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Massachusetts Department of Energy Resources
Samantha Meserve
Deputy Director of the Renewable and Alternative Energy Division

Dear Samantha Meserve,

Hampshire Power Corporation ("Hampshire Power") is a Massachusetts Benefit Corporation whose mission is to help people, property owners, and organizations maximize and monetize renewable energy systems. We work with our clients and partners to build transparent, interconnected, monitored, and fully monetized energy systems.

Hampshire Power ownership and staff have nearly twenty years of experience working in the REC market, with extensive knowledge of the progression of the RPS, SRECs, and now the AEC program. Specific to the APS, our staff has worked across the state with numerous HVAC installers and hundreds of business owners, Housing Authorities, and residential customers providing guidance, administrative support, and financial management of their renewable thermal systems.

We have witnessed a growing trend with these constituents to turn away from the APS as a tool to drive sales or influence decision making behaviors due to the weak market value of AECs. We have been concerned with the ongoing trend of the APS as it has undermined its ability to be a driver of market growth and to achieve the targets required by the Commonwealth's Global Warming Solution Act and its corresponding GHG emission goals. Therefore, we offer the following points of programmatic feedback as an active stakeholder in the future of the APS.

APS Minimum Standard Review Stakeholder Response:

As stated in our Stakeholder feedback in December 2020, Hampshire Power strongly supports the analysis and staged **removal of fossil fuel based Combined Heat and Power** (CHP) systems from the APS. While not immediate, we support DOER's regulation recommendation for a phase out approach, starting in 2023, by reducing their production to factor of 70% and subsequent decrease by 10% each year so by ending their participation in 2030. This an important step in the right direction and properly aligns this program with the Commonwealth's GHG goals.

Hampshire Power also supports two other significant steps by the DOER regulation recommendations that supports the growth and improvement of the MA APS. **Increasing the APS requirement** for load serving entities in 2023 up to 7.5% (adding 2% requirement instead of .25% increases) should help address the detrimental oversupply issue currently hurting the marketplace (in part caused by the CHP market referenced above) and result in an AEC value that supports sustainable market growth in alignment with state legal requirements. In addition, pricing ACP for the APS in alignment with the RPS by increasing it to match Class 1 RECs at $40, makes a significant step to further balance the marketplace.

However, if DOER were to look to the historical precedence of the SREC program, the market was buoyed by the establishment of a **floor price within that carve-out segment of the RPS**. We strongly recommend setting a floor price in the APS (such as $20) that ensures the long-term health of the program. As we have all learned over the past 4 years, there are many factors that impact the supply of technologies and their production that influenced the number of minted AECs. The establishment of a floor price and together with a credible mechanism to support that floor price will further ensure a healthy APS.

Eligibility Criteria Recommendations:

1. Mass Save Eligibility Exclusion

For Renewable Thermal technologies, one of the significant recommendations made by DOER would involve the restriction of APS eligibility decoupled from participation in the Mass Save incentive. While we understand the reasoning behind the elimination of perceived "double dipping," we believe the recommendation could benefit from further analysis and detail.

Incentives are still too low

Looking back to the recommendations provided last fall by DayMark Energy Advisors, their Financial and Cost and Benefit Analysis laid out pricing variabilities across technologies and fuel types. While offering a variety of optimal price ranges, it was clear that the financial incentives necessary to drive the industry are significantly below the current or even proposed (ACP of $40) AEC market rates. Therefore, unless the multiplier review, which is concurrently underway, provides significant increases in the number of AECs per project, the result will likely not cause the inflation of incentives that would truly constitute a double dip on funding. If instead, both sources were recognized and linked, then customers would be educated on the value of obtaining both sources when appropriate, (an upfront rebate and market-based incentive), to support the rapid and scaled installation of ASHP and GSHP systems.

Additional Market Confusion

One critical area of concern for Hampshire Power is the consumer confusion that will result in dueling incentive programs. It will be very challenging for consumers to make an informed incentive decision (Mass Save vs. APS) when they may not be able to obtain all of the necessary facts at the time of contracting for their new system. Most installers simply do not discuss the APS at the time of sale due to the highly detailed eligibility requirements and that it remains virtually impossible to estimate upfront financial value of AECs. By making the financial incentives competitive between Mass Save and the APS, DOER is increasing the likelihood that consumers will simply forfeit their opportunity to receive APS financial support due to a lack of consumer education. This would result in consumers paying for the incentive (through utility pass through of APS fees) but not benefiting from the incentive for their own upgrades and improvements.

Also, in the DOER recommendation, did it consider which incentive(s) specifically within Mass Save program would restrict eligibility from participating in the APS? Is it only the rebate on the installation of ASHPs or would the use of other components of the program such as a free home energy audit, free air sealing, reduced cost insulation, and/or the 0% Heat Loan also cause ineligibility to an APS application? We are confident that DOER and the Commonwealth certainly want to promote all energy efficiency actions within the state and not sew confusion in customers with a choice between participation in the programs. If the APS competes with Mass Save rebates and blocks access to other incentives, we believe this choice will significantly restrict the adoption of the program by the industry and limit the growth of APS as a valued tool by installers and owners alike.

As mandated by state laws, there is a drastic need to jump start this industry across the Commonwealth, so why hamper the tools necessary be creating the appearance of competing incentives or undermine each other's market brand and outreach campaign? While we appreciate the intention behind this recommendation, we strongly suggest allowing for their continued co-existence in a way that encourages the adoption of renewable thermal technologies instead of making them mutually exclusive. By allowing both incentives in eligible building systems, it will further encourage HVAC installers and system owners to look for all possible actions and programs to improve the efficiency of their buildings and reduce the carbon footprint of their heating systems.

2. Clarification of TEDI

Hampshire Power requests the final rules to clarify the recommended replacement for the pathway of Net Zero for ASHP and GSHP units with a low TEDI pathway. We understand the multipliers for HERS and Passive House certifications will continue, as they have been useful to encourage particular buildings by recognizing the value of seeking lower ratings. However, with the new low TEDI pathway, Hampshire Power requests additional clarification at the next stage of information as to how this will impact the program for industry consultants and trade businesses.

3. Metering Recommendation

Finally, Hampshire Power also supports the simplification and clarification of rules for metering requirements for intermediate and large systems. By changing the **program's categorization into Metering and non-Metering**, along with realigning much of the system specifications as guidelines, the program will be better understood by industry leaders and easier to implement. We support the new recommendation to alter current requirements into a list of best-practice guidelines as it will support the innovation and evolution of the industry's use of these technologies. In addition, based on our work within the industry, we find an important tipping point on metering to be between the 0.375 MMBtu/hr capacity instead of current 0.134 MMBtu/hr capacity. We recommend removing the requirements of metering on systems under this system capacity size, managing the volume of generated AECs through refined use of multipliers and square footage of heated space. The industry needs the flexibility to maximize the benefits of installing renewable thermal technologies as we move towards the electrification of our heating systems and reduce our Commonwealth's reliance on fossil fuels.

Overall, Hampshire Power supports APS review and stakeholder process to encourage its health and longevity. We believe it is a critical tool to achieving the lofty goals as set out in the Commonwealth's Global Warming Solution Act and its corresponding GHG emission reductions. We believe there are both short and long-term actions that can be made to balance and improve the power of the APS to become a market driving incentive and generate growth and adoption of renewable thermal technologies across the state. Heating system decisions are a once every 20/30-year opportunity, so every missed opportunity has lasting impact in our ability to achieve these legislated goals. Therefore, we recommend swift action to ensure the APS will be a consumer-understood driver of decision-making investment.

Respectfully,

Todd Ford

President and CEO

Hampshire Power Corporation