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November 18, 2022

Samantha Meserve, Director, Renewable and Alternative Energy Division
Massachusetts Department of Energy Resources
100 Cambridge St., Suite 1020
Boston, MA 02114

re: NECEC Comments on Distribution Circuit Multiplier Fall 2022 Draft Guideline

Dear Director Meserve,

The Northeast Clean Energy Council (“NECEC”) appreciates the opportunity to submit comments to the Massachusetts Department of Energy Resources (“DOER”) regarding the Draft Guideline for the Clean Peak Standard (“CPS”) Distribution Circuit Multiplier (“DCM”) issued on October 31, 2022. The Draft Guideline represents a significant departure from previous DCM proposals that, without revision, will create significant industry uncertainty and could hamper the Commonwealth’s energy storage deployment goals.

NECEC is a clean energy business, policy, and innovation organization whose mission is to lead the just, equitable and rapid transition to a clean energy future and diverse climate economy. NECEC is the only organization in the Northeast that covers all of the clean energy market segments, representing the business perspectives of investors and clean energy companies across every stage of development. NECEC members span the broad spectrum of the clean energy industry, including clean transportation, energy efficiency, wind, solar, energy storage, microgrids, fuel cells, and advanced and “smart” technologies.

NECEC has been advocating in favor of the DCM over the past year and has been eager to see a finalized DCM that enables distributed energy resources to alleviate stresses on the state’s most saturated circuits. Particularly, the unique ability for energy storage to alleviate solar saturation and dampen peak load can help the state meet its climate goals, allow circuits to host additional solar, and accommodate electrification. The DCM is an opportunity to encourage developers to not only build incremental clean resources that contribute to the state’s climate goals, but also to build those resources in areas of particular need.

Overall, the CPS has struggled to spur new, clean energy resource deployment since its implementation. Energy storage developers have struggled to bring projects to fruition despite the enactment of the Clean Peak program. Since the removal of the seven year price lock in the ISO New England capacity market, storage resources do not have access to any predictable forms of revenue, Clean Peak revenues included. This dramatically increases the cost of project financing, and even with the recent expansion of the federal Investment Tax Credit to include standalone storage, project economics are marginal at best.

In this challenging financial context, the ability to access the Distribution Circuit Multiplier has an outsized impact on project viability. Unfortunately, the Distribution Circuit Multiplier as conceived in the Draft Guideline is unlikely to generate the level of development necessary to address location-specific

peak load constraints, nor is likely to help unlock the implementation of the Clean Peak program as a whole.

Storage developers have been anticipating the DCM as a pathway to make projects viable under the CPS and to develop storage projects that are sited in the areas of highest need. By limiting the scope of the DCM, energy storage will continue to struggle to reach widespread viability in Massachusetts. This will make it difficult to meet the state's storage goal of 1,000 MWh by 2025¹ given the existing 680 MWh gap (as of February 2022). Without additional revenue, such as would be provided by the DCM, much of the 885 MWh reported to be in the pipeline will likely not be viable.

As such, NECEC urges DOER to reconsider its comments in response to the Winter 2022 Straw Proposal (*attached hereto*) and move forward with a guide that is consistent with the recommendations provided there, which provided a solid framework to deliver grid benefits and promote energy storage deployment.

Below we provide comments on certain aspects of the Draft Guideline, focusing on changes from the previous proposal.

Circuit Identification

The Winter 2022 Straw Proposal anticipated targeting two types of circuits with the Multiplier: solar saturated circuits and increasing peak demand circuits. The current Draft Guideline, however, proposes to remove solar saturated circuits from eligibility. This is a major change from the previous proposal and it is unclear why this change was made. Energy storage can be used to absorb solar production when it is at its peak, and then discharge that clean energy when the grid needs it most. This flexibility can unlock additional capacity on the circuit and was a worthy inclusion in previous iterations of the DCM proposal. As such, NECEC encourages the Department to consider whether these “saturated” circuits should receive a more nuanced treatment, rather than excluding them from eligibility entirely.

Further, through stakeholder discussions at the Energy Storage Interconnection Review Group (“ESIRG”), it is clear that the Electric Distribution Companies (“EDCs”) are currently, or may be planning on, imposing operational schedules on distributed energy storage resources. These operational schedules prohibit charging and discharging during certain times, significantly limiting energy storage's flexibility. The EDCs have been imposing operational schedules to compensate for what they suggest is suboptimal insight into the real-time operation of the distribution grid. These operational schedules further constrain project economics, elevating the importance of the DCM in order to make projects viable. Without the DCM, energy storage deployment is unlikely to achieve anticipated development targets and nor deliver the benefits to distribution circuits and peak reduction that the Commonwealth wishes to receive.

The DCM is the ideal interim vehicle for providing compensation to energy storage for providing grid benefits on peak loaded and solar saturated circuits until the EDCs have more granular insight into the operations of the systems and can afford more sophisticated storage operations. As such, NECEC urges DOER to re-include solar saturated circuits as eligible circuits for DCM identification. Moreover, as NECEC previously advocated, any storage system accepting operational restrictions should be eligible for the DCM.

¹ <https://www.mass.gov/info-details/esi-goals-storage-target>

Size of Available Multiplier

The Draft Guideline proposes to limit eligibility on each eligible circuit to a total project size one (1) megawatt. NECEC had previously supported the concept of limiting the DCM based on megawatts, but we believe the current proposal requires revision. Limiting every eligible circuit to the same amount of megawatts does not recognize the realities that each circuit faces.

While a uniform megawatt limitation is most administratively straightforward, it is unlikely to drive the outcomes that the DCM is intended to promote. We urge DOER to convene a stakeholder process with market actors and the EDCs so that the parties can address underlying concerns.

NECEC recommends revising the size of the available multiplier to align with the needs of the circuit. For peak loaded circuits, a target peak-to-normal ratio should be set, and the multiplier is available until enough eligible resources have been deployed to suppress the peak to the target. For solar saturated circuits, a target level should be set to absorb enough solar to bring the saturation well below the circuit's capacity. Tying the availability of the multiplier to a circuit-specific outcome will right-size the DCM and satisfy the intent of the multiplier to alleviate grid stressors through deployment of distributed energy resources.

Applying for the Distribution Circuit Multiplier

NECEC supports the inclusion of a SMART-style reservation system for DCM-eligible projects. This will provide clarity to developers that projects will be able to capture the multiplier early in the development cycle, which will reduce financing costs. Additional clarity is required to implement the reservation system in a fair manner that does not create a rush on the first day it is open. It is imperative to institute a degree of project maturity required in order to reserve capacity, to avoid speculative behavior that may ultimately reduce storage development and skew market signals.

The latest Draft Guideline does not indicate that the DCM is available only to new resources, as had previously been indicated in earlier drafts. As such, we request clarity on resource eligibility, and recommend that only new resources be eligible for the DCM. The DCM should be the result of intentional siting decisions.

Other Comments

The Draft Guideline leaves several key questions unanswered, all of which would benefit from additional stakeholder feedback.

First, the Draft Guideline proposes to make ineligible any resources that would trigger a "capacity upgrade." The term capacity upgrade is left undefined in the document. Nearly every project connecting to the distribution grid will trigger an interconnection upgrade, making clarification of this requirement consequential. Many projects are subject to interconnection group studies, which almost always trigger upgrades, complicating the question of whether an individual project would have triggered an upgrade if it had been studied individually. Given the presence of this provision in conjunction with the suggested 1 MW per circuit limitation, it begs the question as to why a circuit that could be rendered ineligible for the DCM would even be included in the list of eligible circuits provided by utilities.

Second, it appears that resource eligibility criteria has changed from the Winter 2022 Straw Proposal, though it is unclear. It appears now that all CPS eligible resources are eligible for the DCM. NECEC requests clarity on resource eligibility and we recommend considering whether a subset of resources, as proposed in the Straw Proposal, would be better suited to alleviate grid challenges through the DCM.

Third, we note that in the Draft Guide, the Department erroneously used the term “generation unit” when we believe that the appropriate nomenclature for storage resources should be “clean peak resource.” We are confident that staff will remedy this in further communications about the program.²

Fourth, NECEC seeks clarity from the Department on whether a facility could participate at partial capacity. We believe that stipulating this in the program rules would support the goal of maximizing the value of the asset.

Finally, we encourage the Department to consider the disturbance that extreme supply chain issues have imposed on the storage industry, among others. Thus, we propose a time horizon of 18 months from reservation, rather than the currently proposed 12 months.

Conclusion

We urge the DOER to take a more considered approach and delay the issuance of final program rules until additional stakeholder discussions can take place. We understand that the utilities have certain concerns about the technical implications of a broad implementation of the DCM, but instead of reducing the effectiveness of the program, we are confident that technical solutions that address those concerns, rather than defaulting to a dramatic curtailment of the program which will undercut its ability to meet the intended goals of providing relief to constrained circuits.

NECEC appreciates the opportunity to provide these comments and we look forward to continuing to engage with DOER and stakeholders in refining the DCM. Please contact us if you have any questions.

Sincerely,



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² <https://www.mass.gov/doc/draft-clean-peak-distribution-circuit-multiplier-guideline-clean-10-31-22/download>