

October 30, 2019

Kara Sergeant
Department of Energy Resources
100 Cambridge Street
Suite 1020
Boston, MA 02114

Re: Eversource Comments on Massachusetts Clean Peak Energy Standard

Dear Ms. Sergeant,

NSTAR Electric Company d/b/a Eversource Energy (“Eversource” or the “Company”), submits this comment letter to the Massachusetts Department of Energy Resources (the “DOER”) in response to the DOER’s September 27, 2019 Procedural Notice and Request for Comments on its proposed regulations for a Clean Peak Energy Standard (“CPS”). DOER’s regulations were authorized by “An Act to Advance Clean Energy,” St. 2018, c. 227, s. 13 (the “Act”).

Eversource Energy operates New England’s largest utility system serving more than 3.6 million electric and natural gas customers in Connecticut, Massachusetts and New Hampshire. To meet its obligations to provide vital public services to customers, Eversource maintains system reliability and safety in compliance with national, regional, and industry standards and policies. Eversource views clean energy as a critical element of the energy mix in New England, with costs to customers remaining fair and reasonable. The Company is committed to serving as a clean energy catalyst in the region and is, therefore, actively investing in solar, storage and electric vehicle infrastructure as a means of advancing critical Commonwealth energy policies.

Overarching Principles

To deliver on the potential of the CPS to reduce greenhouse gas emissions without materially increasing costs for customers, it is critical that all CPS-implementing regulations reflect the following core principles:

- (1) By statute, Eversource is the exclusive provider of transmission and distribution services within the Eversource service territory. As a result, Eversource has the sole responsibility to ensure safe and reliable distribution service to its distribution customers. Moreover, the Department of Public Utilities (“DPU”) has recognized that distribution companies have full discretion to exercise judgement in maintaining the safety and reliability of their distribution system. NSTAR Electric Company and Western Massachusetts Electric Company, each d/b/a Eversource Energy, D.P.U. 17-05, at 89 (November 30, 2017); see also Investigation by the Department into Distributed Generation Interconnection, D.P.U. 11-75-E at 34 (March 13, 2013) (“Safety and reliability are of paramount importance to the Department.”). Eversource’s responsibility to ensure

safe and reliable distribution service is paramount, and the Company will not compromise this responsibility under any circumstances. Eversource must continue to have the ultimate authority over the operation and dispatch of all distribution grid level resources, especially in emergency conditions, to reasonably maintain the safety and reliability of the electric distribution system.¹

(2) The Electric Distribution Companies (“EDCs”) have the ability to contribute to the CPS and ensure that the goals of the CPS are realized. To maximize transparency and ensure efficiency, DOER should include language explicitly stating that Qualified Energy Storage Systems owned and operated by EDCs are included in the definition of eligible resources for purposes of the CPS.

(3) Cost to customers from the CPS should be minimized. This can be effectuated by stacking verifiable benefits (e.g., ISO-NE yearly capacity and Regional Network Service (“RNS”) monthly peak shaving) and making certain that any multipliers reflect tangible and verifiable cost savings for all customers. The regulations should also be explicit that EDCs will retain Clean Peak Energy Certificates (CPECs) generated by resources enrolled in SMART and in the EDC Energy Efficiency programs, including demand response.

Resiliency Multiplier and Distribution Circuit Multiplier:

The EDCs are uniquely positioned to implement the intent behind the Resiliency Multiplier and Distribution Circuit Multiplier. By enabling the EDCs to address Resiliency and Circuit issues through the CPS, in addition to their core service obligations, DOER will be promoting the development of more distributed generation and storage, as EDCs can ultimately provide a sustainable and predictable driver for the development of these new technologies. EDCs should also be allowed to participate in all multipliers, as EDC-owned resources receiving enhanced incentives will result in value being transferred back to the customers who are funding the program. In particular, Eversource notes that the currently proposed definition of a Resilient Facility, which requires the inclusion of On-Site Load, may preclude the participation of certain EDC-owned projects. For example, an EDC-owned project that powers a nearby critical facility (e.g., medical facility, police station, fire station, etc.), may not meet the currently proposed definition.

¹ As a public utility, Eversource’s first responsibility is to provide safe and reliable service to its customers. See 220 C.M.R. §11.01(1). The DPU has reinforced this point in numerous orders over the past 25 years. See, e.g., Department Investigation on Distributed Generation Interconnection, D.P.U. 11-75-E at 34 (“Safety and reliability are of paramount importance to the Department. Although the advancement of DG in the Commonwealth is a very important goal, it must not jeopardize the reliability of the electric distribution system, the distribution equipment itself, or the safety of customers and those who maintain the system.”); Public Hearing and Report Regarding Maintenance and Repair Standards, D.P.U. 08-78, at 4 (2009) (the Department’s comprehensive oversight powers are to ensure reliable and safe services to the public by gas and electric distribution companies); Revenue Decoupling, D.P.U. 07-50, at 5 (2007) (a goal of the Department is to ensure that the public utility companies it regulates provide safe, reliable, and least-cost service to Massachusetts consumers); Incentive Regulation, D.P.U. 94-158, at 3 (1995) (the Department’s goal is to ensure that the public utility companies it regulates provide safe, reliable, and least-cost service to Massachusetts consumers).

Given that the EDCs in their role and obligation as the grid operator are in a unique position to capture value associated with the Resiliency Multiplier, failure to allow EDCs to fully participate in the CPS can result in inefficiency and sub-optimal outcomes. The EDCs are uniquely positioned to respond in real-time to system issues which could be mitigated by a resource receiving the Resiliency Multiplier. Dispatching either utility front of the meter resources or customer behind-the-meter resources based on real-time system conditions, the EDCs will ensure that the resources efficiently provide their intended benefit. Behind-the-meter resources that the EDCs do not actively manage are not dependable sources of local resiliency benefit and should not be compensated as such. As such, EDC ownership and real-time control of resilient resources is necessary for efficiently realizing enhanced resiliency.

Eversource urges DOER to consider further investigation into the Resiliency Multiplier in order to develop a comprehensive, accurate and effective multiplier that will advance the CPS while ensuring that customers are receiving the full benefit of the CPS at a reasonable cost. Eversource looks forward to continuing to work with DOER and stakeholders on creating an efficient and sustainable market for CPS resources such as energy storage and distributed generation.

Demand Response

The Draft Regulation states that “Clean Peak Resources must demonstrate that they generate, dispatch or discharge electricity to the electric distribution system in Massachusetts.” This should be clarified to ensure it does not displace Demand Response (“DR”), as DR does not send anything back to the distribution system but merely reduces load.

The Draft Regulation states that “A facility that generates electricity, including a Qualified RPS Resource, shall not be considered a Demand Response Resource.” This could be interpreted as disqualifying any facilities that might be using Combined Heat and Power or legally permitted back-up generators. This should be clarified.

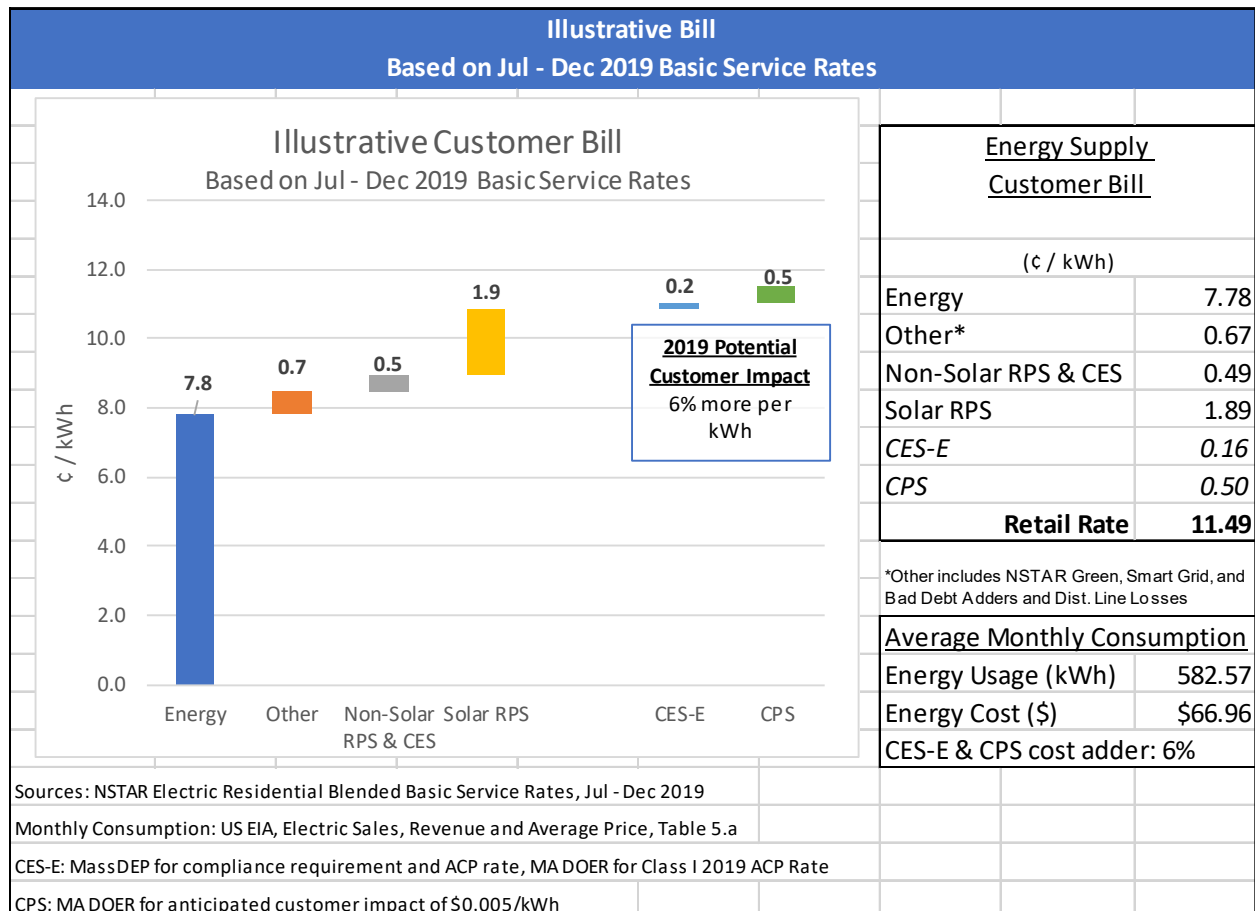
Cost-Effectiveness

The Company appreciates DOER’s goal to decrease costs to customers through the development of the CPS, as administered through the Proposed Regulations (see Draft Regulation Summary August 7, 2019/August 9, 2019, at 35, 37, 39; Massachusetts Clean Peak Standard: Market Model Final Report, August 27, 2019, at 10-11). Specifically, the DOER has indicated that it intends to keep customer costs associated with the CPS at or under \$0.005/kWh (Draft Regulation Summary August 7, 2019/August 9, 2019, at 7, 37-39). While this goal complements the Company’s commitment to provide safe and reliable service to its customers at a reasonable cost, the Company is concerned about the potentially significant costs associated with the CPS, particularly when coupled with the significant costs already borne by customers to implement other Commonwealth clean energy policies. The proposed \$0.005/kWh cap represents hundreds of millions of dollars over the course of the long-term contracts envisioned under the Proposed Regulations. As noted in Table 1 below, existing clean energy programs represent a significant

investment for customers in the Commonwealth. Eversource anticipates that adoption of the CPS as proposed will result in additional substantial retail energy cost increases to customers, who already face some of the highest energy costs in the nation.

Table 1 is an illustrative Eversource residential blended basic service bill for July through December 2019. Currently, the retail rate is approximately 10.84 cents/kWh. The CPS, along with the additional Clean Energy Standard (“CES”) proposed by the Department of Environmental Protection (“MADEP”), would raise average customer costs by about 6 percent to 11.49 cents per kilowatt-hour. This brings the total cost to customers for the Renewable Portfolio Standard (“RPS”), CES, and CPS to over 25 percent of a customer’s retail bill, over \$200 per year for the average customer. The Company urges the DOER to remain cognizant of the significant costs associated with the CPS and to take all necessary steps to further reduce costs to customers.

Table 1



Consistent with the Company’s obligations to its customers, particularly its obligation to keep costs reasonable, the Company recommends that the DOER make certain refinements to the Proposed Regulations to require that any long-term contracts entered into by the EDCs be cost-effective. Specifically, the DOER should make the refinements proposed below to Section

21.05(8), Clean Energy Certificate Procurement, of the Proposed Regulations. By requiring that any proposed long-term contracts be cost-effective over the term of the contract, the DOER will aid the Company in ensuring that customers are benefitting from the contracts and that customers are not paying excessive prices for Clean Peak Energy Certificates. Additionally, by specifically requiring that the long-term contracts be cost-effective, the DOER will ensure that any request for proposals (“RFP”) and subsequent solicitation are robust, comprehensive and efficient. Consistent with other long-term contracts associated with the Commonwealth’s clean energy policies, the Company, as part of its filing before the DPU, would need to demonstrate both the benefits and costs of the contracts in order to secure DPU approval of the contracts consistent with the provisions of the Act.

Eversource Proposed Edits to Section 21.05(8), Clean Energy Certificate Procurement

(8) Clean Peak Certificate Procurement.

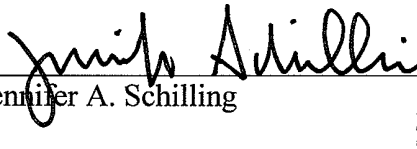
(a) Each Distribution Company shall competitively ~~procure and enter~~solicit into long-term contracts for Clean Peak Energy Certificates pursuant to M.G.L. c. 25A, § 17(c) and, provided that reasonable proposals have been received, enter into cost-effective long-term contracts for Clean Peak Energy Certificates. Clean Peak Certificate procurements shall be designed to achieve a target of up to 30% of the total market obligation of Retail Electricity Suppliers in a given Compliance Year. The Department shall establish a staggered procurement schedule for the issuance for requests for proposals for Clean Peak Certificates.

The Company will structure any long-term contracts to ensure that it would be able to reflect declining costs as the CPS aids in the development of a stable and sustainable market for clean energy generation qualifying under the standard. As the market transforms, it is critical to capture, through the long-term contracts, the fiscal results of that transformation, specifically the reduction of storage investment costs, for the benefit of customers.

It is important that such procurements be structured to take advantage of the benefits of long-term contracting. Those benefits include a certain amount of customization and adaptability properly balancing the needs of the Company and the needs of the project. There should be a minimum size restriction applied to the RFP process to ensure an administratively efficient and manageable number of contracts. Procurements should clearly set forth the products to be purchased, including energy and renewable energy credits in addition to Clean Peak Certificates. Lastly, it is essential that the EDCs be allowed to recover the costs associated with complying with the CPS and any contracts arising out of a CPS solicitation, including administrative costs and other related financial impacts.

Eversource thanks the DOER for its careful consideration of these comments and looks forward to continuing to work with the DOER and other stakeholders to develop competitive, cost-effective solutions for meeting the Commonwealth’s important energy and environmental goals. Should you have any comments or questions, please contact: Jennifer A. Schilling, Director of Grid Modernization (860-665-6523 or jennifer.schilling@eversource.com) or Jeffrey S. Waltman, Manager, Planning and Power Supply (781-441-8254 or jeffery.waltman@eversource.com).

Very truly yours,



Jennifer A. Schilling



Jeffery S. Waltman