

August 26, 2024

Elizabeth Mahony, Commissioner  
Samantha Meserve, Director  
Thomas Ferguson, Energy Storage Programs Manager  
Renewable and Alternative Energy Division  
Massachusetts Department of Energy Resources  
100 Cambridge Street, 9th Floor  
Boston, MA, 02114

**DOER's July Clean Peak Energy Standard Emergency Rulemaking**

Dear Ms. Meserve and Mr. Ferguson,

The signed organizations, which have been collaborating as an informal coalition of storage developers active in Massachusetts ("the coalition"), appreciate the opportunity to comment on the 2024 CPS Emergency Rulemaking. The coalition both supports the Emergency Regulations issued by DOER to date and acknowledges that these rulemakings alone will not be sufficient to support the deployment of 3 GW of storage by 2030, as was recommended by the 2023 Charging Forward Report.<sup>1</sup>

The coalition appreciates the July 19<sup>th</sup> Emergency Regulation that modifies the Minimum Standard to align with the substantial need for storage in the state. However, there remain existing investment barriers preventing storage resources that need to make near-term investment decisions from being built. As currently implemented, the Clean Peak Standard ("CPS") does not provide sufficient value nor the revenue certainty necessary to drive the magnitude of storage deployments necessary for the state, necessitating additional action.

It is critical that DOER alter the Emergency Regulation to include a modification of the Alternative Compliance Payment to address this gap and avoid delays or cancellations of late-stage BESS. The success of these projects is critical to signal investment in future storage projects and avoid negative climate, health, and ratepayer impacts.

**The July Emergency Regulations better align the Clean Peak Standard with the needs of the Commonwealth**

The changes to the Clean Peak Standard issued in the July Emergency Rulemaking are a necessary first step to increase the viability and bankability of the program. The modifications to 21.07(1)(a) decrease the Minimum Standard relative to status quo from 2025 through 2028 and subsequently increase the Minimum Standard relative to status quo beginning in 2029. The

---

<sup>1</sup> The 2023 Charging Forward report recommends 250MW of storage for every 1GW of renewable energy deployed by 2030 (p. 18). The "Massachusetts Climate Report Card - Power Decarbonization", estimates there will be 12,010 MW of renewables by 2030 (3,650 megawatts of wind capacity, onshore and offshore combined, and 8,360 megawatts of solar capacity).

Emergency Regulations balance ratepayer impacts from near term undersupply with a longer term increase in CPS demand to drive investment in energy storage and deliver ratepayer benefits as storage comes online and displaces more expensive fossil plants during peak hours. Together, these changes will allow deployment of storage to better support reliability and renewable energy deployment in the State. This modification is in line with DOER's "2023 Charging Forward Storage Report", which finds that "the deployment and use of energy storage systems is a critical and cost-effective strategy for the Commonwealth to encourage in meeting its goals under the 2050 CECP" (p. 3).

### **Immediate modifications to the ACP are necessary to prevent delays or cancellations of late-stage BESS**

While the changes to the Minimum Standard help increase program predictability, without changes to the ACP rate, the program will remain underutilized and jeopardize the deployment of late-stage BESS. To date, the undersupply in the CPS program has meant most CPS obligations have been met through ACP payments. As currently designed, the CPS program does not provide sufficient value to drive the magnitude of storage deployments necessary for the state to meet the 2030 Charging Forward targets nor the 2050 GWSA mandates. With the right improvements, the CPS program could become a powerful tool for incentivizing the deployment of energy storage in the Commonwealth.

For the CPS program to incentivize storage deployments in the Commonwealth, the state must focus on improving program value and bankability. Under the current program design, the ACP rate creates a price ceiling that is insufficient to cover the missing money gap for most storage projects in the state. The decline of this ceiling price over time is particularly challenging; counterintuitively, a declining ACP rate makes it more likely that ratepayers will be paying the ACP as projects will struggle to deploy in the current environment. This is especially true as storage projects face decreased wholesale market revenue potential due to the change from average to marginal capacity accreditation in the ISO-NE Capacity market.

Members of the coalition have deployed tens of millions of dollars in capital to develop BESS in the Commonwealth to date and are ready to deploy well over \$100M in the coming six months. However, without addressing the root issues of the Clean Peak Standard, projects will be unable to complete financing to move forward with these investments.

For these reasons, the coalition requests that DOER issue an additional Emergency Regulation that:

- 1) Increases the ACP rate to at least \$65 through 2032 to unlock financing for near-term storage projects
- 2) Keeps the ACP at a flat rate of \$45 thereafter

The timing of these changes is urgent and necessitates the issuance of an additional Emergency Regulation. The coalition collectively represents over 1.8 GW of late-stage projects that will be unable to proceed with financing and construction unless the ACP rate is addressed by DOER. For many of these projects, any delay in the ACP change is a direct delay in their

scheduled construction timeline and ability to energize. These projects, expected to COD between 2026-2029, represent a significant portion of projects that can be built prior to 2030 to meet the Charging Forward targets. These projects must expend significant amounts for interconnection in the very near term; without additional regulatory certainty it will not be possible to make these payments and projects will be at risk of delay or cancellation.

### **The success of the “first wave” of late-stage BESS in Massachusetts is critical to future storage development**

The successful deployment of the first wave of late-stage BESS projects, including the coalition’s 1.8 GW of projects, is critical to Massachusetts meeting its climate mandates and encouraging continued clean energy infrastructure deployment in the state. Not only are these projects unable to be quickly replaced due to long interconnection and upgrade timelines, but their progress will have a disproportionate effect on future capital deployment in the Commonwealth.

Long development lead times in Massachusetts mean that late-stage project cancellations take years to replace. This first wave of late-stage BESS projects represents development that has been ongoing for more than four years, with some projects beginning development as early as 2019. New transmission-scale projects seeking to enter the ISO-NE queue today won’t receive interconnection results until May 2027, and given upgrade timelines of 3-5 years, will be unable to come online until at least 2030-2032.

The outcome of these late-stage projects will have a large impact on future storage investment in the state and—if built—will help maintain lower capacity, reserve, and energy prices. Prioritizing changes that will enable the first wave of storage projects to come online as planned by project owners will encourage continued investment in the Commonwealth. If projects are forced to cancel or significantly delay investment, investors waiting for the success of these initial projects will not deploy future capital, tempering long-term energy investment in the state.

### **The withdrawal or delay of late-stage projects would have significant negative ratepayer, community and climate impacts**

Late-stage delays and cancellations are harmful to ratepayers, the state’s climate goals, and the host communities of projects. If late-stage projects continue to be unable to commercialize, the Clean Peak Standard will continue to be satisfied with ACPs, rather than through Clean Peak Energy Credits (“CPECs”). This not only fails to meet the intent of CPS but will increase ratepayer costs while providing no clean energy benefits.

The host communities of late-stage storage projects are also counting on the projects’ successes. Storage investment creates hundreds of union construction jobs as well as large-scale investment in the community and an increased tax base. Late-stage projects have spent significant time and effort building relationships with the local community and creating projects that provide benefits to their residents. Their delay or withdrawal would not just impact state emissions goals, but local economic development in multiple municipalities in the State.

The deployment of storage is critical to the Commonwealth meeting its climate goals and enabling the associated health benefits. As the Charging Forward Study recommends, “Near-term policy design should focus on removing deployment barriers so that adequate grid-tied storage is operating and able to provide emissions arbitrage” (p. 7). Emissions reductions come not only from greenhouse gas emissions, but also from health pollutants like particulate matter and NOx that have detrimental effects on residents. Modifying the ACP rate will remove a key barrier to storage development in the state and help enable these benefits by displacing the operation of high-emitting fossil peaking plants.

### **DOER should conduct a CPS procurement for long-term contracts as soon as possible**

We urge DOER to launch a CPS procurement on an expedited basis to provide policy support for mature projects. The current CPS program structure is difficult to finance due to lack of long-term CPEC price certainty, which has seriously limited participation in the program. This is especially concerning as storage projects are also facing decreased wholesale market revenue potential due to the change from average to marginal capacity accreditation in the ISO-NE capacity market.

Given the capital-intensive nature of battery storage projects—in particular utility-scale—increasingly lenders require projects to demonstrate long-term revenue certainty, i.e., that high levels of the project’s revenue are contracted with an offtaker (i.e., a state agency or utility) for a term of at least 10 to 15 years. Projects that demonstrate these factors are more attractive to secure the financing necessary to move into the construction phase. Unfortunately, developers looking to participate in the CPS program as currently constructed will face challenges locking in high levels of long-term contractedness, leaving them with access only to limited, high-cost capital that has serious implications for project viability.

We are strongly in favor of DOER opening a CPEC procurement as soon as possible—ideally finalizing awards by early/mid 2025. Project construction typically takes two (or more) years from securing an award. As a result, the mature projects currently slated to come online in Massachusetts by 2027 or 2028 must lock in long-term contracts through a state program imminently to secure financing and reach timely commercial operations. DOER should ideally develop the parameters for the procurement on a parallel path as the CPS review—i.e., this calendar year—and issue an RFP for a procurement within the next six months.

If Massachusetts is looking to usher in a significant volume of storage projects this decade, there is simply no alternative to conducting a CPEC procurement for long-term contracts. To ensure continued investment in energy storage, DOER should establish a regular schedule of Clean Peak procurements that are timed in coordination with ISO-NE cluster studies.

### **Conclusion**

The undersigned companies support the Emergency Rulemaking issued by DOER to date, and strongly encourages DOER to issue a further Emergency Regulation modifying the ACP rate.

Doing so can enable the Clean Peak Standard to meet its full potential as a key driver of BESS deployment in the Commonwealth and unlock not just the first wave of BESS projects but spur investment in the State for the coming decades.

Respectfully submitted,

The logo for Bluewave, featuring the word "BLUEWAVE" in a bold, blue, sans-serif font.

Sean Burke  
*Director, Energy Storage Policy*

The logo for eolian, featuring the word "eolian" in a purple, cursive script font.

Sam Lines  
*Senior Vice President for Eastern Markets*

The logo for Flatiron Energy, featuring a stylized green mountain peak icon above the text "FLATIRONenergy" in a blue and green sans-serif font.

Jonathan Poor  
*Managing Partner*

The logo for Jupiter Power, featuring the word "Jupiter" in a bold, black, serif font with a small blue square icon above the "i", and the word "POWER" in a smaller, grey, sans-serif font below it.

Samantha Williams  
*Senior Director of Strategic Projects and  
Market Development*

The logo for New Leaf Energy, featuring a stylized green leaf icon to the left of the text "new leaf energy" in a green, sans-serif font.

Jessica Robertson  
*Director of Policy and Business Development,  
New England*