



COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF ENERGY RESOURCES

MASSACHUSETTS CLEAN PEAK
STANDARD STRAW PROPOSAL

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APRIL 12, 2019

WRITTEN COMMENTS OF DIRECT ENERGY

On behalf of Direct Energy, one of the largest retail electricity and natural gas suppliers and energy-related services companies in North America¹, I hereby submit these comments to the Department of Energy Resources' ("Department" or "DOER") in response to its request for written comments pertaining to the Clean Peak Standard Straw Proposal presented at the Department's Stakeholder Meeting held on April 2, 2019.

BACKGROUND

DOER previously sought responses to an extensive set of questions intended to help with the development and design of the Clean Peak Energy Standard ("CPS"), which must be established pursuant to the enactment of Chapter 227 of the Acts of 2018. All responses to these questions were due on Tuesday, February 5, 2019. Direct Energy had provided and timely filed responses to the Department questions. DOER has incorporated the feedback received to date on

¹ Direct Energy is wholly owned by United Kingdom-based Centrica plc, one of the world's leading integrated energy companies that operates in seven countries with more than 37,000 employees worldwide. With nearly five million customers, Direct Energy is one of the largest providers of electricity, natural gas, renewable energy and related services in North America.

the development of the Clean Peak Standard into a straw proposal that was presented during the Department's Stakeholder Meeting at the Federal Reserve on April 2, 2019.

COMMENTS

Pursuant to Chapter 227 of the Acts of 2018 ("Act"), not later than December 31, 2018, DOER was required to establish the baseline minimum percentage of kilowatt-hours sales to end-use customers that shall be met with clean peak certificates beginning on January 1, 2019.

After reviewing available information, the statutory definition of clean peak resources, and a number of other factors, DOER determined that approximately 0 MWh were being served by existing clean peak resources during peak load hours as of December 31, 2018, and established the Minimum Standard percentage requirement for retail electricity suppliers in the 2019 compliance year at 0%.

In each subsequent year thereafter, the Act requires DOER to establish a Minimum Standard requirement for every retail electricity supplier to provide a minimum percentage of not less than an additional 0.25 percent of total retail sales annually that shall be met with clean peak certificates. The Act's reference "***of not less than an additional 0.25 percent of total retail sales***" (Emphasis added) regrettably invites a degree of complexity and uncertainty into the annual CPS compliance obligation imposed on retail electricity suppliers and their customers.

Accordingly, Direct Energy urges the Department to establish a predictable schedule that clearly delineates the quantity of the retail supplier's annual CPS compliance obligation to mitigate risk uncertainty and hedging premiums. To do otherwise, retail suppliers will be forced to estimate their compliance obligations and include a significant price premium in what they

will charge their customers, thus requiring customers to potentially pay more for program compliance that was actually necessary.

During the April 2nd Stakeholder Meeting, the Department repeatedly stated their goal related to the establishment of the CPS Program is to maintain simplicity and reduce operational complexity. Therefore, Direct Energy encourages the Department to provide quantity and cost certainty regarding the CPS Program compliance obligations, thereby eliminating risks premiums that result in lower prices to customers. Specifically, respectfully requests that the Department adopt a compliance schedule that either 1.) clearly delineates, with certainty, the annual compliance obligations for the entire life of the CPS Program; or 2.) identify the annual CPS compliance obligations with a five (5) year forward horizon to allow suppliers, especially those suppliers with customers that have multi-year contractual arrangements, to effectively forecast and assess the associated annual compliance costs into their pricing. The five-year forward-looking option would be ongoing and reset every 5 years, e.g., CY2020 - CY2025, CY2026 - CY2031, CY2032 - CY2037, etc.

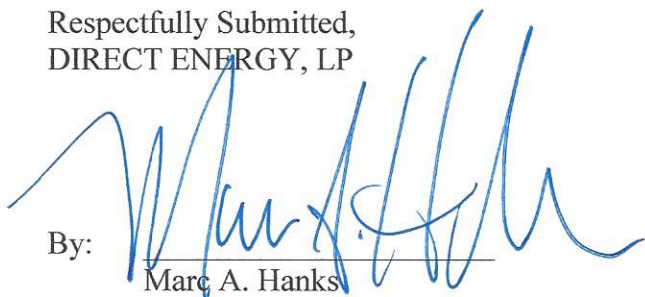
Lastly, Direct Energy urges the Department to establish a predictable, Alternative Compliance Payment (“ACP”) schedule that extends at least ten (10) years into the future to allow retail suppliers to appropriately price their competitive products. To do otherwise, once again, introduces cost uncertainty in the CPS compliance process and will unnecessarily subject customers in the Commonwealth to a significant risk premium as retail suppliers attempt to cover the costs of compliance.

CONCLUSION

While Direct Energy is generally supportive of the Department's Clean Peak Standard Straw Proposal and the first in the nation program to align clean energy generation with peak periods of electricity demand, Direct Energy encourages the Department to be mindful that the customers of retail electricity suppliers are subjected to a myriad of renewable and clean energy compliance requirements and related costs. Therefore, it is important that the Department recognize and appreciate the customer impact of the incremental cost of CPS in the post-2019 Minimum Standard period and beyond. Accordingly, we respectfully request the Department eliminate the cost uncertainties associated with the Minimum Standard and Alternative Compliance Payment requirements. Thank you for your consideration of these comments.

Respectfully Submitted,
DIRECT ENERGY, LP

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