPS straw proposal, the unavailability of a procurement program has limited supply, resulting in program requirements being met mostly through Alternative Compliance Payments (“ACP”). The agency’s adoption of policies encouraging the execution of long-term contracts alerts investors that our Commonwealth is committed to meeting peak demand with clean resources. The availability of contractual awards

will lower financial risk for project developers as well as their investors, while simultaneously increasing competition for the benefit of consumers.

Need for Extended, Long-Term Contracts Beyond 8 Years

DOER's CPS proposed requirement to guarantee a CPS price for only an 8-year term substantially decreases certainty for developers. In the alternative, capping a guaranteed price for a limited 8-year term *increases* risk for developers and leads to higher costs for consumers. The extension of contracts beyond 8 years will allow the amortization of costs over a longer period of time, resulting in lower annual costs for consumers – which aligns with DOER's objective of attaining cost-effective CPS supply.

For example, New York has moved from a 7-year to a 10-year pricing lock-in, in recognition that developers face significant uncertainty about realizable merchant revenues following expiration of a 7-year contract term. We thus support the extension of these long-term contracts from 8-years to at least 10-year terms, as ensuring the ACP is consistent through at least 2040 provides additional revenue certainty for developers. DOER is encouraged to conduct an analysis of CPS market dynamics (specifically reviewing market failure to date), to ensure the ACP rate is set appropriately to promote investment.

Single Centralized Procurement Preferred Over Multiple Procurements

DOER has proposed that each electric distribution company ("EDC") will "only award and enroll projects sited within their service territory and connected to their distribution program." This unnecessarily complicates the CPS program by breaking up procurement opportunities and likely would only result in distribution-level projects. Instead, DOER should itself conduct a single, larger procurement, in lieu of multiple procurements by EDCs, which would allow for larger projects and encourage competition. Larger projects, such as a large-sized energy storage system, may encourage improved consumer price benefits due to the larger reach of the project. It is crucial that DOER conduct such procurements, to ensure their timing aligns with GWSA mandates and to ensure no conflicts of interest with bidders.

Inadvertent CPS Program Conflicts

Certainly, land use and zoning barriers continue to inadvertently conflict and challenge CPS program potential projects. A potential solution to this challenge includes review of data from the Grid Modernization Advisory Council and the Electric Sector Modernization Plan process to help prioritize zonal needs in procurement selection.

Finally, CLF encourages DOER to examine CPS program data to evaluate whether the elimination of the program entirely, in order to focus specifically on storage procurements, would provide the largest benefits to ratepayers.

Sincerely,

Katherine Lee Goyette
Staff Attorney
Conservation Law Foundation