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

Clearway Energy Group Comments – DOER’s Clean Peak Energy Standard Program Review

Clearway Energy Group (“Clearway”) appreciates the opportunity to submit comments to the Massachusetts Department of Energy Resources (“DOER”) for the 2024 Clean Peak Energy Standard (“CPS”) Program Review, and thanks the Staff at DOER for their efforts to evolve DOER programs to be most effective with evolving market dynamics.

Clearway is a leading developer, owner, and operator of utility-scale onshore wind, solar, and energy storage assets across 26 states, with significant project development interests in Massachusetts. Our experience bringing over 7 GW of clean energy projects into operation through more than \$11.8 billion in financings means Clearway is well versed in financing underwriting requirements and risk appetites within the tax equity and broader financing community. Clearway’s experience in the energy storage sector includes deployment of 45 MW (140 MWh) of distributed storage paired with solar projects in Massachusetts, 75 MW (300 MWh) of utility-scale storage in Hawaii, and four utility-scale storage projects under construction in California totaling 613 MW (2,542 MWh). As a long-term owner-operator of clean energy projects, Clearway approaches project development and state-led procurements with careful consideration of long-term technical and financial performance.

Clearway largely supports the comments jointly submitted by the Northeast Clean Energy Council (“NECEC”), the Solar Energy Industries Association (“SEIA”) and RENEW Northeast (“RENEW”). We wanted to provide additional feedback to Question #9.

Answer to Question #9

Please provide any comments on the necessity of, Resource eligibility for, and structure of a CPEC procurement.

Clearway provides comments specifically in the context of a procurement of Clean Peak Energy Certificates (CPEC) from transmission-connected energy storage resources. Energy storage is still in its early years of deployment, and financing partners (e.g., tax equity investors) are still getting accustomed to underwriting this resource class. Particularly in the early years of state support for

energy storage deployment, the goal should be certainty of deployment through simple, transparent, tried-and-true procurement and contracting mechanisms.

Specifically, long-term contracts provide a predictable revenue stream that will accelerate the deployment of this nascent asset class. Currently, energy storage resources lack access to such long-term contracts that provide a predictable revenue stream in Massachusetts, which represents a barrier to the efficient underwriting, financing, and deployment of storage resources.

To address this barrier to deployment Clearway proposes that the DOER utilize a

- (i) **centralized competitive CPEC procurement** and
- (ii) **long-term full tolling agreement** as the preferred contractual structure in the context of such a procurement.

Under a procurement utilizing a long-term full tolling agreement contractual structure, project owners bid a price required to cover the total upfront and operating costs incurred for the development, construction, financing, and operations of the project, and this revenue represents the only source of revenues to the project owner. In exchange for this predictable payment to the project owner, an electric distribution company (EDC), or a third-party designee, will have the right to “rent” the project and dispatch it to participate in the CPS program and/or ISO-NE market and shall be entitled to any attributes and/or revenues that such participation produces, which can either be retained by the EDCs for compliance purposes or returned to ratepayers, as opposed to the project owner.

Long-term full tolling agreements can reduce ratepayer cost and risk by:

- Allowing for better financing terms and lower financing costs because of reduced risks from guaranteed revenues to project owners. This will lead to lower bids overall, all else held equal.
- Still allowing for efficient CPS and ISO-NE market participation via optimized dispatch from the EDC or third-party designee, which will directly offset the tolling costs.
- Reducing the rate of contract termination and/or abandonment by providing predictable revenue streams to support successful project financing.

In addition, a long-term full tolling agreement can include performance guarantees and incentivize the availability, efficiency, and reliability of the battery project and hold project owners accountable.

For these reasons, Clearway strongly encourages the DOER to consider a program that is efficient, simple, and financeable through proven contract structures based on a long-term full tolling

agreement, a structure supported by a January 2024 Guidehouse Insights report “Stable Financing Strategies are Key to Building Successful Battery Storage Projects.”¹

Conclusion

Clearway urges the DOER to take a practical approach to energy storage resource deployment through simple, transparent, tried-and-true procurement and contracting mechanisms. Specifically, long-term contracts that provide a predictable revenue stream will accelerate the deployment of this nascent asset class. We recommend DOER utilize a centralized competitive CPEC procurement and long-term full tolling agreement as the preferred contractual structure in the context of such a procurement. Clearway appreciates the opportunity to offer these comments and looks forward to collaborating with the DOER to shape and execute a successful program to support large scale storage deployment in the Commonwealth.

Thank you,



Shaun Chapman
Head of External Affairs, East

¹ Stable Financing Strategies Are Key to Building Successful Battery Storage Projects
<https://guidehouseinsights.com/reports/stable-financing-strategies-are-key-to-building-successful-battery-storage-projects>