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By email to DOER.CPS@mass.gov

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Subject: 2024 CPS EMERGENCY RULEMAKING COMMENTS

Mr. Ferguson:

On July 19, 2024, the Department of Energy Resources (“DOER” or “Department”) filed an emergency rulemaking with the Secretary of State amending the 225 CMR 21.00 Clean Peak Energy Standard (“CPS”) program (“July 19th regulation”). It revises the CPS Minimum Standard and adds a Near-Term Resource Multiplier for standalone energy storage systems connected to the distribution system coming online before January 1, 2027. RENEW Northeast, Inc. (“RENEW”)¹ appreciates the opportunity to submit these comments on the July 19th regulation.

I. Overview

Energy storage is a multibillion-dollar industry for Massachusetts, providing critical investment in communities and tax benefits, as well as supporting a robust local energy storage technology innovation ecosystem and thousands of jobs in the construction phase. Gigawatts of energy storage projects – enough power for millions of Massachusetts homes – are ready to be built in the near term.

DOER’s recent energy storage study identified a multitude of benefits from having energy storage systems operational before 2030.² Earlier this year, DOER proposed a fixed amount of energy storage be deployed in proportion to the amount of renewable energy capacity

¹ The comments expressed herein represent the views of RENEW and not necessarily those of any particular member of RENEW. RENEW Northeast (www.renewne.org) unites environmental advocates with developers and operators of the region’s largest clean energy projects to coordinate their ideas and resources with the goal of increasing environmentally sustainable power generation in New England from the region’s abundant renewable energy resources.

² DOER and MassCEC, *Charging Forward: Energy Storage in a Net Zero Commonwealth* STUDY 17 (December, 2023), <https://www.mass.gov/doc/charging-forward-energy-storage-in-a-net-zero-commonwealth/download>

installed in the years 2030 and 2035.³ Based on the quantity of renewable energy that will be deployed in the Commonwealth according to the Massachusetts Climate Report Card,⁴ this formula results in a target of roughly 3 gigawatts of energy storage capacity by 2030.

Shortcomings with the CPS program have hindered the growth of Clean Peak Energy Certificate (“CPEC”) supply resulting in the program requirements being met largely with the Alternative Compliance Payment (“ACP”). The lack of long-term contracts for CPECs and an ACP that is too low and declines over time have prevented financing of energy storage projects. DOER recognized these challenges to energy storage in the design of its 2021 EDC Procurements Straw Proposal with it having a stated objective to “target resources which do not have existing policies that provide long-term revenue certainty.”⁵ Through procurements, DOER sought to provide revenue certainty for resources like energy storage systems that, unlike renewable energy resources, do not have existing financial support to enable financing.⁶

The July 19th regulation seeks to fine-tune the CPS for the near-term to protect consumers while promoting distribution system investments in energy storage. RENEW supports the increased incentive for front-of-the-meter distribution-level energy storage resources. With the enactment of the July 19th regulation, though, existing barriers will remain for larger storage projects now under development that will prevent them from securing near-term investments necessary for their construction. Today, the CPS offers neither sufficient revenue nor any revenue certainty for investors to commit their capital to large energy storage project development in Massachusetts.

RENEW recommends several changes be made to the July 19th regulation to overcome these hurdles. Principally, it should add near-term support for energy storage systems connecting at the transmission level by raising the ACP to address the gap between small and large energy storage resources. Without improving investment signals by raising the ACP, large energy storage projects will be delayed or cancelled to the detriment of Massachusetts meeting its climate requirements and the interests of its electricity consumers.

³ DOER and MassCEC, *Charging Forward: Energy Storage in a Net Zero Commonwealth* REPORT 18 (December 31, 2023), <https://www.mass.gov/doc/charging-forward-energy-storage-in-a-net-zero-commonwealth-report/download>

⁴ Massachusetts Office of Climate Innovation and Resilience, *Massachusetts Climate Report Card - Power Decarbonization*, <https://www.mass.gov/info-details/massachusetts-climate-report-card-power-decarbonization> (3,650 megawatts of wind capacity, onshore and offshore combined, in 2030, and 8,360 megawatts of solar capacity by 2030).

⁵ DOER, *EDC Procurements Straw Proposal 2* (January 21, 2021), https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.mass.gov/doc/procurement-of-clean-peak-energy-certificates/download&ved=2ahUKEwj_uK-ZvpOIAxUTFVkfFHQexCwgQFnoECBUQAQ&usg=AOvVaw3nceDOTdSLVkJXnVRMWzq7w

⁶ *Id.*

II. RENEW Proposed Modifications to July 19th Regulation

A. DOER Should Increase the ACP to Prevent Delays or Cancellations of Transmission-Level Late-Stage Energy Storage Projects

The CPS program design has an ACP rate whose declining price ceiling is insufficient to cover the missing money gap that is necessary for investors to support most energy storage projects in the state. The low, declining ACP rate makes it more likely that ratepayers will be paying the ACP rather than for CPECs that will help Massachusetts attain its greenhouse gas reduction requirements.

RENEW recommends DOER increase the ACP rate to \$65 through 2032 to provide late-stage storage projects with increased revenue for a longer period that will provide greater investor confidence to finance projects so that they come online in time to meet 2030 climate requirements. The ACP could then be reset to \$45 starting in 2033. Without additional regulatory certainty it will not be possible to make near-term investments in interconnection upgrades and projects will be at risk of delay or cancellation. Any delay in the ACP increase will extend the scheduled construction timeline for most energy storage development expected to attain commercial operation in the years 2026 to 2029. These projects represent a significant portion of energy storage resources that can be built prior to 2030 to meet Massachusetts greenhouse gas reduction requirements.

B. Changes to the Minimum Standard

While the modifications to 21.07(1)(a) decrease the current Minimum Standard from 2025 through 2028, RENEW supports the proposed increases for the Minimum Standard relative to status quo beginning in 2029 to improve the likelihood of Massachusetts being able to attain its 2030 goals. Although RENEW has concerns that the decrease in the Minimum Standard combined with the Near-Term Multiplier could lead to oversaturation of CPECs in 2027-2028, we understand DOER is trying to balance near-term effects on consumers against long-term signals to investors.

C. The July 19th Regulation Should Include a Queue Submission Process

DOER should implement a Preliminary Statement of Qualification queue submission process for the Near-Term Resource Multiplier so that projects can reserve capacity in the limited program. Without a queue, projects will face the risk of the program reaching its capacity limit prior to their Commercial Operation Dates (“COD”). If a project is not confirmed in a queue, the uncertainty will create a new risk that could offset the benefit sought by the July 19th regulation to increase revenue certainty.

D. The July 19th Regulation Should Provide Flexibility on the Type of Events Satisfying the Deadline for Qualification

DOER should modify the deadline for qualification for the Near-Term Resource Multiplier from COD by January 1, 2027, to “mechanical completion” by January 1, 2027. This flexibility will provide some buffer to projects that may face challenges in completing the

interconnection process. Developers at both the distribution and transmission levels can face interconnection delays that are outside of their control. This change will protect developers who have completed construction on their side of the project from being penalized by being removed from the queue.

III. A CPS Procurement Program Should Be Implemented

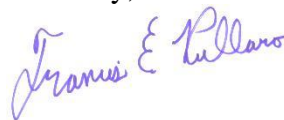
DOER can also help projects interconnecting at the transmission level overcome those significant barriers for investment by resuming implementation of the CPS procurement program that stalled in 2021. The current CPS makes financing projects difficult due to the lack of long-term CPEC price certainty. Giving developers the ability to compete for contracts can eliminate this uncertainty. As the *Charging Forward* report observes, without long-term contractual commitments with creditworthy counterparties, these projects cannot be financed and will not be built.⁷ This is especially concerning as storage projects are also potentially facing decreased wholesale market revenue potential due to the expected change from average to marginal accreditation in the ISO New England (“ISO-NE”) capacity market.⁸

Given the long-lead time to procure, permit, and build projects, RENEW urges DOER to complete the process that was started in 2021 for a CPS procurement program for CPECs by releasing for comment this fall a Procurement Guideline to 225 CMR 21.00 for a CPS procurement that will finalize awards to bidders by the end of the first quarter of 2025. Project construction typically takes at least two years from the awarding of a contract to commercial operations. Today’s late-stage energy storage projects seeking to achieve commercial operation in 2027 or 2028 must execute long-term contracts within the next year if they are to secure financing and adhere to their development schedules.

IV. Conclusion

Thank you for considering RENEW recommendations on the July 19th regulation that will enable the financing of projects and ensure their completion in time to meet the Commonwealth’s 2030 clean energy and legal greenhouse gas reduction requirements.

Sincerely,



Francis Pullaro
President

⁷ DOER and MassCEC (STUDY), *supra* note 4, 21-22.

⁸ See e.g., ISO-NE, *Capacity Auction Reforms Continued Discussion of Project Scope* 15, 42 (August 6, 2024), https://www.iso-ne.com/static-assets/documents/100014/a02_mc_2024_08_06_scope_considerations_car_iso_presentation.pdf. This would compound the challenges of already low FCM auction clearing prices as well as the recent elimination of the ISO-NE FCM 7-year price lock capacity auctions.