

May 3, 2024

Via email to: DOER.CPS@mass.gov

Commissioner Elizabeth Mahony
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Joint Electric Distribution Company Comments on DOER's Proposed Clean Peak Energy Standard Regulations

Dear Commissioner Mahony:

On March 25, 2024, the Massachusetts Department of Energy Resources ("DOER" or "Department") issued its "2024 Clean Peak Energy Standard Review Stakeholder Questions" ("Stakeholder Questions"), seeking stakeholder feedback on fourteen questions in order to evaluate potential amendments to the Clean Peak Energy Standard ("CPS") (225 C.M.R. 21.00). Fitchburg Gas and Electric Light Company d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid, and NSTAR Electric Company d/b/a Eversource Energy (the "Distribution Companies" or "EDCs") are pleased to offer these comments to the DOER in response to several of the Department's Stakeholder Questions.

The EDCs support DOER's mission to develop and implement policies and programs aimed at ensuring a clean, fair, affordable, and resilient energy future. The EDCs' comments reflect continued support for the development of clean, peak-reducing resources in the Commonwealth and acknowledge the important role of the CPS in supporting the development of these resources. The EDCs also appreciate the opportunity to review experience with the CPS to date, and to provide input on opportunities for refinement, primarily focused on the following themes.

First, the CPS should seek to minimize unintended consequences on the distribution system, particularly as related to energy storage system ("ESS") interconnections, and to complement other mechanisms that support distribution system benefits. The pay-for-performance, flexible structure of the CPS does not align ESS dispatch behavior with distribution system needs. The EDCs are developing a range of measures to support ESS interconnections that align with system planning priorities in service to all customers, and offer several recommendations to improve the CPS in this regard.

Second, to date, undersupply of the market for Clean Peak Energy Certificates ("CPECs") has resulted in high ratepayer costs that have not yet been allocated to clear benefits. The EDCs recommend solutions to align future CPEC requirements with market supply, and to use costs incurred to date to reduce future ratepayer expenditures.

Third, the EDCs recognize that the availability of firm long-term pricing for CPECs will significantly improve the availability of financing for many Clean Peak Resources and could be prepared to administer a CPEC procurement that supports the Commonwealth's clean energy goals. The EDCs anticipate that review of feedback from comments in response to DOER's inquiry can inform any adjustment to prior design proposals for CPEC procurements.

Question 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.

Comments:

The EDCs support the broad intent of the CPS to better align intermittent renewable energy production with customer energy usage. The EDCs also recognize the important role that the CPS has played in creating meaningful incentives to drive the adoption of ESS in the Commonwealth, and the importance of interconnecting ESS capacity in the New England region in furtherance of the Commonwealth's energy and climate goals. The EDCs also acknowledge the multiple use cases that ESS may address, and the potential for ESS, depending on how they are operated/controlled and where they are sited on the electric system, to support a variety of grid services. However, the EDCs emphasize the critical importance that ESS are interconnected safely and reliably to the electric system, including that appropriate system upgrades are implemented as needed, based on the intended operation of those systems.

The CPS has been a significant factor in incentivizing very large quantities of ESS to seek interconnection at the distribution level, with 8,806 MWh (1,621 MW) of ESS in collective EDC pipelines as of the end of 2023.¹ However, the incentives provided by the CPS do not clearly align with the specific needs of the local distribution system, in several ways:

- Many features of the CPS, such as the seasonal charge/discharge windows and the monthly peak hour, are set based on ISO-NE-level trends. While system-level trends are frequently predictive of local distribution system peaks, there are cases in which the timing and duration of local peaks will not align with CPS incentives.
- The pay-for-performance model of CPEC generation does not by itself support a level of firm reliability that is sufficient to support the Distribution Companies' reliability obligations in local planning. Furthermore, EDC experience to date suggests that ESS customers prefer to maintain operational flexibility, rather than to commit firmly to a CPS-aligned charge/discharge schedule as part of an interconnection agreement—even when adopting such a schedule would reduce system upgrade costs.
- When not optimally sited or constrained, ESS interconnection at the distribution level can compete with other customer loads seeking interconnection, including beneficial electrification and loads supporting economic development.

¹ Based on each EDC's 2023 Energy Storage Target report, available at: <https://www.mass.gov/info-details/esi-goals-storage-target>.

These observations do not reflect fundamental flaws with the CPS or criticisms of ESS development. Rather, they point out the inherent challenge of applying system-level incentives to locally diverse system needs. In these areas, additional constructs complementary to the current CPS are required to ensure that the overall pattern of ESS development and interconnection is beneficial to the distribution system and its customers.

Not all of these issues must be solved within the CPS. The EDCs are already advancing the following solutions:

- The EDCs filed an ESS Operating Parameters Provision with the Department of Public Utilities that will address allocation of system capacity for end-use load customers, (optional) distribution-oriented charging schedules, and other issues.
- As part of Electric Sector Modernization Plans (“ESMPs”):
 - Proposing Capital Investment Projects (“CIPs”), when constraints exist, that would create additional grid capacity for distributed energy resources (“DERs”), including ESS, which are part of certain current group studies. Also proposing the extension of the CIP mechanism to future group studies during the next ESMP term.
 - Proposing Non-Wires Alternatives (“NWAs”), where applicable, that would specifically address identified grid constraints with DERs, including non-utility resources.

Specifically, as part of this CPS program review, the EDCs have described a recommendation to introduce a new Distribution Value Multiplier that may better align with identified NWA needs (see Question 8).

In general, the EDCs ask that the DOER contemplate changes to the CPS program that will minimize unintended consequences on non-ESS distribution customers and complement other mechanisms that support enhanced benefits to the distribution system.

Question 2. What are the costs and benefits of participating in the CPS program?

Comments:

Compliance with the CPS has mostly been met by Alternative Compliance Payments (“ACPs”) to the Massachusetts Clean Energy Center (“MassCEC”), due to the limited market availability of CPECs. The EDCs estimate that ACPs have cost customers over \$220 million for the first four years of the CPS program from 2020 through 2023. Since the Minimum Standard increases 1.5% per year and electrification increases load, these costs will continue to increase without changes to the CPS program.

Alternative Compliance Payments

	% of Compliance Met by ACP	ACP Dollars
2020	82%	6,612,075
2021	93%	35,141,535
*2022	89%	80,131,230
*2023	85%	102,526,695
Total		224,411,535
* Estimated		

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Because the ACP amount is intended primarily to set a ceiling price for the CPEC market, the EDCs cannot list benefits associated with these costs.

In its comments to the Massachusetts Department of Environmental Protection (“MassDEP”), in response to MassDEP’s Stakeholder Discussion Document, “Strengthening the Clean Energy Standard December 2023”³, National Grid proposed that the MassDEP and the MassCEC should consider refunding ACP funds to EDCs after a certain amount of time has elapsed. The EDCs would credit the funds to customers during periods with certificate shortages and/or rising commodity costs. For example, in Rhode Island, the Office of Energy Resources used funds it received from the Regional Greenhouse Gas Initiative to help offset high winter commodity costs. In this most recent winter, low-income residents saved approximately \$27 per month.

Also, MassDEP proposed using ACP funds to support new Clean Energy Standard eligible projects. In its comments, National Grid supported the use of ACP funds to make an “investment” or “downpayment” on future clean energy to meet the Commonwealth’s clean energy goals if it alleviates customers’ future costs.

The Distribution Companies note that significant ACP collections have occurred in several of the Commonwealth’s portfolio standards in the past when tradeable certificate markets have been under-supplied. Given that electrification of heating and transportation are critical to meeting the Commonwealth’s climate goals, incentive mechanisms that raise electric rates without timely and material customer benefits will impede adoption of electrification technologies. As such, the administration may wish to pursue policy reforms that lower customer rates by refunding ACP payments to customers after a specific ACP threshold is reached across all of the state’s portfolio standards in a given year.

Question 3. Has the CPS incentive had an impact on the decision of system owners to invest in CPS eligible technologies? Why or why not?

Comments:

² RPS and APS Annual Compliance Reports for 2020 and 2021 available at: <https://www.mass.gov/info-details/annual-compliance-reports-and-other-publications>.

³ Available at: <https://www.mass.gov/doc/discussion-document-strengthening-the-ces/download>.

The EDCs understand CPS incentives to be a primary driver of investment in ESS capacity, with 8,806 MWh (1,621 MW) of storage collectively in the pipeline as of the end of 2023 as noted above. DOER and MassCEC's 2023 *Charging Forward* report highlights CPS as fundamental to ESS business models over the next decade.⁴

Question 4. Please describe the portfolio of projects you have that you anticipate are within 4 years of commercial operation and that you intend to enroll in CPS. Include as many details as possible, including your projects' anticipated Commercial Operation Dates, power and energy capacities, interconnection level (i.e., front-of-the-meter, behind-the-meter), durations, technology types, intended use cases, locations, and any other pertinent information.

Comments:

National Grid intends to enroll five company-owned projects in the Clean Peak Standard in 2024, listed below.

1. Project Name: Horne Homestead Rd.
 - a) Location: Charlton, MA
 - b) Technology Type: Solar+Storage
 - c) Commercial Operation Date: January 2020
 - d) Power & Energy Capacities: 1.98 MW Solar, 1.12 MW/1.98 MWh Storage
 - e) Interconnection Level: Front of the Meter
 - f) Durations: TBD
2. Project Name: Cedar Rd.
 - a) Location: Attleboro, MA
 - b) Technology Type: Solar+Storage
 - c) Commercial Operation Date: December 2020
 - d) Power & Energy Capacities: 2.9 MW Solar, 0.56 MW/0.99 MWh Storage
 - e) Interconnection Level: Front of the Meter
3. Project Name: Bearfoot Rd.
 - a) Location: Northboro, MA
 - b) Technology Type: Solar
 - c) Commercial Operation Date: February 2021
 - d) Power Capacity: 0.75 MW
 - e) Interconnection Level: Front of the Meter
4. Project Name: Southbridge St.
 - a) Location: Worcester, MA
 - b) Technology Type: Solar
 - c) Commercial Operation Date: June 2021
 - d) Power Capacity: 0.8 MW

⁴ Available at <https://www.masscec.com/sites/default/files/documents/Charging%20Forward%20%282023%29.pdf>

- e) Interconnection Level: Front of the Meter

5. Project Name: Valley Parkway (NEDC)

- a) Location: Northbridge, MA
- b) Technology Type: Solar
- c) Commercial Operation Date: January 2022
- d) Power Capacity: 3.6 MW
- e) Interconnection Level: Front of the Meter

Eversource does not anticipate enrolling its Outer Cape Battery Energy Storage System in the CPS at this time. The 25 MW, 38 MWh ESS located in Provincetown, MA primarily provides automatic backup capability to approximately 11,000 Eversource customers served by a single 13-mile distribution line. Eversource has tested the ability of the asset to support other use cases, including peak shaving, but has thus far not determined that participation in the CPS would effectively align with the core purpose of the Provincetown ESS. Opportunities to optimize asset value would likely be reexamined in the future, including through participation in a revised CPS program.

Question 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.

Comments:

The EDCs recommend DOER consider several modifications to the CPS described below with the ultimate objective of making modifications that serve to minimize customer costs and maximize benefits supported by the CPS Program. The ultimate impact of any one proposed modification may vary depending on what other modifications are made. DOER may need to thoughtfully consider the interrelated impacts of various modifications and optimize changes to best advance overall program goals.

Minimum Standard

The current configuration of the CPS program has resulted in a reliance on ACPs over its first four years. As described in the EDCs' response to Question 2, customers will have paid over \$220 million in ACPs which do not directly support the development of clean peak capacity. Without change, customers will continue to be subject to ACPs for compliance.

First, the EDCs propose modifications to the Minimum Standard included in 225 C.M.R. 21.07. Rather than increasing the Minimum Standard by 1.5% per year, the DOER should calculate the Minimum Standard annually in a similar fashion to its calculations for the Renewable Portfolio Standard ("RPS") Solar Carve-out, RPS Solar Carve-out II, and RPS Class II Renewable Energy Minimum Standards. The DOER's calculations for these programs attempt to balance expected demand with expected supply. While not perfect, such calculations would have prevented the large ACPs made to MassCEC and would have resulted in lower customer bills.

Second, while the EDCs propose modifications to the Minimum Standard, the modifications should only be applicable to contracts executed *after* a specific date. All contracts executed before that specific date should be subject to the original Minimum Standard included in 225 C.M.R. 21.07. Typically, changes to Minimum Standards have been accompanied by exemptions for load that was already under contract. For example, when the CPS was first implemented, any contracts executed or extended before January 1, 2020 were exempt from the CPS. For a reduction to the Minimum Standard, this requirement is necessary to prevent a profit windfall to competitive suppliers. For example, a competitive supplier may have a contract with a customer (or aggregation of customers) for a number of years. If the contracts are through 2028, the customers' agreed-upon rate includes an estimate of costs to comply with the CPS based on a 7.5% Minimum Standard in 2024, increasing 1.5% each year until it reaches 13.5% in 2028. If the Minimum Standard is reduced, the customers continue to pay their original rate that was calculated with the original CPS Minimum Standard. However, the competitive suppliers' cost to comply with the CPS has been lowered with the new Minimum Standard, thus resulting in windfall profit.

If the DOER lowers the Minimum Standard, it could offer competitive suppliers the option to reduce their customers' rates to include the revised, lower Minimum Standard. If the competitive suppliers offer proof of a reduction in rates, they would be subject to the lower Minimum Standard rate. In addition to benefiting customers, lowering the customer rates also benefits the competitive suppliers by making their existing rates more competitive with Basic Service rates that include the lower CPS Minimum Standard.

Contracted Resource Multiplier

Modifications to the Contracted Resource Multiplier must consider potential changes to other sections of the CPS framework such as the Minimum Standard. The EDCs provide multiple proposals to modify the Contracted Resources Multiplier that are dependent upon changes to the Minimum Standard.

1. Under a Formula-Based Minimum Standard, Remove Eligibility for Contracted Resources to Enroll in the CPS

The Minimum Standard section above proposes that the DOER should calculate the CPS Minimum Standard annually in a similar fashion to its calculations for the RPS Solar Carve-out, RPS Solar Carve-out II, and RPS Class II Renewable Energy Minimum Standards. The DOER's calculations for these programs attempt to balance expected demand with expected supply.

If the DOER accepts the EDCs' proposal to modify the Minimum Standards by utilizing a calculation including forecasted supply and demand, then the enrollment of Contracted Resources in the CPS is unnecessary because it will have no impact to customers' costs or the CPS. For example, if the DOER's Minimum Standard includes an expectation of one hundred thousand CPECs from Contracted Resources, the Minimum Standard obligation percentage will be increased to accommodate those CPECs. However, due to the higher obligation percentage customers' supply costs will increase to purchase those one hundred thousand CPECs, but customers' delivery costs (such as the SMART charge) will decrease by the same amount from

the revenue received for those one hundred thousand CPECs. Essentially, there is no impact to cost other than where costs are recovered on customers' bills.

Furthermore, not including Contracted Resources under a formula-based Minimum Standard will be more efficient for stakeholders. It will reduce the costs associated with enrolling, maintaining, and creating CPECs for these Contracted Resources. These stakeholders, such as the EDCs, MassCEC which manages the Renewable Energy Production Tracking System, NEPOOL-GIS, and other parties can allocate resources to other endeavors that may benefit the Commonwealth. Additionally, not including the Contracted Resources eliminates sales transactions of Contracted Resources' CPECs to competitive suppliers. This eliminates transaction costs for all parties such as contracts, administration, settlement, and possible environmental broker fees.

2. Under a Fixed Minimum Standard, Change the Contracted Resource Multiplier to 1.0 for SMART Projects

The EDCs propose that the DOER modifies the Contracted Resource Multiplier as it applies to SMART projects if the Minimum Standards remain as a set requirement percentage for a year that escalates by a predetermined percentage for subsequent years. The current Contracted Resource Multiplier of 0.01 significantly reduces the ratepayer value of the SMART Program and substantially eliminates the business justification for the EDCs to enroll customer-owned SMART solar projects into the CPS. Under the current multiplier of 0.01, the administrative costs of enrolling and maintaining SMART projects in the CPS are likely to be greater than the realized CPEC revenues, meaning that enrolling resources today would result in increases, not decreases, to the costs borne by SMART customers. The EDCs propose that the Contracted Resources Multiplier for SMART projects be changed to 1.0, which would decrease costs to distribution customers because realized CPEC revenue will exceed enrollment and maintenance costs. Notably, changing the multiplier to 1.0 does not increase costs to supply customers under the current configuration of the CPS program.

As a product of the existing SMART program design, all CPEC revenues, less any administrative costs, would simply be passed through to distribution customers as a reduction in the SMART charge. In contrast, lowering the Minimum Standard obligation percentage would be passed through by the EDCs to their basic service customers, but it is not guaranteed to reach competitive supply customers, who already may have locked in retail rates with their suppliers for several years.

Changing the Contracted Resources Multiplier to 1.0 for SMART resources would not oversupply the current Minimum Standard in 2024 which requires approximately 3.3 million CPECs, of which only 10-15% will likely be met with actual CPECs. The EDCs estimate that the enrollment of SMART solar projects with a Contracted Resources Multiplier of 1.0 would equate to CPECs that would meet 14% of the 2024 obligation.⁵ Further, if the CPS Minimum Standards are not adjusted, the obligation percentages increase 1.5% annually which results in at least an

⁵ This assumes that approximately 500 CPECs will be created annually for every 1 MW of nameplate solar capacity and that no other multipliers apply. Based on the SMART solar portfolios of the EDCs (approximately 450 MW Eversource, 450 MW for National Grid, and 14 MW for Unitil), the portfolios could create approximately 225,000, 225,000, and 7,000 CPECs respectively, or 457,000 CPECs annually.

additional 700,000 CPECs needed to meet the increasing demand every year. Overall, demand greatly exceeds supply, and therefore an additional several hundred thousand CPECs from the SMART program will not adversely impact market prices, but there will be a reduction in customers costs through greater revenue to the SMART program. If the Minimum Standard is lowered, but still results in a shortage of CPEC supply to meet the required percentages, the addition of SMART CPECs will continue to have no effect on the market prices or the customers' supply costs. Under the EDCs' proposal, customers' supply costs will consist of purchases of CPECs from the SMART program rather than ACPs to MassCEC.

In addition, the SMART program is a capped program. Therefore, the number of CPECs produced by SMART projects is limited and would not impact the market or depress CPEC values. If DOER prefers to change the Minimum Standard obligation, DOER could do so in a way that would account for SMART CPECs and still ensure sufficient demand.

Introduction of a Distribution Value Multiplier

The EDCs appreciate the collaboration of DOER to develop a Distribution Circuit Multiplier ("DCM") based on circuit loading data included in the Distribution Companies' Service Quality Annual Reports. The current DCM structure is a transparent approach to modifying CPECs based on the unique load profile of individual distribution circuits. However, the EDCs expect that the CPS could better support deployment of resources that contribute to operation of the electrical grid by replacing or supplementing the current DCM with mechanisms more directly linked with EDC real time system operations. The EDCs recommend that eligibility criteria for the DCM be expanded or revised to include participation in utility managed programs that utilize peak resources in support of system operations. To this end, the EDCs recommend introducing a new Distribution Value Multiplier ("DVM").⁶ The proposed DVM would enable CPS resources to earn additional CPECs when they are participating as part of a specific NWA project as described in the Distribution Companies' proposed ESMPs.

The DVM mechanism would provide additional benefit over the existing DCM methodology for several reasons. As noted in response to Question 1, even if dispatchable CPS resources reduce peak load on a circuit most of the time, the Distribution Companies' reliability obligations mean that they cannot rely on these resources as a substitute for distribution system investment unless those resources participate as part of an EDC NWA and can be dispatched by the EDC based on EDC requirements. ESS should not be incentivized to interconnect to heavily loaded circuits unless it is subject to EDC curtailment or dispatch during system peaks—otherwise such interconnection results in further reduction in planning capacity available for load customers or triggers system modifications that create incremental capacity that supersedes any benefits offered by the ESS itself.

⁶ As an ancillary point, EDCs have also observed that the DCM can create confusion for DER developers considering the DCM as part of siting decisions. EDC system planners have final discretion on which circuit a customer connects to, and the circuit that best fits distribution system planning needs may not align with a developer's expectation of receiving the DCM. The EDCs request that DOER clarify in the DCM guidelines that connection to a specific qualifying circuit based on the location of interconnection cannot be guaranteed.

Alignment of the DVM with EDC's NWA plans would address these issues. NWA projects utilize DERs—including generation, storage, demand response, and energy efficiency—to defer the need for distribution system upgrades, or reduce the operational risk related to a specific network constraint. For example, National Grid's ESMP proposal includes two "Asset Deferral" projects which would defer the need for distribution system upgrades and 17 preliminary candidate locations for "Bridge to Wires" projects, which would address constraints in areas where electrification demand outpaces the Company's ability to feasibly provide a traditional infrastructure solution. Eversource and Unitil have proposed to support the use of DER as grid assets providing distribution system value through the Grid Services Compensation Funds included in their ESMP proposals.

Under the proposed Distribution Value Multiplier, the CPS would provide enhanced benefits to customer and/or third-party resources that are participating in identified NWA projects. These would be projects specifically committed to providing distribution system value that benefits ratepayers and, therefore, it is appropriate that such projects should receive enhanced value from CPS. This could be expected to reduce the additional required ratepayer costs of contracting these resources for grid services—ensuring that ratepayer dollars being spent on CPS are supporting distribution system cost savings in furtherance of the broader CPS goals to more efficiently shift energy consumption and production to minimize the costs of the clean energy transition.

The EDCs propose providing a Distribution Value Multiplier to all CPECs generated by projects meeting these criteria. The value of the multiplier could mirror the current DCM approach, providing 2x for the first 10 years and 1.5x for years 11-15. In addition, the EDCs recommend that any import or export of energy by such projects in response to EDC dispatch orders (and therefore providing distribution system benefits) should be counted towards generating CPECs, even if outside of the CPS program windows.

The EDCs recommend making these enhancements available for qualified projects, at the point when the relevant EDC programs are in place. In addition, the EDCs expect that their approach to NWAs and grid services from DERs will continue to develop as they collect learnings from implementation and from the Grid Services Study taking place in partnership with MassCEC. As such, it may be appropriate to update the DVM on a periodic basis to align with the evolving program, market, and policy framework for grid services. In general, the EDCs advocate for an approach that can evolve to increasingly leverage CPS incentives to complement programs that benefit the distribution system as those programs further develop.

Seasonal, Peak and Resilience Multipliers

The current structure of the CPS aggressively promotes short-duration resources that can maximize output in no more than 1 hour. Resources are encouraged to maximize output over a short duration through the following design features:

1. CPECs are credited based on the metered *average* MW performance of a Clean Peak Resource for each hour during a Seasonal Peak Period. The use of average MW performance over a 4-hour seasonal peak period provides no incentive for a resource

- to extend the duration of its output. A resource with an average output of 4 MW in only the first hour of a seasonal peak period would generate the same number of certificates as a resource that sustains an average output of 1 MW for the full duration of a seasonal peak period. It is in fact more prudent for the storage to discharge everything as fast as possible or risk having reserve capacity in the storage at the end of the time window.
2. CPECs are further credited based on 25x the metered average MW performance during the Hour of Actual Monthly System Peak. This nearly doubles the volume of CPEC credit for a resource that concentrates its output within the single hour of system peak demand.

The price signals provided through the current CPS structure align reasonably well with the current design of the wholesale capacity market but are not suited at all to encouraging other value drivers. One-hour resource availability is insufficient to meaningfully contribute to operation of an electrical grid that must support load over longer durations. It is similarly insufficient to provide meaningful resilience to customers during any extended outage. Despite this, a very short duration resource would receive a resilience multiplier based on its ability to serve any small amount of customer load for any short period.

The CPS structure could support a more balanced mix of resources by making adjustments that: (1) credit CPECs based on minimum, or sustained MW performance, over the time window; (2) moderate the Actual Monthly System Peak Multiplier to something less than 25; and (3) ensure resources that qualify for the Resilience Multiplier can meaningfully support customer load during an emergency event.

Question 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.

Comments:

The EDCs understand that procurement of a certain quantity of CPECs on a fixed-price, multi-year basis is important for some Resources in securing project financing. The EDCs have worked previously with DOER and stakeholders to develop a straw proposal for a tariff-based CPEC procurement with a final straw proposal published in July 2021. Historically, long-term procurements for environmental attributes have resulted in some degree of cost savings for EDC customers, as opposed to Alternative Compliance Payments. However, in an undersupplied market such as the current CPEC market, this cost savings tends to be minimal, as bid prices tend to closely adhere to the ACP price until the market matures and increased supply is available.

The EDCs remain ready to work with DOER and stakeholders to finalize a procurement mechanism that will meet the needs of all stakeholders, and the EDCs are prepared to support expeditious progress to support the CPEC marketplace. The EDCs also recognize that perspectives may have evolved since the 2021 straw proposal, and that design of a final

procurement mechanism will be dependent on many of the variables being addressed as part of the program review. A request for proposal with an unknown procurement size, or effective ceiling price, could prove uniquely challenging. As such, the EDCs propose to work with DOER and stakeholders to advance an appropriate procurement mechanism in parallel to the program review, with a process that accounts for interdependencies between the two tracks.

To the degree that the procurement structure from the prior straw proposal is maintained, the EDCs recommend modifying the procurement structure from a clearing price auction to a pay-as-bid model. This auction structure could be expected to produce greater savings for ratepayers. While the EDCs have no specific comments regarding CPS resource eligibility, the EDCs look forward to reviewing the feedback from other respondents regarding this query.

Question 10. How well does the CPS align with other Commonwealth programs, such as SMART and ConnectedSolutions, to incentivize the deployment of peak reducing resources, and how could program alignment be improved?

Comments:

As advocated in our recent comments for DOER's Review of the SMART program, the EDCs recommend modifying incentives for future solar-coupled ESS such that CPS provides the dominant incentive for battery discharge, as opposed to SMART.⁷

As the DOER and MassCEC's 2023 *Charging Forward* report notes, the 0.3 penalty multiplier for SMART-enrolled solar-coupled ESS significantly reduces CPS incentives for these systems, enough that developers may focus only on optimizing SMART revenues, as opposed to dispatching to optimize CPS participation. The current structure of the SMART storage adder does not provide significant additional benefit for incremental storage capacity greater than 25 percent (the incentive is paid out based on kWh produced by the installed solar and is decoupled from storage discharge behavior). As a result, developers are incentivized to install only the minimum storage capacity required to qualify for the maximum adder, which directly conflicts with the CPS objective of increasing deployment of peak reducing resources.⁸

To address this issue and position CPS as the primary incentive program for ESS, the EDCs have recommended sunsetting the SMART ESS adder for future capacity, which would result in greater participation in CPS.

Question 11. Are there any Commonwealth policies (e.g., renewable energy goals, land use priorities, codes and standards, etc.) that you believe the CPS program inadvertently conflicts with? Please describe any potential modifications to CPS that would alleviate these conflicts.

Comments:

⁷ Joint Comments of the Electric Distribution Companies filed to the Department of Energy Resources on February 2, 2024.

⁸ Charging Forward: Energy Storage in a Net Zero Commonwealth, available at: <https://www.masscec.com/sites/default/files/documents/Charging%20Forward%20%282023%29.pdf>.

The CPS conflicts with other initiatives that seek to optimize resources across a range of system conditions instead of maximizing output in a single hour. In particular, the EDCs are concerned the CPS could be counterproductive to maximizing the interconnection of clean energy resources through EDC CIPs. Self-curtailment of solar interconnections will be a critical component of achieving the Commonwealth's solar targets while minimizing the overall investment required on the distribution system.⁹ However, the EDCs still observe that solar + storage sites which collect adders through SMART as well as CPECs do not curtail their output willingly.

The EDCs would encourage DOER to consider the addition of curtailment requirements or incentives in the CPS to support better optimization of resource performance with system constraints. CPECs for storage systems co-sited to new (not existing) solar installations could be increased for, or contingent upon, a minimum self-curtailment of the registered export capacity to 75% of the installed solar AC capacity. Such an example would be a 5 MW solar site interconnecting with an export capacity of no more than 3.75 MW and a minimum storage capacity of 1.25 MW to make up the difference.

Further, as discussed earlier and outlined by Eversource in its ESMP filing (D.P.U. 24-10) the CPS with its current pay-for-performance structure provides the EDCs with no firm consideration. The EDCs therefore recommend that, in addition to the above-mentioned reconsideration to the DCM, the DOER considers minimum charge and discharge requirements for ESS CPS resources for all days of a month in order to improve alignment of CPS incentives with patterns conducive to distribution system planning.

Question 14. Would any Clean Peak Resources or specific use cases for such Resources be better incentivized by a different program than CPS? If yes, please describe the proposed program and justify why the particular Clean Peak Resources and associated use cases would be better incentivized by such a program, with particular attention paid to added ratepayer benefits.

Comments:

Yes. The EDCs have proposed changes to the DCM and other changes in these comments to better align the CPS with other initiatives that seek to utilize peak resources to support operation of the electric power system. These recommendations should not be misconstrued to suggest that the CPS is an appropriate mechanism to contribute to distribution system reliability.

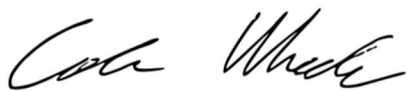
Tradeable certificate markets have at times been characterized by volatile market dynamics, high ratepayer costs from Alternative Compliance Payments and other unintended consequences. Market designs have also been revised and augmented over time through lengthy regulatory processes. Given this uncertainty of deployment under tradeable certificate frameworks, the EDCs do not believe that such incentive mechanisms are an appropriate policy tool for ensuring distribution system reliability. The EDCs should continue to be tasked with maintaining system reliability through safe, least-cost solutions identified through a system planning process—a

⁹ Eversource ESMP (D.P.U. 24-10) on Page 591 of 699 in Figure 9-20.

process that will indeed evolve to meet the requirements of the modern grid as most recently advanced through the Distribution Companies' ESMP proposals.

The Distribution Companies appreciate the opportunity to submit comments on the CPS program and look forward to continued collaboration with the DOER and stakeholders on this matter.

Very truly yours,



Cole Wheeler
Manager, Policy and Regulatory Strategy
National Grid



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