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SENT VIA ELETRONIC SUMBISSION

Mr. Michael Judge
Director, Renewable and Alternative Energy Division
Department of Energy Resources
100 Cambridge St., Suite 1020
Boston, MA 02114

RE: Clean Peak Standard (CPS) Straw Proposal Comments

Dear Mr. Judge,

SRECTrade, Inc. appreciates the opportunity to provide commentary on the Clean Peak Standard (CPS) straw proposal presented by the DOER. We applaud the Department's continued efforts to decarbonize the grid and involve stakeholders in the implementation process of this exciting new program. Utilizing our experience in the Commonwealth's successful SREC programs over the last ten years, we believe we are in a position to provide insightful commentary throughout the process.

The straw proposal released by the DOER on April 2nd provides a great deal of assurance to SRECTrade that the DOER will implement an effective program that will provide sufficient financial support for asset owners, protect ratepayers from excessive costs, and maximize environmental benefit. We are excited to be able to highlight the strengths of the proposal and emphasize areas in which it could be improved.

Pricing and Procurement

SRECTrade supports the DOER's proposal to implement an ACP cap for the market that remains level for the first 10 years of the program. Given the fact that battery technology is still relatively nascent, this structure will provide a healthy incentive to bring this technology to market, while still capping ratepayer impact. However, without a mechanism that provides floor support for pricing, high adoption rates could cause prices to plummet. Project developers, owners, and investors need assurance that this market will remain relatively stable throughout the duration of the investment. As such, SRECTrade recommends that the DOER adopt a mechanism similar to the SCCA in the SREC programs to provide price support. Recognizing that adoption rates may be unpredictable for some of the newer eligible clean peak resource technologies, we suggest that auction prices are announced three years in advance. This structure differs from the SCCA in the SREC program in that only the following three years of auction prices are set, as opposed to the entire schedule. For example, by the end of 2019, we propose the DOER announce auction prices for 2020, 2021, and 2022. At the end of 2020, the DOER would announce the auction price for 2023, and so on. This allows the DOER to adjust the price floor based on market conditions which will protect ratepayers from unnecessary costs. Additionally, from the perspective of project financiers and investors, three years of pricing stability will provide a level of confidence, but more importantly would support a robust forward market. We believe this is a good solution to maintaining price stability while protecting both ratepayers and project owners.

In addition, we wanted to extend our strong support for an CPS Minimum Standard that is set dynamically each year based on the current supply and demand dynamics in the market. With a wide array of different technologies participating in the program, predicting and modeling credit supply will be very difficult for market participants. The DOER needs to take leadership and establish a supply-reactive Minimum Standard each year, on a yearly basis. This will provide transparency within the market and will avoid creating a perpetually over or undersupplied market. The DOER must also be transparent with respect to exempt load, as this could be a significant market factor in the first few years of the program. Without this methodology, the market will likely be quite illiquid due to demand uncertainty, keeping investors from participating in the program.

Lastly, the DOER must allow the CPC to be a tradable commodity and limit EDC procurement to a small portion of the market. Allowing for large, infrequent procurements creates an inefficient market that may not reflect true market conditions. Infrequent procurements generally stifle project development as investors and developers must wait for each procurement with no guarantee that their project will be selected, and little insight into the pricing they may receive. The DOER should consider utilizing procurements to enhance and stabilize the openly traded market, rather than the primary avenue for monetizing credits.

Production, Metering, and Issuance

SRECTrade supports the implementation of multipliers to correctly incentivize generation during times that are most valuable to the grid and emission reductions. However, the proposed implementation of negative multipliers for clean peak resources that generate credits during inopportune hours raises some concerns. This negative multiplier would penalize asset owners that are unable to proactively control the deployment of electricity from their clean peak resource. For example, RPS Class I asset owners have no real control over the electricity generation during minimum load periods (i.e. Solar). This multiplier would effectively penalize them for producing clean energy that they otherwise would not be penalized for if they did not participate in the program. If the DOER wanted to adopt this negative multiplier, important consideration should be taken to exclude technologies such as solar and wind which are naturally producing renewable energy during those minimum load periods.

As for metering requirements, SRECTrade supports the idea of a single metering and data verification provider, assuming that the provider can provide their services cost-competitively. Requiring an expensive metering solution could prevent many valuable small-scale assets from participating so the cost should be considered closely.

With respect to credit issuance, we believe that the DOER should place value on a tracking registry system which can accommodate the reporting, verification, and minting of credits. By way of example, the disconnect between the Production Tracking System and NEPOOL in the SREC market has created additional administrative burden and increased the likelihood of inaccuracies that must be corrected. We also believe that the selected tracking system should be able to mint credits on a monthly basis. This would improve the overall efficiency of the market by giving participants access to supply data on a monthly basis and will provide project owners and investors with more consistent cash flows. Additionally, the tracking registry selected must have APIs available to allow participants to pull data, report production, and initiate transfers. The absence of this commonly used technology will only serve to add cost to market participants, leading to a lower percentage of ratepayer dollars contributing to the financing of the desired projects.

Eligibility Criteria

Our main concern with the eligibility criteria is the requirement that the storage system for an existing Class-I resource must have a 4-hour duration minimum. This seems like an unnecessary requirement which does not provide any measurable value to the program. If a resource is not required to produce a minimum of 4 consecutive hours to receive CPS credits, it seems odd that having the *ability* to do so would be a requirement of the program. For example, a resource could have the *ability* to discharge energy for 4 consecutive hours but choose to only discharge for 3 hours on a particular day. That resource would receive CPS credits while another resource, which only has the ability to discharge for 3 hours, would not be eligible for the program at all. Additionally, almost any resource may be able to provide *some* power over the course of 4 hours, even if they cannot discharge at full capacity for the time period required. In that case, it seems most resources would be able to make the argument that they qualify, making the requirement unnecessary. Regardless of the specifics, we feel that the program should reward any clean peak power regardless of duration. The way in which the credits are calculated should incentivize resources to provide power for as long as possible so there is a natural incentive to build resources that can cover the peak.

Ownership of CPS Certificates

SRECTrade appreciates and supports the DOER's position that CPS credits are to be separate and incremental to any Renewable Energy Credits generated by an eligible resource. While this is an incredibly important distinction for the success of the program, we feel it is equally as important to clearly establish, in the regulation, who has the ownership right to these credits. The vast majority of all Renewable Energy Credit contracts define the REC as encompassing the "environmental attribute" of the power and that the buyer of the RECs has full rights to those attributes. To avoid the litigation between hundreds of different parties over rights to the CPS credits and the need for the DOER to weigh in on specific contracts we recommend defining a CPS credit such that it is not characterized as an "environmental attribute". A CPS credit should be clearly defined as a "time" attribute of the power rather than the "environmental" attribute as RECs are. We also would recommend that a clear rule such as "the owner of the physical asset has the natural rights to the credits" be established as part of the regulation. Making this clear from the start of the program will serve to avoid legal battles but also get the credits into the hands of asset owners who have the most control over how and when their power is used.

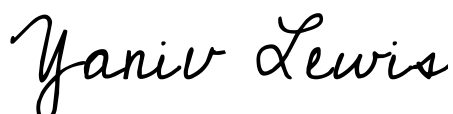
As a whole, we are excited about the program proposed by the DOER from both an environmental and economic perspective. We believe that the implementation of this program will continue to solidify Massachusetts as a leader in environmental policy and provide an example to other states looking to decarbonize their electricity industry.

We appreciate the DOER's continued transparency and look forward to continuing to provide our insight throughout the rulemaking process. Thank you for your consideration.

Respectfully,

Yaniv Lewis

Tom Mackenty



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