



Via Electronic Mail

May 3, 2024

Ms. Samantha Meserve
Director of the Renewable and Alternative Energy Division
Massachusetts Department of Energy Resources
100 Cambridge Street, 9th Floor
Boston, MA, 02114

Clean Energy Group Comments - DOER's Clean Peak Energy Standard Program Review

Dear Ms. Meserve,

The Northeast Clean Energy Council ("NECEC"), the Solar Energy Industries Association ("SEIA") and RENEW Northeast ("RENEW") appreciate the opportunity to submit joint comments to the Massachusetts Department of Energy Resources ("DOER" or "The Department") for the 2024 Clean Peak Energy Standard ("CPS") Program Review. The attached responses to the 2024 Stakeholder Questions reflect the experience-based consensus of our members in the solar and energy storage sectors.

NECEC leads the just, equitable, and rapid transition to a clean energy future and a diverse climate economy. NECEC is dedicated to growing the clean energy economy in Massachusetts and across the region, in pursuit of our mission to create a world-class and equitable clean energy hub in the Northeast. The Council's 250+ members include companies based in Massachusetts, doing business or hoping to make future investments in the state.

SEIA is the national trade association for the United States solar and storage industries. SEIA works with its more than 1,000 member companies and other strategic partners to fight for policies that create jobs in every community and shape fair market rules that promote competition and the growth of reliable, low-cost solar power. There are 502 solar companies located in Massachusetts along with national firms also conducting business in the Commonwealth.

RENEW is an association uniting environmental advocates and developers and operators of the region's largest clean energy projects, which include hydropower, offshore wind, land-based wind, solar, transmission and energy storage. RENEW's mission involves coordinating the ideas and resources of its members with the goal of increasing environmentally sustainable energy generation in New England from the region's abundant renewable energy resources.

Following are Answers to Select 2024 CPS Review Stakeholder Questions:

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.

In the Clean Peak Energy Portfolio Standard (CPS) Final Straw Proposal, one of DOER’s objectives was to “provide revenue certainty for clean peak resources to enable financing.” We believe that the lack of a procurement program has hindered supply and resulted in the program requirements being met largely through an Alternative Compliance Payment (“ACP”). Implementing the policy of long-term contracts sends an important signal to investors that the Commonwealth is committed to meeting peak demand with clean resources. Lowering the risk to project developers and their investors through contractual awards will also increase competition to the benefit of consumers.

The requirement for an initial target of 30 percent of the market obligation may be inadequate to attract sufficient investment. The regulations should be amended to increase the procurement goal to ensure Massachusetts remains on a trajectory to meet CPS requirements over the longer-term. We encourage DOER to provide a schedule of procurements over the next several years and notice of the final size of the procurement well before each auction, as well as an estimate for the next two years of procurements so that developers can plan.

The Final Straw Proposal requirement to guarantee the CPEC price for only eight years will decrease certainty and increase risk for developers which will translate into higher consumer costs. While we understand DOER’s interest in minimizing stranded costs, extending the contract duration beyond eight years would permit the amortization of costs over a longer period and thereby realize a lower annual cost for consumers. Again, this meets DOER’s stated objective of attaining cost-effective CPEC supply.

New York, which initially had a seven-year price lock-in, moved to a ten-year price lock-in due to developers facing significant uncertainty about realizable merchant revenues after the expiration of the seven-year contract, and thus having to submit bids designed to recover a significant percentage of their costs over that seven-year contract period. For this reason, a modest increase to the contract duration to at least ten years is appropriate with 15 years even more favorable as, again, it will realize a lower annual cost for consumers.

Having the ACP remain at a constant level through 2040 can also assist developers by providing additional revenue certainty. We also urge DOER to conduct an analysis of CPS market dynamics, which considers the market failure to date, to assist with revisions to the ACP rate to ensure it is set appropriately to promote investment.

The Final Straw Proposal design that each “EDC will only award and enroll projects sited within their service territory and connected to their distribution system,” complicates the program and could, by breaking up the procurement into slices, favor distribution level projects. We support one larger procurement led by DOER instead of multiple EDC procurements to allow larger projects, which could potentially overwhelm one EDC procurement, the ability to compete.

We also observe that large storage deployment has advanced around the country in recent years through the increase in procurements with contractual awards as opposed to a tariff structure. Having DOER conduct the procurements offers additional benefits, including allowing DOER to direct the timing of procurements. Earlier procurements would accelerate the ability to meet climate requirements and will also eliminate the appearance of any conflicts of interest which could arise between a selection team member and bidders.

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

As a general matter, the CPS Program has failed to provide adequate incentives or benefits sufficient to encourage greater deployment of new energy storage resources. The barriers created by the current CPS structure include:

- **The uncertainty of future CPEC prices**, which impact project economics, make it challenging to secure project financing, and hinder potential project development.
- **Standalone storage is not economically viable given the current CPS value.** Economic viability sufficient to encourage project development may be achieved if Storage is paired with Solar to participate in SMART, or is Behind-the-Meter and thus eligible to participate in ConnectedSolutions. Unless combined with either of these two programs, however, a standalone storage facility is uneconomic.
- **The Distribution Circuit Multiplier (DCM) lacks transparency** necessary for future project development. Forecasts of future circuit eligibility, detailed information on current circuit status through hosting capacity maps, and improved geospatial data (from Eversource, specifically), would help to remedy this challenge.
- **Behind-the-Meter storage projects face a challenge with stacking CPS** with demand charge management in non-summer months.

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

Yes, the CPS has led developers to invest in projects. But as the realities of project economics have become more clear, the CPS has not ultimately led to the deployment of standalone energy storage projects that have advanced through development and are ready for construction. *These projects may not move forward without program changes.* Many projects were developed in response to the initial DCM proposal, which ended up being significantly altered in the final version. In addition, the ACP rate is not sufficient to overcome revenue uncertainty challenges and enable projects being built.

From industry's point of view, the current CPS incentive structure actually *discourages* the addition of new energy storage to photovoltaics participating in SMART, or increasing the capability of already paired energy storage to be able to cycle daily by using a less than 1 multiplier. The multiplier for the paired storage makes the program revenue insufficient to justify charging and discharging in response to the CPS.

5. Are the CPS Resource eligibility criteria appropriate? If any criteria pose a barrier, please describe and provide recommended mitigation strategies.

Yes, the criteria are appropriate. Our members qualify as eligible technologies and have not encountered any barriers.

6. Are CPS application processes and requirements clear? Is communication between applicants, the CPS Program Administrator, and DOER clear and effective? Please describe any improvements you believe could be made to the CPS application process.

We suggest the following improvements to the application process:

- **Approval Timeline Insight** - Knowing the expected approval timeline for both PTS registration and CPS approval would be helpful.
- **SQA Delivery Timeline** - It would be beneficial for developers to receive CPS SQAs much sooner. Some developers are still waiting for SQAs to issue for projects that were CPS approved eight months ago.
- **PV-System PTS Registration Timeline** - Co-located PV/BESS systems must be linked in the CPS application. DOER is responsible for registering co-located PV systems in PTS and there is often a delay between when BESS systems are PTS-registered and when they can be submitted for CPS approval. Simultaneous PTS registration would accelerate submission for CPS approval and enhance project viability.
- **Clarification on the required documents for SQA application** - It would be helpful to have the required documentation listed out on the SQA application, potentially as specific document upload slots.
- **SQA Application Communication Log** - The ability to add notes at any time in the process would be helpful. Currently, a note can only be submitted with the application/correction. It also doesn't log communications from both email & the portal, so messaging is not always consistent.

7. Are CPS Program compliance requirements clear prior to program enrollment? If any requirements are unclear, please describe and recommend clarifying language.

Yes, the Program compliance requirements are clear.

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.

Minimum Standard Modifications:

To align with the Commonwealth's climate goals and need to deploy flexible assets as we decarbonize the grid, changes to the Minimum Standard may be warranted. Specifically, it may be necessary to increase the Minimum Standard over the long term to drive the deployment of resources and reduce the risk of market oversupply that is challenging project development today. The ratchet on the Minimum Standard should also be removed. This would ensure a predictable ceiling and result in a more stable planning scenario.

The Distribution Circuit Multiplier should include PV-saturated circuits. The rationale for this is its ability to provide much of the same diversity benefits as paired ESS noted in the “Charging Forward” study and report, while actually providing a tangible benefit to the saturated circuit.

ACP Modifications:

Given the lack of project deployment to date, it is clear that the ACP rate needs revisiting. Because the future value of CPECs is uncertain, project developers need to take significant haircuts to expected revenues to receive financing. This was not fully anticipated when the Clean Peak Standard was developed and means that, absent program improvements that would greatly improve revenue certainty, the ACP rate that was expected to drive development has not been sufficient.

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.

CPEC Procurement

Our groups encourage DOER to move forward with a procurement for CPECs as quickly as practicable, acknowledging that the procurement results will be influenced by the outcome of the CPS Review. While the procurement is likely best conducted after the Review, we encourage DOER to resolve major procurement questions in advance so that the solicitation can be issued shortly after the Review is finalized.

We recommend that the procurement be limited to new, dispatchable resources, including energy storage. We encourage the Department to ensure that the solicitation is large enough, and is targeted towards the appropriate resources, to stimulate a market. A procurement that results in just one or two selected projects is unlikely to drive additional market activity. To this end, we also encourage the Department to split the procurement authority over multiple years so that projects that are ready in the near future are able to secure offtake, and projects that are at an earlier stage are able to continue developing in the hopes of securing offtake, which will drive additional competition.

Additionally, we recommend that each procurement be broken into two separate parts—a procurement for transmission-connected resources and a procurement for distribution-connected resources. These two classes of resources provide different types of benefits to the system and have different cost structures, therefore, it makes sense to procure them in separate tranches.

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?

Our organizations encourage DOER to look for ways to enhance program clarity from the customer perspective, and also acknowledge that these programs serve a variety of needs and goals. We appreciate DOER's drive towards alignment.

13. Is there any additional information you believe DOER should consider in its 2024 CPS Review?

We encourage DOER to consider the following:

- **Multiplier** - SMART 0.3 multiplier applied to solar + storage resources that are also participating in CPS. This lowers overall value and disincentivizes co-participation.
- **Peak Days** - CPEC peak is only on weekdays but there are instances of weekend peaks that should be compensated.
- **CPEC Value** - More value in the CPEC itself or more volatility in the market is required to push storage forward.
- **CPEC Price Certainty/Revenue Certainty** - Long term certainty on CPEC prices, at least 10 years, would benefit the program and lower the cost of financing projects.
- **Dispatchable Only** - CPEC should be limited to dispatchable resources only.

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.

Front-of-the-meter (FTM) energy storage, both distribution- and transmission-connected, lacks a dedicated deployment incentive (unlike other eligible CPS technologies, such as offshore wind, solar, ESS paired with solar, etc.). Because the value of the CPS is not fixed, this makes it challenging to develop FTM energy storage and leads to high financing costs.

For distribution-connected FTM storage, a SMART-style tariff program would help to overcome financing challenges, and would also allow the Department to design the program to capture value streams (such as absorbing excess solar production in saturated areas) that are currently not accounted for in the CPS design. Furthermore, such a program could transfer the CPECs to the EDCs much the way SMART does with RECs, making this kind of program complementary to the CPS.

For transmission-connected storage, one of the most important ones is challenges with financing merchant revenue streams. This keeps pushing out the schedule of project development and adds uncertainty to advance projects in the ISO-NE queue process. Under the current mechanism of CPEC payments, projects remain effectively fully merchant. Even though modeling of merchant revenues and CPEC prices may look economically viable, there are concerns with financing and constructing projects, primarily against an uncertain CPS value and fully merchant revenue stack. Thus, a large-scale procurement program would help drive down the cost of financing and, ultimately, the cost of transmission-connected storage. There are several flavors of procurement that we encourage the Department to consider:

- **CPEC Procurements** - Procuring just the CPECs from projects will fix the CPEC value, removing the uncertainty from that revenue stream. The tenor of the contract is critical and will determine whether the procurement will provide enough certainty for projects to advance. In a CPEC procurement, other revenue streams remain merchant, which will still lead to higher financing costs.
- **Tolling arrangements** - Procurements not just for CPECs but for all battery services provided. Under a full toll, EDCs return ISO-NE market revenues to ratepayers but retain the CPECs for their compliance obligations. This will lead to the lowest cost financing.
- **Index Storage Credits** - New York is considering implementing procurements for Index Storage Credits, which provide additional revenue certainty from wholesale market participation.

We thank you and your team for your efforts in gathering stakeholder input on the Clean Peak Standard. Please do not hesitate to contact us if you have any questions or would like to meet once more with storage industry stakeholders.

Sincerely,

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