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Via E-mail to DOER.CPS@mass.gov

Commissioner Judith Judson
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: National Grid Comments on DOER's Clean Peak Standard Straw Proposal

Dear Commissioner Judson:

On April 2, 2019, the Massachusetts Department of Energy Resources (DOER) held a public forum at the Federal Reserve Bank of Boston, taking the next step in its stated process to develop regulations for a Clean Peak Standard (CPS) by presenting its "Clean Peak Standard Straw Proposal Presentation" (Straw Proposal). This process is authorized by "An Act to Advance Clean Energy," St. 2018, c. 227, s. 13. DOER also invited written comments on the Straw Proposal, at Slide 35.

Massachusetts Electric Company and Nantucket Electric Company, together d/b/a National Grid (National Grid), appreciates the opportunity to comment on DOER's initial design of the CPS and submits these comments. For ease of reference, National Grid has structured its comments largely around the topics presented in the Straw Proposal, but first would like to note two areas of high importance to National Grid: (1) the proposed cost cap and, by extension, cost recovery; and (2) the proposed procurement requirements.

I. Proposed Cost Cap

DOER indicates in the Straw Proposal, at Slide 33, that it "aims to keep ratepayer costs at under \$0.005 per kWh," or a half-cent per kilowatt-hour (kWh). While this may appear to be a small amount, in fact, it would be quite substantial. National Grid typically delivers more than 20 billion kWh to its Massachusetts customers in a given year.¹ The cost cap that DOER suggests would equate to more than \$100 million annually in additional costs National Grid customers would have to bear in their electric bills, which could last for 10 years, and then decline according to a schedule of reduced compliance costs that DOER is developing. This could total to more than \$1 billion just

¹ The combined deliveries of Massachusetts Electric Company and Nantucket Electric Company totaled 20.2 billion kWh in 2018.

for National Grid customers between 2020 and 2051. While the program cost may be contained by a variety of other measures including open market trading of and competitive procurements for Clean Peak Certificates (CPCs), National Grid would urge DOER to consider a program cost structure that would establish a much smaller maximum amount of annual customer funding of the CPS and focus those funds on the hours and resources that are most effective in creating customer benefits. This should also include limiting the eligibility of resources that already do or are able to participate in other support mechanisms, such as the Forward Capacity Market of ISO-NE, to avoid double payments for the same benefit by electric customers.

II. Proposed Procurement Requirement

DOER has also suggested its intent to require the Commonwealth's electric distribution companies (EDCs) to conduct regular procurements for CPCs, and thus provide revenue stability for certain resources without other forms of long-term revenue certainty, to meet the purpose of the statute. See, e.g., St. 2018, c. 227, s. 13.

National Grid is opposed to such a requirement, which is not essential to comply with the statute,² and would prefer a voluntary and need-based procurement program rather than a mandatory procurement. Should any form of regular procurement be established, National Grid would recommend that all but the smallest of Clean Peak resources respond to no more than annual, fully competitive, capacity-limited rounds of procurement and be paid through a tariff rather than long-term contracts. Such a process will enable any such procurement to acquire projects at a manageable pace and capture ongoing cost reductions in the available eligible technologies.

Prior to developing any procurement requirement, DOER should clarify how the CPS will interact with the solar PV facilities that are co-located with energy storage systems (ESS) and participating in the Solar Massachusetts Renewable Target (SMART) program, and thus qualifying for the SMART Storage Adder. National Grid recommends that DOER clarify that the title to those Clean Peak Certificates (CPCs) belongs with the EDCs because it will help to reduce overall SMART Program costs and will ensure that EDCs have a steady source of CPCs. If DOER declines to do so, then some form of Storage Adder reduction or netting should be established in order to prevent EDC customers from paying twice to support the same benefits from the same resources.³

Finally, the statute states that the requirement applies to “[e]very retail electric supplier providing service under contracts executed or extended after December 31, 2018. . . .” other than municipal

² St. 2018, c. 227, s. 13 states, in part, that: “(ii) the methodology by which clean peak certificate values shall be established, which **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” (emphasis added).

³ For comparison, under their recently approved long-term contracts for up to 800 megawatts of offshore wind energy generation, the EDCs as buyers will receive title to, among other things, renewable energy certificates (RECs) and all other environmental attributes associated with the energy or otherwise produced by the during the term of the long-term contract. See, e.g., Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, D.P.U. 18-77, Exhibit JU-3-D at Section 1, definitions of “Renewable Energy Certificates” and “Environmental Attributes.”

lighting plants. St. 2018, c. 227, s. 13. DOER should clarify the role of retail electric suppliers other than EDCs that are Load Serving Entities (LSEs), because they will also need to procure CPCs to meet the requirements of the CPS. Such LSEs now serve almost two-thirds of the Commonwealth's EDC customer load, largely due to municipal aggregations, and could play a substantial role in procuring CPCs directly from project owners via their own procurement processes in cooperation with the communities they are serving through aggregations.

The EDCs will also need to consider how the costs of any procured CPCs would be reflected in customer rates. Today, National Grid's cost of complying with the requirements of the Renewable Energy Portfolio Standards (RPS) and Alternative Energy Portfolio Standard (AEPS) are recovered through Basic Service rates as provided by National Grid's Basic Service Adjustment Provision, M.D.P.U. No. 1352, with any over- or under-recovery reflected in the Basic Service Adjustment Factor. In its ongoing general distribution rate case, National Grid has proposed that the cost of complying with the requirements of the Clean Energy Standard also be recovered through Basic Service rates, with any over- or under-recovery reflected in the Basic Service Adjustment Factor. National Grid would expect that its Basic Service Adjustment Provision would be revised to include the recovery of CPS compliance costs similar to those of the RPS and AEPS, including the administrative costs of complying with the CPS, which requires the approval of the Department of Public Utilities (DPU). In addition, any long-term procurement program will need to be approved by the DPU, as stated in the statute. St. 2018, c. 227, s. 13. DOER will need to consider also how the proceeds from unneeded CPCs, as well as gains or losses on procured CPCs, when compared to market prices for those used by the EDCs, would be recognized and collected. This may require a separate cost recovery factor in distribution rates.

III. Comments on the Straw Proposal Topics

A. Eligible Resources

The Straw Proposal, at Slide 6, offered to establish four eligible resource types:

- a. New RPS Class I eligible resources in operation on or after January 1, 2019;
- b. Existing RPS Class I/ Class II resources that are paired with a Qualified Energy Storage System (ESS);
- c. Qualified ESSs, including transmission connected, out of state stand-alone ESS, and incremental pumped storage capacity, that charge largely from renewable resources; and
- d. Demand Response Resources.

Most of these resources are called for in the CPS statute. See, e.g., St. 2018, c. 227, s. 7, 8, 9, and 10. However, pumped hydroelectric resources are not specifically identified in the statute and would not seem to meet the requirements of the CPS statute as a Qualified ESS unless they show compliance with the requirement to primarily charge from renewable energy; pumped storage on its own is not a renewable resource. National Grid would ask that DOER also reconsider whether incremental pumped hydroelectric resources should be included at all as eligible resources for the CPS, as these resources will add to the scale and cost of the CPS, and such programmatic support is not likely necessary for the expansion of such well-established market participants.

To that end, DOER must clarify how stand-alone ESS will be deemed as a “qualified energy storage system,” which is defined by St. 2018, c. 227, s. 9 as operating “primarily to store or discharge renewable energy. . . .” In response to DOER’s questions on a CPS in January, National Grid put forward three options for such facilities to show that they are qualified, under the statute. It would not be appropriate policy or legally consistent with St. 2018, c. 227, s.11 to simply allow stand-alone resources to charge from the distribution or transmission system at certain designated “low emissions” times. Without the buyer and seller trading title to RECs, none of that energy can be considered “renewable” under state law for meeting the RPS under Section 11F of Chapter 25.

Finally, DOER states in the Straw Proposal, at Slide 6, that transmission-connected CPS assets would need to be connected within the ISO-NE zone to be eligible. National Grid agrees with this standard, but would suggest that it be supplemented with the requirement that energy from such a facility be delivered to a load zone in the Commonwealth, such as by using transmission rights, so that it will offset local emissions from non-CPS assets rather than create those benefits hundreds of miles away for which the Commonwealth’s electric customers then will be required to pay.

B. Clean Peak Standard: Seasonal Peak Periods

National Grid appreciates DOER’s thorough and historically-based approach in considering at least five years of historical data on electricity demand in considering the establishment of the CPS seasonal peak periods required by the statute. This included DOER’s consideration of weather patterns and peak demands. DOER has the flexibility, under St. 2018, c. 227, s.11, to set hours in each season that can vary between one and four hours.

DOER should first exclude holiday weekdays and weekends from counting as CPS-eligible days. All of the periods should focus on evenings only, eliminating the morning peak for the program, which would be an easy simplification. Also, DOER should consider setting seasonal peak periods at different lengths, depending on the season. For example, Spring and Fall peak periods should be limited to no more than one or two evening peak hours, because even with the seasonal multiplier, their impact on system peak is relatively inconsequential. The Springs and Fall periods should also be shorter, with additional time shifted to the Summer and Winter periods.

C. Clean Peak Certificate Multipliers

DOER has proposed a system of multipliers for CPC production so that higher value periods are better rewarded, and production of CPS-eligible resources will be focused into those periods. National Grid generally sees the structure of these multipliers as useful and sensible in focusing output into key periods and hours. There is a complexity to the proposed structure, however, that may prove to make the program difficult to manage and difficult in which to participate. National Grid encourages DOER to find ways to reduce this complexity.

Also, DOER should share the rationale and cost analysis behind its 15X multiplier proposed for the monthly system peak. If, as it appears, this is based on the timing of monthly system peak for the determination of transmission charges, DOER should carefully consider the interaction of Regional Network Service (RNS) and Local Network Service (LNS) charges in the ISO-NE Open Access Transmission Tariff (OATT), and the role of reconstitution of some resources by transmission

owners. By design of this tariff, any shortfall in RNS charges in a period are shifted to LNS of the transmission provider, and demand reductions in one year lead to higher transmission RNS charges in the following year. In combination, these factors lead any benefits from a period of reduction in monthly demand that reduce transmission charges to be quickly eroded as transmission owners are made whole through the OATT. This short-term benefit is inappropriate to support a very considerable and long-term multiplier for the creation of CPCs for owners of eligible resources. Eliminating the 15X monthly peak multiplier would be one simplification that may be easy and justified.

Additional multipliers could be appropriate, but also need to be carefully considered. First, DOER should open a dialogue on the consideration of the Distribution Circuit multiplier, which would provide additional reward for locational benefits from CPS resources that could allow some deferral of needed upgrades on the distribution system. This goal may not require the creation of an additional multiplier. If in the CPS regulations DOER requires some form of procurement of CPCs by the EDCs over a long time period, such efforts could be focused on areas of most benefit to the distribution system at the same cost, for example.

In addition, DOER's suggestion of a Resilience Multiplier would be a good addition to a CPS program as long as it supports critical public infrastructure and resources. Electricity customers' funding should not support the enhancement of resilience at private properties, where only private parties will enjoy the benefits of that resilience. National Grid supports the concept of the Minimum Load Negative Multiplier as well.

D. Meter Verification and Certificate Minting

DOER indicates in the Straw Proposal, at Slide 30, that it may seek the services of a single entity to provide meter verification and certificate minting; potentially, the Massachusetts Clean Energy Center. The Straw Proposal, at Slide 31, also suggests that the meter data verification process and the certificate minting process may be separated.

DOER should continue exploring options in how best to organize and manage the process of verifying data and creating certificates. DOER should also consider in its process the utility-owned metering that will be available on many CPS resources. These data can be reported to any reporting and certificate management platform, similar to how the EDCs report data today to the NEPOOL Generation Information System for the creation of renewable energy certificates from facilities they own and SMART Program facilities. National Grid endorses a structure that has a single entity validating the hourly output data and minting certificates for the owners of the certificates. Any such entity taking on this new task will also likely need considerable time, likely several months once the regulations are established, to develop and implement the needed systems to conduct this process and allow for transfers of these certificates.

E. Schedule

DOER is proposing an aggressive timeline for the development and approval of the CPS regulations. As noted above, the planning and creation of a new system for minting CPCs will likely need additional time beyond the promulgation of the regulations, and the EDCs will need to pursue standard approval processes for cost recovery, cost allocation, and any guarantees made to owners who are successful within any future procurements. Plus, DOER has not yet made any

provision for non-EDC LSE requirements, which represent the bulk of electricity customers in National Grid's service territory. National Grid encourages DOER to revise its aggressive timeline and factor all of these timing issues into a more complete timeline.

IV. Conclusion

National Grid looks forward to learning more about the scope of work and analysis being pursued by DOER and its consultants in developing the CPS regulations, such as the total expected costs and benefits from the proposed program structure, including both expected cost reduction and pollution reduction impacts. National Grid welcomes the opportunity to provide DOER with input and assistance on any aspects of the program development that would aid in that work. The Company appreciates this opportunity to respond to the Straw Proposal and looks forward to reviewing and providing comments on the proposed regulations later this year.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian Springsteel". The signature is fluid and cursive, with the first name "Ian" written in a larger, more prominent script than the last name "Springsteel".

Ian Springsteel