



August 22, 2024

Massachusetts Department of Energy Resources
Attn: Samantha Meserve
100 Cambridge Street, 9th Floor,
Boston, MA 02114

RE: 2024 CPS Emergency Rulemaking Comments

SYSO Technologies (“SYSO”) appreciates the opportunity to submit public comments on the emergency Clean Peak Standard (“CPS”) regulations that were filed with the Secretary of State July 19, 2024. SYSO is a Massachusetts based asset manager working with over 2 GW of solar and storage projects across the country. In New England, SYSO manages the participation of transmission- and distribution-connected standalone storage and co-located solar and storage assets in ISO-NE’s markets as well as in several of Massachusetts’ programs, including Clean Peak. The CPS is a critical piece of the energy transition in MA, and SYSO commends DOER for taking concrete action through the emergency regulations to address issues that have developed as the program continues to evolve. Controlling consumer costs to ensure that program funding is allocated to projects which can deliver benefits during peak periods is essential to the success of the program and to achieving the state’s climate goals.

While we believe that the new regulations will address some of the immediate issues at hand, these changes will only begin to address the core issues of the program in both the short- and long-term. Overall, the emergency regulations do not go far enough to stabilize the market, to guarantee that resources are being credited for delivering benefits in the designated periods, and to encourage new development to meet the program’s objectives. Therefore, SYSO recommends changes to the emergency regulations to address challenges in the next couple of years and further changes in the full CPS review to provide the industry confidence in the longevity of the program.

In the short-term, to attract new development to meet short-term undersupply conditions and to ensure that projects are credited for their contributions during actual system peak periods, we recommend that the emergency regulations be modified to:

- Expand eligibility for the Near-Term Resource Multiplier to assets that have commercial operation dates before January 1, 2029;
- Increase the 50 MW cap for the Near-Term Resource Multiplier to at least 200 MW; and
- Modify the process for determining the Hour of Actual Monthly System Peak to use finalized ISO-NE data, not preliminary data, or create a true-up process when finalized ISO-NE data becomes available

While the new multiplier may make the program more attractive to distribution-connected assets in the short term, it does not help with financing and competitiveness concerns in the long-term, which are still major impediments to the development of distribution-connected projects in the state. With no standardized mechanism to secure long-term arrangements for clean peak credits for distribution- and transmission-connected projects, investors will continue to

hesitate to commit capital towards the program. Without structural changes to the program, the state will continue to fail to meet the Minimum Standard with deployed assets in the both near- and long-term. Therefore, we strongly support proceeding expeditiously with the full review of the program to address these core issues, as well as all those raised in SYSO's May filing.

Expanding the Near-Term Resource Multiplier to Stimulate the Distribution-Connected Storage Market

As they have been since the start of the program¹, distribution-connected assets will continue to be a critical supply of Clean Peak Energy Credits ("CPECs") to meet the Minimum Standard requirements. SYSO believes that distribution-connected assets will need to be a part of the resource mix in the long-term, when the state will need to see significant increases in all storage asset classes. While the Near-Term Resource Multiplier ("NTRM") may help a subset of late-stage standalone projects complete their final phases of development, the emergency regulations will do little to attract new or advance early-stage distribution-connected assets. These assets face the same systemic issues, including the regulatory uncertainty surrounding Operational Parameter and Wholesale Distribution Tariffs, that DOER noted in the basis for the emergency regulations. The state will continue to need to see distribution-connected assets come online to cost-effectively to hit both short- and long-term Minimum Standard requirements. Therefore, SYSO recommends the following changes to the NTRM to stimulate the distribution-connected storage market.

First, SYSO recommends that the eligibility for the NTRM be expanded to assets that have Commercial Operation dates before January 1, 2029. The NTRM may help late-stage projects continue to make investments to continue in interconnection and permitting processes. However, given current project development cycles, the 2-year window between 2025 and 2027 is not enough time to create additional incentives for new or early-stage development to invest in the program. By limiting eligibility date, the new regulations do not create motivation for advancing earlier stage projects, even though these projects could contribute to undersupply conditions. When the Minimum Standard begins to accelerate in 2028, the state will need to see a significant increase in the number of resources online to successfully meet the statutory requirements. Given project development timelines, projects that will come online in the period between 2027 and 2029 are being conceived now. Additional certainty now, through the extension of the commercial operation date, will provide confidence in the income stack to justify initial investments to get those projects off the ground, especially in light of FERC's recent approval of ISO-NE's request to delay FCA 19 by 3 years, which has limited developer visibility into the critical revenue stream of wholesale capacity payments beyond May 31, 2028.

Second, given the interest in energy storage development in Massachusetts, as demonstrated by the interconnection queues and ISO-NE forward capacity auction results, the 50 MW cap in the NTRM is too small (with or without the expanded eligibility criteria we outline above). In the last three forward capacity auctions (FCAs 16-18, procuring capacity between

¹ As of June 28, 2024, all but one Clean Peak Standard Qualified Resource was less than 10 MW and the vast majority of which are connected to the distribution system.

summer 2025 and spring 2028), over 150 MW of distribution-connected energy storage projects in Massachusetts have cleared to take on capacity supply obligations². The 50 MW cap is too small of a bucket to chase for new and early-stage assets for fear that it will quickly be used by assets that are already seeking to participate. Therefore, given the growth rate of approximately 50 MW a year, SYSO recommends that the cap be expanded to at least 200 MW for the period between 2025 and 2029.

Without these changes, we are concerned that we won't see new developments or new interest in the CPS program, especially as there is still a significant amount of uncertainty in long-term arrangements for selling CPECs. Without a short-term increase in supply from new distribution connection assets, we may end up in the same severely undersupplied situation two or four years from now. Providing a longer and larger runway for projects to become operational, through expanded eligibility criteria and a larger cap for the NTRM, will potentially reduce future undersupply conditions, mitigate future alternative compliance payments, and set up the program for long-term success.

The Clean Peak Program Should Accurately Reflect System Conditions

In addition to attracting development, the CPS regulations should give developers confidence that they will receive credit for performing in compliance with those regulations. In order to encourage resources to provide the maximum benefit to the system, CPS resources are encouraged to produce CPECs during the Hour of Actual Monthly System Peak through the Actual Monthly System Peak Multiplier, which provides a 25x incentive for any CPECs generated during “the highest net demand for electricity in a calendar month in ISO-NE Control Area.”³ However, currently, there is a mismatch between the Hour of Actual Monthly System Peak used by the program administrators for determining the Actual Monthly System Peak and ISO-NE's finalized SMD load data.

In multiple recent months, projects that correctly forecasted and dispatched during the ISO-NE monthly peak hour received no monthly system peak credit due to this mismatch. We understand that this issue is due to a design issue related to CPEC minting and ISO-NE data finalization timelines; however, it has created significant discrepancies between actual performance and compensation through the CPS program. This was especially apparent in February and March of 2024, when the program administrators used the 8th highest and 18th highest system peak demand as reported in ISO-NE's final SMD data to determine the Monthly System Peak for the CPS program⁴.

² Based on ISO-NE's Capacity Obligations spreadsheet, available here https://www.iso-ne.com/static-assets/documents/2018/02/fca_obligations.xlsx, in FCA 16, 17, and 18 there were 77 MW, 38 MW, and 54 MW of new capacity that cleared from resource's whose primary fuel was electricity used for storage with CSO's in all months of the year and which were 20 MW or less.

³ From the definition of “Actual Monthly System Peak” in 225 CMR 21.02

⁴ ISO-NE's 2024 SMD Hourly Data report posted to <https://www.iso-ne.com/isoexpress/web/reports/load-and-demand/-/tree/zone-info>, as of 8/21/2024, shows the peak system demand for the months of February and March to be 16,861 MW and 15,332 MW, occurring at HE 19 on 2/14/2024 and HE 20 on 3/21/2024, respectively. DOER's Actual Monthly Peak report posted to <https://www.mass.gov/info-details/clean-peak-energy-standard-guidelines>, as of 8/21/2024, shows peak hours for February and March to be HE 19 on 2/15/2024 and HE 19 on 3/21/2024,

There is no reconciliation process that allows these projects to claim credit for this performance, undermining confidence in the Clean Peak program. In order to restore confidence in the program, the emergency regulations should have included provisions which align resource performance during the Hour of Actual Monthly System Peak and the compensation from the program. Ideally, CPECs would only be minted after finalized ISO-NE data is available. However, we recognize that this may be challenging as ISO-NE data may change significantly after an operating month; therefore, SYSO recommends that DOER establish a true-up process that credits or debits future CPEC generation when the Hour of Actual Monthly System Peak changes within 12 months of operating month but CPECs have already been minted for that month.

Broader Structural CPS Changes are Needed Quickly

While we believe that the recommendations outlined above will help address some of the most pressing short-term needs in the CPS program, in the long-term, DOER should continue to pursue structural changes to the program to address the concern that energy storage projects need additional revenue and revenue certainty to participate in the CPS program. This includes the following recommendations from SYSO's May filing:

- Strengthen price signals and provide market certainty by establishing a clear and transparent mechanism for securing long-term agreements for selling Clean Peak Energy Credits ("CPECs")
- Support distribution-connected projects by creating tiered CPEC products and adjusting the Minimum Standard

Proceeding with the full review soon and soliciting additional input from stakeholders will be critical to the overall long-term success of the program. We are looking forward to continuing to participate in this process to address all of the concerns raised in May, including:

- Interactions with the SMART program, including adjusting the SMART multiplier based on the SMART blocks
- Performance during peak periods, including expanding the definition of System Peak from one hour to three hours
- Friction in the administrative processes, including improving communication processes and the Production Tracking System to better reflect CPS participant needs
- Guaranteeing environmental impact, including a more targeted method for determining emissions impact

respectively. ISO-NE system demand during these posted DOER peak hours for February and March was 16,345 MW and 14,797 MW, respectively, both more than 500 MW lower than the actual peak system demand posted by ISO-NE.

Thank you for the time and consideration of these recommendations, we look forward to continuing to work with DOER on this process. Please let us know if you have any questions or if you would like to discuss any of the points we raise in these comments.

Sincerely,

Doug Matheson

Director, Energy Markets