

October 30, 2019

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

Subject: Next Grid Markets Comments on Clean Peak Energy Standard

Dear Ms. Sergeant,

Next Grid Markets, LLC (Next Grid) would like to commend the Massachusetts Department of Energy Resources (DOER) on developing a first in the nation policy aimed at reducing emissions and costs associated with peak power demand. It's another example of Massachusetts leading the way and pushing the envelope on the Clean Energy Economy. The purpose of this letter is for Next Grid to provide comments on the proposed regulations released on September 20, 2019.

BACKGROUND

Next Grid is a Massachusetts-based company focused on developing and optimizing distributed generation assets, predominately in Massachusetts. Next Grid's majority owner is Ictec which has developed a cutting-edge software that dispatches distributed generation in ISO markets. Together, we are working with energy storage and demand response resources to optimize these assets in ISO New England markets, and to minimize greenhouse gas emissions from the electric grid.

It is important to note that the focus of these comments is on behind-the-meter (BTM) storage that does not qualify for SMART, either because solar PV already exists or there isn't an opportunity to pair the storage with solar PV. Therefore, the storage has to stand on its own rather than relying on SMART revenues.

These comments focus on financiality, which is key to the development of BTM storage.

When we build financial models for storage, we arrange revenues streams according to "Financeable Buckets" and "Upside Buckets." The Financeable Buckets include:

- Forward Capacity Market payments – based on a forward spot market currently clearing at historic lows and exhibiting flat (or shrinking) demand
- ICAP – as these values are a function of FCM payments, these are also down considerably
- Demand changes – this bucket is hitched to customer load profiles, which are highly variable and which change over time, as such, this value stream is discounted significantly

- Utility DR program (for 5 years from now – not necessarily 5 years from the start of the project)

The Upside Buckets include:

- Clean Peak Energy Standard
- Ancillary markets
- Energy arbitrage

Without any guarantee that the Clean Peak Energy Standard will have sufficiently high prices, it does not provide material value to a project from a financing perspective. Combined with low FCM/ICAP values and lack of long-term certainty on the utility DR program, it is unclear whether projects will get built without the Clean Peak Energy Standard providing sufficiently high value and moving it into the “Financeable Bucket.” As such, we propose three changes to the regulations.

1. **Create a floor price** – this would create certainty for financing entities that there will be some value in the Clean Peak Energy Credit.
2. **Increase the resiliency multiplier** – in the face of increasing impacts of climate change, strengthening the Commonwealth’s infrastructure is key to mitigating its impacts. The ability to serve critical electric loads during an outage is fundamental to preparing to live in a changed world. In accordance with the third comment below, the resiliency multiplier also has the effect of making behind the meter storage more valuable. *We would recommend a multiplier of at least three (3).*
3. **Increase the value of the Clean Peak Energy Credit** – With low ICAP and capacity revenues and little long-term certainty on the utility DR program, the Clean Peak Energy Credits need to play a bigger role in plugging holes in the “financeable” revenue streams. In other words, projects need more value from the Clean Peak Energy Standard because the other “financeable” values do not provide enough long-term certainty (Utility DR program) and are at historic lows (FCM, ICAP). This can be done by either increasing the ACP or increasing the resiliency multiplier. Or both.

In Addition – Combined Heat and Power should be an eligible Demand Response Resource

Dynamically dispatched CHP has been utilized as a Demand Response resource in the past to shave peak loads and we would encourage the DOER to include CHP in the Clean Peak Standard, so long as it can demonstrate a measurable and verifiable reduction to load or energy delivered to the grid. We recommend that DOER should rely on the ISO baseline methodology to measure reductions and/or deliveries to the grid.

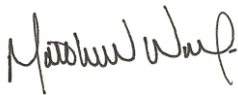
We believe CHP offers unique benefits to the system when operated efficiently as well as a tool for carbon management when operated dynamically and, therefore, we would support a requirement that projects can only qualify if it has an approved Statement of Qualification Application from the DOER.

We would also support a requirement that demonstrates that the carbon intensity of the CHP unit is lower than the carbon intensity of the grid during the Clean Peak windows. This could be in place of, or addition

to, a SQA requirement. Icetec is currently doing this for a number of sites now and it would ensure that the power provided by the CHP system is in fact helping to lower the overall carbon intensity of the grid. If properly enacted, the Clean Peak Standard stands to be the first program, state or otherwise, that could incent carbon-sensitive dispatch of all distributed resources. This is an area with substantial customer and market interest with no explicit mechanism to incent this behavior.

We appreciate the opportunity to provide these comments and are available should you have any questions.

Best regards,

A handwritten signature in black ink, appearing to read "Matthew Wolfe".

Matthew Wolfe
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Managing Partner, Next Grid Markets, LLC

cc Will Lauwers, Department of Energy Resources
cc Amy McGuire, Department of Energy Resources