

Clean Peak Energy Certificate (CPEC) Procurement Straw Proposal: Questions and Answers

On 1/22/2021, DOER released a Clean Peak Energy Portfolio Standard (CPS) EDC CPEC Procurement Straw Proposal. Written questions were due to be submitted to the DOER by 1/27/2021. Below, DOER provides answers to the questions as summarized.

Applicable to all questions: DOER suggests stakeholders consider how their comments align with the objectives of the procurement as included in the Straw Proposal. DOER also reiterates that any awards resulting from the proposed procurement structure are subject to DPU review and approval.

Overall Structure:

- **General:**
 - **Will EDCs issue individual RFPs, or a joint RFP?**
 - The straw proposal does not detail whether EDCs would issue individual RFPs or a joint RFP. DOER welcomes feedback in the comments on whether a joint RFP or individual RFPs are preferable.
 - **Does the proposal indicate all “Procured” CPECs are through the proposed RFP process?**
 - No, as drafted the straw proposal indicates only a portion of the procurement target would be met with the RFP process. Slide 7 and 8 of the Straw Proposal indicate CPECs produced by resources owned by the EDC as well as CPECs EDCs have rights to through other programs (such as SMART STGUs and contracted Offshore wind) would also be considered toward achievement of the initial 30% target. The straw proposal includes a proposal to limit the amount of EDC-owned-resource generated CPECs counted toward their initial 30% target. DOER welcomes feedback on the proposal for the procurement target to be met by a combination of both the RFP as well as CPECs ‘procured’ by the EDCs through other mechanisms such as CPECs generated by SMART STGUs, contracted OSW, and EDC owned resources. DOER suggests stakeholders consider how inclusion or exclusion of CPECs procured outside of the RFP may align with the objectives of the procurement.
 - **Regarding the remaining 70% beyond the 30% procurement target, does the straw proposal limit the ability of developers/asset managers to engage with Retail Electric Suppliers over forward contracts to meet their remaining obligations?**
 - No, the Straw Proposal does not speak to contract arrangements outside of the procurement process outlined.
 - **Does the proposal indicate the RFPs may be segmented, such tranches for particular technology types?**
 - No, the Straw Proposal does not indicate any segmentation of the RFP by technology, size, or other project characteristic.

- **How would the annual CPEC target be allocated between the proposed two annual RFPs?**
 - The straw proposal does not detail how the RFPs would be sized. DOER welcomes input on allocation between the RFPs, including explanation of reasoning, pros/cons, and alignment with the intent of the procurement.
- **What will be the timeline for projects to reach commercial operation after being enrolled in the Tariff? Does DOER anticipate any flexibility in those timelines to accommodate reasonable challenges that could arise, such as interconnection delays?**
 - The straw proposal does not detail the timeline for projects. DOER welcomes feedback in the comments on what timeline and related flexibility would be appropriate or desired.
- **Are Retail Electric Suppliers required to participate in the procurement?**
 - The regulations establish procurement of CPECs by the Distribution Companies.
- **What mechanisms do you envision will be implemented to ensure that qualifying resources are able to meet their CPECs “obligation” during the established peak periods?**
 - The Straw Proposal includes identification of types of terms and conditions, including penalties for supplying fewer than the awarded number of CPECs. It does not include a role for DOER supporting successful obligation performance, but DOER welcomes feedback in the comments on what might be desirable.
- **Price:**
 - **If the RFP is awarded at a Clearing Price, will a significant deposit be required to prevent speculative bids?**
 - The straw proposal does not include specific deposit requirements for RFP participation, and seeks comment on whether a clearing price or as-bid awards may be appropriate. DOER welcomes feedback in the comments on what award mechanism is appropriate, and what requirements may be well suited to the different award mechanisms. DOER suggests stakeholders consider how significant deposits may align with the objectives of the procurement.
 - **The straw proposal mentions that the “awarded bids would have the auction clearing price up to the total number CPECs accepted through the RFPs.” Does the DOER envision a single clearing price for all technology types? Will the clearing price be technology-specific?**
 - The Straw Proposal does not specify the clearing price structure. DOER welcomes feedback in the comments on what award mechanism is appropriate, and what requirements may be well suited to the different award mechanisms.
- **Size:**

- **Is the 30% target size of the procurement 30% of the EDC’s obligation or 30% of the entire market?**
 - The straw proposal references 225 CMR 21.05(8), which states “procurements shall be designed to achieve an initial target of 30% of the total market obligation of Retail Electricity Suppliers in a given Compliance Year.” As such, the procurements are designed to account for 30% of the entire market obligation, and not just the obligation associated with EDC’s retail electricity sales. The straw proposal does not provide detail on what time-horizon the procurement is purchasing for (for example whether an RFP in 2022 is procuring for a percentage of the market for 2023, or 2025 etc.) or how the EDCs will establish the time period to begin and end the annual procurement of CPECs from non-tariff based resources as this relates to the timing to begin and end the two RFPs for CPECs from tariff enrollment eligible resources.

- **Can you further clarify the equation to determine the # CPECs in the RFP with definitions for each term in the equation?**
 - The proposed method to determine the # of CPECs in the RFP is presented as follows:

$$\text{Targeted Annual \# CPECs in tariff} = \text{target} - \text{met with other procured CPECs [self-owned (limited), SMART, OSW]}$$

Where “target” refers to the percentage of total market obligation of Retail Electricity Suppliers in a given Compliance Year; and “met with other procured CPECs” refers to CPECs produced by resources owned by the EDC as well as CPECs EDCs may have rights to through other programs (such as SMART STGUs and contracted Offshore wind). It is important to note that 225 CMR 21.05(8)(b) enables DOER to adjust the initial target of 30% according to market supply, increasing scale of procurement in response to an undersupplied market, and decreasing scale in response to an oversupplied market. It is also important to note that the proposal indicates there could be a limitation on the percentage of an EDC’s procurement target that can be met with EDC-owned resources. DOER welcomes feedback on what that limitation might be.

- **If the annual CPEC target is not reached for a given year, does the remaining balance roll over into the subsequent year?**
 - 225 CMR 21.05(8) establishes that “procurements shall be designed to achieve an initial target of 30% of the total market obligation of Retail Electricity Suppliers in a given Compliance Year.” 225 CMR 21.05(8)(b) enables DOER to adjust the 30% according to market supply, increasing scale of procurement in response to an undersupplied market, and decreasing scale in response to an oversupplied market. Any undersupply could be considered when establishing the target for a subsequent year.

The proposal does not specify how many years in advance the RFP occurs ahead of the first compliance year of delivery by awarded projects (i.e. how much time between the RFP and awarded projects are operational). DOER welcomes feedback on whether an RFP should be for a single designated future compliance year or include multiple future compliance years to reflect varying resource development considerations.

Eligibility:

- **Locational Considerations:**
 - **If EDCs issue individual RFPs, will responses be limited to only resources within the EDC's territory? Are there locational requirements for resources to participate in the RFP?**
 - The straw proposal does not detail whether EDC's would issue individual RFPs or a joint RFP. The straw proposal further does not detail whether only resources located within an EDC's territory would be eligible for award by that EDC or any other locational requirements. DOER welcomes feedback on this topic and suggests stakeholders consider how such RFP restrictions may align with the objectives of the procurement. Notably, any resulting contracts or tariffs will require DPU approval. DOER also welcomes feedback on whether locational targets could benefit environmental justice and equity goals.
- **Program/market Co-participation:**
 - **Does the straw proposal indicate SMART ESS is no longer eligible to participate in the Clean Peak Standard?**
 - No, the straw proposal indicates SMART ESS would not be eligible to participate in the RFP issued by EDCs for CPEC Procurements. SMART ESS would still be eligible to participate in the CPS generally.
 - **Why does the straw proposal indicate SMART ESS and Connected Solutions ESS would be ineligible to participate in the RFP?**
 - As the straw indicates, the proposal is for these resources to not be included since they already have access to long-term financial revenues in other policy programs, and the intent of the straw proposal is to support additional and incremental resource development. DOER welcomes feedback on this proposal.
 - **If more CPECs are produced than there are bid certificates, can a resource owner transact on CPECs in the certificate market?**
 - The straw proposal does not include restrictions on CPECs outside of a procurement obligation. The proposal indicates the RFP may be a percentage of a project's total CPECs produced, and need not be 100%, presuming the remaining CPECs would be solely owned by the facility owner. DOER welcomes feedback on how these CPECs might be treated.
 - **Are there restrictions on RPS and storage resources that are also capacity resources in ISO-NE?**

- The straw proposal does not speak to potentially participating resources that are also capacity resources in ISO-NE, but DOER would welcome feedback in the comments on how they should be considered under the procurement.
 - **If a portion of a project is already receiving SMART incentives or 83C offshore wind incentives, is the remaining portion of that project eligible to qualify for CPECs?**
 - The straw proposal does not envision a scenario where a project might only be partially supported by SMART or 83C incentives, but DOER would welcome feedback in the comments on how this scenario might arise and how it should be treated.
- **Point of Interconnection:**
 - **Will both Transmission and Distribution connected resources be eligible to participate in the RFP?**
 - The straw proposal does not provide detail on this topic, but DOER would welcome feedback in the comments. Resources must meet eligibility standards established in the regulation in order to participate in the RFP.
- **Project Maturity:**
 - **What project maturity milestone will be required to participate in the RFP?**
 - The straw proposal does not include specific proposed milestones for eligibility to participate in the RFP. DOER welcomes feedback in the comments on what milestones may be appropriate to include for participation. DOER suggests stakeholders consider how eligibility milestones align with the objectives of the procurement, and what compliance-year CPECs the RFP is procuring toward.
- **Evaluation Criteria:**
 - **What evaluation metrics will the DOER utilize to select the winning bids? What factors will be considered in the evaluation process?**
 - . Evaluation metrics included in the straw proposal include total size (#CPECs) of the RFP, # of CPECs bid, \$/CPEC bid, and ACP. The RFP will be developed in consultation with and subject to review and approval by DOER, and DOER welcomes comments on evaluation metrics.

Terms & Conditions:

- **Term Length:**
 - **Would you consider an award term of greater than 6 years?**
 - DOER welcomes feedback on appropriate enrollment period as a result of award within an RFP.
- **Penalties & Termination:**
 - **If a project is selected under the RFP and participating in the tariff will there be exceptions to the proposed penalties if nonperformance is outside the control of the generator?**

- DOER proposes that the penalty schedule may be established through tariff and may be technology and/or development stage specific. DOER welcomes feedback on appropriate exceptions to penalties for nonperformance.
- **Would a qualifying resource that receives CPECs in one year be allowed to withdraw from the program in a subsequent year prior to the end of the 6-year tariff term? Is there a penalty for withdrawing a CPECs resource from the program prior to the end of the 6-year term? Can you provide details on how this penalty will be calculated?**
 - As proposed, a CPEC procurement contract could only be terminated with EDC permission or force majeure/destruction. DOER welcomes feedback on appropriate termination provisions and/or penalties and how they may support the intent of the procurement.
- **What are the specific terms related to underperformance? Is there a level where an EDC would be able to cancel contract? Would a generator be able to buy certificates on the market to cover shortfalls to avoid this?**
 - The straw proposal does not include specific terms related to underperformance.

Schedule:

- **When (date) does the DOER plan to release procurement guidelines to 225 CMR 21.00. When will the EDC file the Tariff? Can you please provide a date, if available? When will the EDCs release the first RFP? Can you please provide a date, if available?**

- The Straw Proposal outlines the following schedule:

Q1 2021	<ul style="list-style-type: none"> • DOER to release Procurement Straw Proposal for public review <ul style="list-style-type: none"> ➤ Provide opportunity for Q&A • DOER to take public feedback on the straw procurement proposal • DOER to release a Procurement Guideline to 225 CMR 21.00 establishing
Q2 2021	<ul style="list-style-type: none"> • EDCs file Tariff • EDCs to draft RFP in consultation with DOER
Q4 2021	<ul style="list-style-type: none"> • EDCs release first RFP by end-of-year 2021

- **Assuming the schedule is followed on page 8 with RFPs being released in Q3 2021 – when do you expect the term for CPEC delivery to start? Do you expect there to be any seasonal considerations (i.e. preference for CPECs in summer/winter as opposed to spring/fall)?**
 - DOER cannot speak to anticipated CPEC delivery dates at this time.
- **Can you provide any more detail on the page 7 statement on the establishment of Distribution Circuit Multipliers? When do you expect this to occur?**
- DOER does not have any new information on a structure of the Distribution Circuit Multipliers or schedule of development at this time.