



May 3, 2024

Massachusetts Department of Energy Resources  
Attn: Samantha Meserve  
100 Cambridge Street, 9th Floor,  
Boston, MA 02114

## **RE: Granite Source Power's 2024 CPS Review Comments**

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### **Introduction**

Granite Source Power, LLC ("GSP") welcomes the opportunity to submit these comments in response to Massachusetts Department of Energy Resource's ("DOER") March 25, 2024 request for feedback regarding the Clean Peak Energy Standard ("CPS") program under 225 C.M.R 21.00. The CPS is an important part of achieving MA's clean energy mandates and periodic review ensures that the program is successfully contributing to these goals. GSP offers these comments to improve the viability of the program, particularly for transmission-scale projects, none of which are qualified for the program as of March 2024.

GSP was incorporated in 2022 to develop utility-scale battery energy storage ("BESS") and solar projects in multiple markets across the United States to improve grid reliability and energy affordability. As of April 1, 2024, GSP has an active pipeline of 15 projects totaling approximately 3,925 MW across five states, including Massachusetts.

Prior to starting GSP, the company's co-founders and employees had more than six decades of collective experience in the renewable energy industry, during which they developed, sold, and acquired over 12,000 MW of onshore wind, solar, and BESS projects and closed more than \$10B of tax equity, cash equity, and debt financing. The team's experience covers the full scope of development activities, from market analysis and site selection through real estate agreements and title work, environmental surveys, local, state, and federal permitting, good neighbor agreements and tax abatements, interconnection, preliminary engineering, offtake structuring, and major equipment selection.

Leveraging our experience developing projects in multiple regions, we provide the following recommendations to improve the CPS program:

- Increase the Alternative Compliance Payment ("ACP") rate and decrease the Minimum Standard in the short term to provide stronger price signals to developers;
- Establish clear and transparent mechanisms for securing long-term agreements for selling Clean Peak Energy Credits ("CPECs"); and
- Ensure any procurement mechanisms are periodic and have standard contract terms for term lengths of at least 10 years

By implementing these recommendations, DOER can reduce uncertainty, increase competition, and maximize value to consumers in the Commonwealth. We expand on each of these recommendations in the comments below in response to specific questions posed by DOER.

GSP would be pleased to clarify or discuss any of these recommendations further with DOER, so please do not hesitate to reach out to [Jessie@granitesourcepower.energy](mailto:Jessie@granitesourcepower.energy).

## Responses

**1. How could the Clean Peak Energy Standard (“CPS”) Program be improved to better contribute to achievement of the 2050 GWSA mandates? Please include details and any supporting data and analyses.**

The CPS program will work best in achieving 2050 GWSA mandates when the program attracts significant investment from storage developers, creating a robust and stable market for the sale of CPECs. Energy storage resources are critical for shifting the production from clean energy resources to times when the system needs this energy the most. However, storage resource economics remain challenging in New England because of the uncertainty in almost every aspect of development. This uncertainty is only expected to grow in the coming years. ISO-NE’s wholesale markets are undergoing monumental shifts as the region transitions to a cleaner grid and specific market design projects are impacting storage revenue expectations as they are actively being developed. These include reforms to their rules for determining accreditation in the capacity market, which are now expected to decrease the amount of capacity that energy storage resources will be able to offer into the market<sup>1</sup>, and reforms to the interconnection process, which creates new risks as network upgrades are now determined not only by a single project but by the collection of projects that are being studied. Beyond ISO-NE’s markets, other factors, including siting and permitting, introduce even more ambiguity as projects manage lengthy timelines and uncertain outcomes. Under its current design, because there is not a stable market or mechanism for CPECs, the CPS contributes to this uncertainty.

The program design will drive behavior from storage operators that will support the Commonwealth’s GWSA goals, but without stable and predictable mechanisms for participation, resources will be unable to participate. If there was a stable, bankable mechanism for selling CPECs under the CPS, and the value of CPECs were high enough to counterbalance the risk elsewhere in the market, DOER would see a significant increase in interest in the program. We elaborate on mechanisms for improving the certainty in CPS in response to questions 8 and 9 below.

**8. What modifications to CPS Multipliers, Minimum Standard, ACP Rate, and Seasonal Peak Periods as currently set forth in 225 CMR 21.00, if any, are needed? Please describe in detail and provide any supporting data and analyses.**

The current ACP rate is too low to support development today and its planned decline cools interest in future development. Meanwhile, the Minimum Standard creates a market that is severely undersupplied and results in significant alternative compliance payments from the

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<sup>1</sup> By ISO-NE’s most recent indicative modeling, a 4-hour energy storage resource will only be able to sell ~50% of the capacity that they are able to today. Also, given how other regions have implemented capacity accreditation, we expect this value will be volatile and difficult to forecast, which will only further challenge the ability to finance projects off capacity revenues. [https://www.iso-ne.com/static-assets/documents/100011/a02c\\_mc\\_2024\\_05\\_07\\_08\\_impact\\_analysis\\_sensitivity\\_results\\_may2024.pdf](https://www.iso-ne.com/static-assets/documents/100011/a02c_mc_2024_05_07_08_impact_analysis_sensitivity_results_may2024.pdf)

electric distribution companies. Both forces prevent price discovery and require MA ratepayers to bear costs that are not directly going to storage resources that would provide GWSA benefits. An appropriately set ACP rate and Minimum Standard would encourage price discovery through competition while giving developers security that they will be able to recover the revenue necessary to be operational if they were to be selected to provide CPECs. GSP recommends increasing the ACP rate to ensure that projects currently under development are able to successfully participate in the program.

GSP understands that an increase in the ACP rate could potentially increase consumer costs without providing additional benefits in the short-term, as many resources are still under development and additional supply may not come online for another couple of years. Therefore, GSP would not be opposed to a short-term reduction in the Minimum Standard to control consumer costs. However, as more resources are developed, the Minimum Standard should be increased to at least the targets set in the original regulations.

If the ACP rate and Minimum Standard are set in a way that is appropriately balanced, GSP does not see a need to reduce the ACP year-over-year, particularly at a declination rate fixed many years in advance. As supply and demand come into balance, market forces should dictate the price for CPECs. Market participants should not fear that administrative caps will interfere with price discovery, as this will significantly cool long-term interest in the program and interferes with long-term contracting opportunities.

**9. Please provide any comments on the necessity of, Resource eligibility for, and structure of a CPEC procurement. If in favor of a CPEC procurement, please comment on its timing, in particular if it should occur in parallel with the CPS Review or after, and any considerations DOER should make about the CPEC procurement in light of the CPS Review.**

In addition to adjustments to the ACP, the best way to encourage transmission-scale development is to provide regular procurement opportunities for long-term contracts for CPECs. Clear, predictable contracting opportunities for environmental attributes have stimulated development in other states, like the Tier 1 REC solicitations in New York run by NYSERDA, which have successfully attracted over 3 GW of projects under development and completed as of March 2024<sup>2</sup>. So far, the contracting opportunities for CPECs have been insufficient. A successful CPEC procurement structure would ideally include the following elements:

- **A predictable and regular schedule** – including application and award dates, such that developers can properly time other elements of their projects, including interconnection and permitting;

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<sup>2</sup> [https://data.ny.gov/Energy-Environment/Large-scale-Renewable-Projects-Reported-by-NYSERDA/dprp-55ye/about\\_data](https://data.ny.gov/Energy-Environment/Large-scale-Renewable-Projects-Reported-by-NYSERDA/dprp-55ye/about_data)



- **3-5-Year Forward procurements** – to allow developers to secure obligations for future calendar years to facilitate financing during the development phases of a project;
- **Standard contract terms** – to give developers certainty in future procurement opportunities, understanding that minor changes may need to be made between procurements;
- **10-Year contract terms** – to provide developers a long-term revenue guarantee to facilitate financing and reduce overall project financing costs;
- **Clear eligibility and selection criteria** – to ensure that developers understand the factors that will be used to evaluate their bids; and
- **Contract terms that recognize other market risks** – to limit project attrition, contract terms should be designed such that factors outside of a project’s control do not jeopardize the asset, including items like interconnection delays, permitting delays, and other macro-economic factors

GSP believes that Massachusetts should work expeditiously to develop a procurement mechanism to enable resources that are currently under development (with commercial operation dates between now and 2028) to make the financial commitments to continue. Without a clear idea of the contracting opportunities by mid-2024 for CPEC vintage years between now and 2028, projects currently in the ISO-NE interconnection process may elect to withdraw from the queue due to the high deposit requirements required to stay in the interconnection queue under ISO-NE’s compliance with FERC Order 2023<sup>3</sup>. For projects that withdraw, the next opportunity to be studied will not be until late 2025, which would mean that interconnection study results and agreements would not be available until early 2028, since ISO-NE expects that it will take two years and four months to complete their new cluster study process.

Therefore, in order to get transmission-connected projects connected before 2030, it is imperative that storage resources and their investors understand the future CPS market within the next three months.

## Conclusion

Once again, GSP appreciates the opportunity to provide this feedback on the Clean Peak Standard and looks forward to continuing this conversation with DOER.

Sincerely,

Jessie Shor

Co-Founder

Granite Source Power, LLC

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<sup>3</sup> ISO-NE will require projects to post \$5 million dollars in security to participate in the transitional cluster study process.