

RESPONSE OF DIRECT ENERGY

February 5, 2019

Clean Peak Standard (CPS) Stakeholder Questions

Definitions of Key Terms

Clean Peak Resource

Clean peak resource is defined as “a qualified RPS resource, a qualified energy storage system or a demand response resource that generates, dispatches or discharges electricity to the electric distribution system during seasonal peak periods, or alternatively, reduces load on said system.”

1. Should only resources interconnected to the electric distribution system be eligible to qualify, or should resources connected to the transmission system also be eligible to qualify?

To maximize to the amount of eligible clean peak resources, it is recommended that resources from both electric distribution system as well as resources connected to the transmission system should qualify.

2. Should DOER interpret the use of the term “electric distribution system” to mean that only facilities on the electric distribution system in the Commonwealth should be eligible to qualify as clean peak resources under the CPS?

No.

Should the CPS also include all distribution and/or transmission level resources connected in the ISO-NE control area?

Yes. To maximize to the amount of eligible clean peak resources, it is recommended that CPS also include all distribution and/or transmission level resources connected in the ISO-NE control area.

Should it include adjacent Control Areas such as NYISO, Quebec, or New Brunswick?

Yes (see response above).

Demand Response Resource

Demand response resource is defined as “changes in electric usage by end-use customers in the commonwealth from their normal consumption patterns in response to: (i) changes in the price of electricity over time, including, but not limited to, time-of-use rates for residential and small commercial and industrial customers; or (ii) incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized.”

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3. What types of resources should be included in this definition?
It is recommended that the definition regarding the types of resources be broad in scope to insure eligibility and maximize the amount of eligible resources.
4. Should electric vehicles (EVs) qualify?
Yes. Electric vehicles should qualify.
5. How should DOER interpret the inclusion of different types of rate designs in this definition?
No response at this time.
6. Should this definition only be limited to active demand response?
Yes. The definition only be limited to active demand response.
7. Should standalone energy storage resources (i.e. not directly connected to another resource type) be eligible to qualify as demand response resources?
Yes.
What requirements, if any should standalone energy storage resources face in order to qualify as demand response resources?
The requirement should be consistent with having active demand response functionality.
8. Should the DOER view thermal storage facilities as a Demand Response Resource?
Yes.
What requirements, if any, should thermal storage facilities face in order to qualify as demand response resources?
The requirement should be consistent with having active demand response functionality.

Qualified Energy Storage System

Qualified energy storage system is defined as “an energy storage system, as defined in section 1 of chapter 164, that commenced commercial operation or provided incremental new capacity at an existing energy storage system on or after January 1, 2019; provided, however, that such system operates primarily to store and discharge renewable energy as defined in said section 1 of said chapter 164.”

9. How should DOER define what constitutes “incremental new capacity at an existing energy storage system”?
The definition should reflect any additional capacity beyond the stated capacity on unit’s nameplate.
10. How should DOER interpret the requirement that a Qualified Energy Storage System operate “primarily to store and discharge renewable energy”?
No response.

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- a. Would alignment with the federal ITC requirement that storage is eligible for a credit as long as the battery is charged by a renewable energy system more than 75 percent of the time be appropriate?

No response.

- b. If not directly physically or electrically connected to a renewable energy resource, how can the qualified energy storage system demonstrate that it operates primarily to store and discharge renewable energy? Purchase and retirement of RECs?

The process to input generation data, as well as the purchase and retirements RECs should be consistent with the current practices and operating rules of the NEPOOL Generation Information System (“GIS”) and not create a new or redundant system that may create additional and unnecessary administrative costs and/or confusion.

- c. Some other means?

No (see response above).

11. How should DOER view thermal storage facilities with respect to eligibility as a qualified energy storage system?

No response.

Qualified RPS Resource

Qualified RPS Resource is defined as “a renewable energy generating source, as defined in subsection (c) or in subsection (d) of section 11F that has: (i) installed a qualified energy storage system at its facility; or (ii) commenced commercial operation on or after January 1, 2019.”

12. Given the requirement that RPS resources that commenced commercial operation prior to 2019 must be paired with a qualified energy storage system in order to qualify for the CPS, what, if any, requirements should DOER adopt regarding how much energy storage needs to be installed?

No response at this time.

- a. Should there be a minimum percentage threshold on the ratio of the size of the energy storage to the size of the renewable resource (e.g. minimum installed storage capacity equal to 25% or more than installed renewable capacity)?

No response at this time.

13. With respect the quantity of its capacity that a Qualified RPS Resource can qualify under the CPS, should the DOER discount a Qualified RPS Resource’s eligible capacity based on the capacity it can supply through the duration of each seasonal

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peak period (e.g. a 2 MW solar resource that can only provide 50% of its capacity value over the peak period would qualify as a 1 MW facility)?

Yes. The DOER should discount a Qualified RPS Resource's eligible capacity based on the capacity it can supply through the duration of each seasonal peak period.

14. Should DOER adopt any additional requirements regarding the CPS eligibility of renewable energy generating sources as defined in subsection (c) or in subsection (d) of section 11F (e.g. emissions thresholds, fuel sourcing, etc.)?

No. The DOER should adhere to the current statutory parameters.

Seasonal Peak Periods

Establishing Seasonal Peak Periods

DOER is required to establish seasonal peak periods, which are defined by that statute as “the daily time windows during any of the 4 annual seasons when the net demand of electricity is the highest; provided however, that a seasonal peak period shall be not less than 1 hour and not longer than 4 hours in any season, as determined by the department.”

15. Given these limitations, how should DOER establish different seasonal peak periods to both optimize cost reductions for ratepayers and emissions reductions for the Commonwealth?

No response at this time.

16. DOER is considering announcing seasonal peak periods on an annual basis based on 1 to 3 years of historical data.

No response at this time.

- What formula should DOER use to set the seasonal peak periods to reflect real time operating conditions?
- What data sources should DOER use to determine seasonal peak periods?
- What time period(s) should each of the 4 annual peak periods cover?
- Should seasonal peak periods be different lengths depending on the season?
- How often should the seasonal peak periods be examined and/or adjusted to reflect changes in seasonal peak demand over time? What should be the trigger and/or the process for making such adjustments?

No response at this time to the questions stated above.

17. Are there alternative methods of establishing seasonal peak periods the DOER should consider?

No response at this time.

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Atypical Peak Events

Not all system peaks occur within the same 1-4 window throughout the course of a season (e.g. a 95 degree day on a weekday in May will almost certainly not have a peak that occurs at a similar time of day as the bulk of peak periods in the same month).

18. Should DOER establish peak periods other than the seasonal peak periods during which clean peak resources are eligible to generate clean peak certificates?

No. Establishing peak periods other than the seasonal peak periods during which clean peak resources are eligible to generate clean peak certificates would introduce additional complexity into the process.

- a. If so, what criteria should DOER use to establish these periods and what mechanism(s) and should be used to trigger and announce these events in advance of them occurring?

See response above.

- b. Should DOER specifically target ISO system peaks?

See response above.

Generation of Certificates

Some clean peak resources may only be capable of generating clean peak certificates during a portion of a seasonal peak period. For example, a solar resource trying to deliver energy for the duration of a summer seasonal peak period that lasts from 6-9 PM may generate a significant number of certificates in the early part of that window compared to the latter.

19. Should only resources that can provide value for the entire duration of a peak period be able to generate certificates?

No. It would introduce an unnecessary limitation into the process.

20. Should there be different values provided to resources that can provide value for a portion of a peak period versus the entire peak period? If so, how should DOER differentiate these value streams?

Yes. There could be a higher value for those resources that provide value for the entire peak period like the Department's SREC II Program.

21. Should there be a penalty (i.e. negative credits) if a resource under-produces during the actual monthly peak?

No. There should not be a penalty if a resource under-produces during the actual monthly peak.

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22. How should resources participating in other state programs (e.g. section 83 procurements, SMART, EE programs, etc.) interact with the CPS?

No response at this time.

23. Should qualified energy storage systems that can demonstrate they were charged during minimum load windows be provided additional incentives or benefits under the CPS? If so, how should these be structured and how should minimum load windows be established?

No response at this time.

Metering

Verification of Metered Data

DOER proposes that all clean peak resources be registered with NEPOOL GIS as Non-NEPOOL participants. This would mean that, as required by the NEPOOL GIS operating rules, all resources would be required to report their eligible output to NEPOOL GIS by a DOER approved Independent Third-Party Meter Reader. This entity would be responsible for verifying the accuracy of the reported data before uploading it to NEPOOL GIS for the creation of certificates.

To ensure that all data is collected, reviewed, and reported to NEPOOL GIS in a consistent manner, DOER would select a single entity to act as the Independent Third-Party Meter Reader, similar to the process used under the SREC programs, in which the Production Tracking System at the Massachusetts Clean Energy Center serves in this role.

24. Do you support this proposal? If not, please describe why.

Yes. The use of the Production Tracking System at the Massachusetts Clean Energy Center would help to insure an orderly process.

25. If DOER procures the services of a single Independent Third-Party Meter Reader:

- a. What criteria should DOER use to evaluate the capabilities of the entity that is selected to act as the Independent Third-Party Meter Reader?

Demonstrated operational capability, experience and knowledge.

- b. Do you support the establishment of a fee structure to support the ongoing services provided by the Independent Third-Party Meter Reader?

No.

- c. How should this Third-Party verification take place?

No response at this time.

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Metering Specifications and Requirements

Because clean peak certificate creation is dependent not just on the quantity of energy output, but also its timing, more sophisticated metering will be required than that which is required for many RPS eligible systems, which only require monthly meter reads.

25. Describe in as much detail as possible the metering standards and requirements (type, accuracy, etc.) that DOER should employ to ensure the accurate collection of data.

No response at this time.

26. Should different standards apply to different sizes and types of facilities? If so, please describe your recommendations in as much detail as possible.

No response at this time.

27. What other verification mechanisms could be deployed to simplify the process, particularly for small-scale systems for which some types of metering solutions may be cost-prohibitive?

No response at this time.

Value of Certificates

DOER must establish an alternative compliance payment rate and potentially other mechanisms that will help establish the value of clean peak certificates. Please describe in as much detail as possible:

28. How much value is likely needed on a per MWh basis to incentivize different types of existing resources to operate during peak windows and/or new resources developed or financed using CPS revenue streams?

No response at this time.

29. How should DOER establish these values?

No response at this time.

Long-term Contracts

In establishing certificate values, DOER “may include a process by which electric distribution companies competitively procure clean peak certificates from clean peak resources and enter into long-term contracts, subject to the approval of the department of public utilities.”

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31. If DOER does require competitive procurements:

- a. What types of facilities should be able to participate in solicitations? Should it be limited to certain types of facilities (e.g. facilities that are either new and/or not already supported by another type of long-term contract or financing tool)?
- b. How frequently should solicitations take place?
- c. How large should the procurements be (e.g. percentage of total load or annual requirement)?
- d. How should the contract price be established? Pay as bid? Reverse auction mechanism with a single clearing price for all resources? Other?

No response at this time for the above stated questions.

Post-2019 Minimum Standard Requirements

DOER has established a baseline Minimum Standard requirement of 0% for 2019. Each year after 2019, DOER is required to establish a Minimum Standard requirement for retail suppliers that increases at a rate of at least 0.25% of total retail sales annually.

32. What methodology should DOER use to establish post-2019 Minimum Standard requirements (e.g. fixed annual requirements in a published schedule, supply reactive formula, other)?

Similar the current Massachusetts RPS Class I annual compliance obligation, the DOER should establish a fixed, annual CPS requirement after the post-2019 Minimum Standard period. It is critically important to maintain a methodology that is predictable to insure the mitigation of price uncertainty to the Commonwealth's end-use customers receiving competitive generation supply, especially those commercial, industrial and institutional customers that contracted with a retail electricity supplier over a multi-year term of service, e.g., 3 to 5 years.

33. How large should the minimum standard be?

As end-customers of retail electricity suppliers are already subject to a robust array of renewable and clean energy annual compliance requirements in the Commonwealth, it is important that the DOER account for the monetary impact of the incremental cost of CPS in the post-2019 Minimum Standard period and beyond. Therefore, commencing in CY2020, it is proposed that the annual Minimum Standard should not incrementally increase more than 0.25% of total retail sales annually. Moreover, as stated in the response to Question 32., no matter the Minimum Standard, it is imperative that the DOER employ a methodology that reflects a fixed, annual requirement like the Massachusetts RPS Class I annual compliance obligation.

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Demand Response Resource Carve-out

Separate from the total Minimum Standard requirement, DOER is required to establish “a minimum percentage of clean peak certificates that must be derived from demand response resources.”

34. How should DOER interpret this requirement?

It is recommended that the DOER broadly interpret this requirement and consider demand response resources as part of an overall clean peak certificate.

35. What methodology should DOER use to establish this carve-out of the larger Minimum Standard?

No response at this time.

Other

36. Please discuss any other implementation issues not addressed above.

No response at this time.