



Via Electronic Mail

April 17, 2024 **_rev May 3, 2024**

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

Dear Ms. Meserve,

ENGIE North America Inc. (“ENGIE”) is pleased to submit these comments in response to the Department of Energy Resources’ (“Department”) March 25, 2024, Clean Peak Energy Standard (“CPES”) Review Stakeholder Questions. ENGIE’s comments address the complexities of developing and financing front-of-the-meter (“FTM”) distributed (“DG”) battery energy storage systems (“BESS”) in the Commonwealth under the CPES Program (“Program”). Specifically, ENGIE recommends that the Department take the following four key actions:

- 1. Increase the Alternative Compliance Payment (“ACP”) rate to \$100/MWh for a period of 20 years;**
- 2. Create a DG carve-out through a two-tiered program provide increased certainty to DG project developers and investors for financing assets; and**
- 3. Adjust the demand side minimum requirements by initially lowering the percentage standard to reduce costs to ratepayers.**
- 4. Apply Program adjustments prospectively to newly executed or renewed retail electricity contracts and exempt existing contracts.**

In addition to these four actions, ENGIE supports creating a process to procure CPECs.

However, ENGIE cautions that this Program adjustment should not be the only or primary adjustment

made given that there are already DG BESS assets ready to deploy and because design and implementation of a procurement mechanism would take a significant amount of time.

Finally, ENGIE does not strongly support the Department administering a qualification process, like in the Solar Massachusetts Renewable Target (SMART) Program. ENGIE prefers to retain the “open” market structure of the current Program. ENGIE addresses each of these items in the sections below.

About ENGIE

ENGIE is a subsidiary of ENGIE SA, a global energy company and leader in low-carbon energy and energy services with a mission to accelerate the transition towards a carbon-neutral world. ENGIE has been engaged in many aspects of the Massachusetts energy economy for decades, now focusing on developing and operating distributed solar and storage, district energy systems and clean energy supply. ENGIE was present and participated in the development of the Program.

ENGIE Recommended Program Adjustments

1. Increase the ACP rate to \$100 and maintain a more constant rate throughout the lifetime of the project.

ENGIE recommends increasing the ACP rate to \$100 in 2025 to support a successful program. Increasing the ACP rate, at least initially and for several years, will provide developers, who have already made a significant investment and are ready to deploy assets in the near term, with an immediate path forward. It will also serve to kick start the market remembering that actual CPEC prices will fall as supply catches up. Increasing the rate and increasing the rate beginning in 2025 is essential because other mechanisms that the Department may be considering, such as a utility procurement, will take much longer to design and implement.

ENGIE also recommends that the ACP rate should be maintained at \$100 for a period of 20 years. Keeping the ACP constant throughout the life of the Program will increase financeability of

assets. Under the current design, not only does the ACP rate decrease annually beginning in 2025, but the rate is also subject to inflationary pressures meaning that in 2024 dollars the ACP rate of \$45 dollars is approximately \$33.50 at an inflation rate of three percent.

ENGIE recognizes that a significant increase in the ACP rate may be off-putting for some stakeholders. However, the increased rate will attract more supply. As more supply enters the Program the market will trade lower than the ACP. Further, even if the ACP rate were significantly higher, the market should still see CPECs trade at a much lower amount once there is plenty of supply.

Finally, ENGIE believes that the Department should consider removing the existing reset in the ACP based on market demand. This mechanism is complex and difficult to understand in financing and contract writing terms.

2. Create a DG carve-out using credit tiers to provide increased certainty to DG BESS assets.

ENGIE recommends that the Department consider employing a two-tiered program design to encourage the deployment of DG BESS. ENGIE has observed that there are multiple large BESS assets (100 MW - 300 MW) in the New England Independent System Operator's (ISO-NE) queue. Analysis ENGIE has undertaken shows CPEC prices are likely to decrease significantly once the large BESS come online. Adopting a DG carveout will create price separation between DG and transmission scale assets which will allow DG asset owners some comfort in supply and demand stability for financing.

ENGIE suggests separating the CPECs into Tier 1 and Tier 2. Tier 1 would come from eligible resources with a nameplate capacity of <10MWac. Tier 2 CPECs would come from any eligible resource, including resources eligible for Tier 1 CPECs.

ENGIE also supports a utility-based procurement mechanism to buy Tier 1 and/or Tier 2 CPECs at a fixed-price, for a fixed-term basis. However, ENGIE thinks that this should be in addition to a tiered structure, given that a procurement mechanism would take a significant amount of stakeholder

engagement to ensure the contracts are fair for project owners and the electric distribution companies (“EDC”). For example, so that EDCs are not forced to buy out of market CPECs and that project owners do not only have the choice to sell CPECs to the EDCs.

Table 1. Proposed Retail Electricity Supplier Compliance Cumulative Minimum Percentage and Percentage of that Minimum Designated to Tier 1 assets.

Year	Existing Cumulative Minimum Percentage	Proposed Cumulative Minimum Percentage	of which is Tier 1	% Tier 1
2020	1.5			
2021	3.0			
2022	4.5			
2023	6.0			
2024	7.5	4.500	2.25	50%
2025	9.0	6.000	3	50%
2026	10.5	7.500	3.75	50%
2027	12.0	9.000	4.5	50%
2028	13.5	11.500	5.75	50%
2029	15.0	14.000	7	50%
2030	16.5	16.500	8.25	50%
2031	18.0	20.625	9.28125	45%
2032	19.5	24.750	9.9	40%
2033	21.0	28.875	10.10625	35%
2034	22.5	33	10.89	33%

Further, ENGIE recommends the two-tier program design instead of capping supply via a Statement of Qualification (“SOQ”) style pre-approval process. Capping supply removes a very attractive element of the Program, which is that assets can be qualified purely on their merit and can then generate CPECs at their discretion subject to the asset owner’s preferences. Because the Program is

an “open” market program, asset owners have significant certainty about their ability to enter and participate in the market rather than worrying about whether the asset will be awarded an SOQ in a given year. From our participation in the SMART Program, ENGIE has observed that the SOQ mechanism can be a significant administrative burden for pre-qualifying assets and gives rise to the need for increased Department engagement on issues including related to Good Cause exemptions, for example.

Finally, ENGIE thinks that the tiered approach is desirable because it will provide comfort to DG BESS development once transmission scale BESS enters the market. Even though the market is currently significantly undersupplied, when transmission BESS enters the market, investor and financiers may be concerned with supply shocks and price stability. The tiered approach creates price separation between DG and transmission connected assets, and provides comfort in DG BESS development, neither at the expense of transmission connected projects that participate.

3. Adjust the demand side minimum requirements by initially lowering the percentage standard to reduce costs to ratepayers.

ENGIE supports adjusting the Program’s current cumulative minimum percentage that load serving entities (“LSE”) must satisfy in the near term in order to reduce costs to Massachusetts ratepayers. ENGIE does not see a significant impact on development activities because of a decrease in the minimum requirement in the near term.

4. Apply Program adjustments prospectively to newly executed or renewed retail electricity contracts and exempt existing contracts.

Since the market benefits from a multi-year, transparent schedule and in order to protect Massachusetts’ end use customers ENGIE recommends that all Program adjustments apply prospectively to newly executed or renewed retail electricity contracts and exempt existing contracts.

ENGIE thanks the Department for the opportunity to provide comments and recommendations on adjustment to the CPES Program. ENGIE supports the Department's efforts to improve the program. ENGIE is available to discuss our comments further and looks forward to engaging with the Department as partners in reaching the Commonwealth's climate targets.

Sincerely,

A handwritten signature in blue ink, appearing to read 'SBS', with a horizontal line extending to the right.

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