



201 California Street, Suite 630, San Francisco, CA 94111

www.srectrade.com | 415.763.7732

October 30, 2019

SENT VIA ELETRONIC SUMBISSION

Ms. Kara Sergeant

Department of Energy Resources

100 Cambridge St., Suite 1020

Boston, MA 02114

RE: Clean Peak Standard (CPS) Draft Regulation Comments

Dear Ms. Sergeant,

SRECTrade, Inc. appreciates the opportunity to provide commentary on the Clean Peak Standard (CPS) draft regulation. 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 and APS programs over the last ten years, we believe we are able to provide insightful commentary throughout the process.

The proposed regulation released by the DOER on September 20, 2019 provides a robust framework for incentivizing clean technologies that can supply electricity or reduce demand during peak periods. 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 in the early 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, the proposed starting ACP level of \$30 does not appear adequate to incentivize significant adoption and performance of new storage technologies. While this level will provide additional benefit and improve economics for many technology sectors, we do not feel the incentive will drive the change and adoption the department is looking to achieve. This is especially true for small scale distributed storage applications.

We would propose a drastic increase in ACP levels (~\$60) in the first 5 years to incentivize early adoption and ensure CPS goals are reached. Even with a doubling of the proposed incentive level the program would remain significantly below the targeted \$0.005/kWh cost cap. If this incentive level proves to be too high the supply in the market will ultimately drive down CPS credit and rate payer cost. This scenario is more favorable than an



201 California Street, Suite 630, San Francisco, CA 94111

[www.srectrade.com](http://www.srectrade.com) | 415.763.7732

ACP level which is too low and results in undersupply and ACP payments being made, rather than the funds going directly to Clean Peak Resources.

With a low ACP level and a strong emphasis on incentivizing small-scale distributed generation assets, the Massachusetts Alternative Portfolio Standard (APS) Program acts as a good proxy for the efficacy of a low-priced incentive market. With a component of our services being focused on small-scale thermal generation units, we have seen a lack of participation from this segment of the market and the value of APS is not considered when evaluating these technologies. While large thermal systems have the scale and credit production value to participate, smaller systems find the application burdensome and lack of incentive value a deterrent to participating in the program. Similarly, installers do not see the enough value in the program to submit applications on behalf of their customers. This has left a large void in the air source heat pump residential segment of the APS market and would likely do the same in the proposed CPS market. We encourage the DOER to strongly consider this and build upon experiences in similar markets to ensure the success of the CPS program for all system sizes.

Additionally, we feel it is important for the DOER to establish a price floor mechanism. Without such a mechanism, 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.

## **Metering and Application Requirements**



201 California Street, Suite 630, San Francisco, CA 94111

[www.srectrade.com](http://www.srectrade.com) | 415.763.7732

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. We look forward to participating in the stakeholder process regarding application and metering requirements.

## **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 more 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.



201 California Street, Suite 630, San Francisco, CA 94111

[www.srectrade.com](http://www.srectrade.com) | 415.763.7732

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

*Tom MacKenty*

Associate, Environmental Markets

Director, Business Development

SRECTrade, Inc.

SRECTrade, Inc.