

**Via Electronic Filing**

March 25, 2022

Samantha Meserve, Deputy 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 Winter 2022 Proposal**

Dear Deputy Director Meserve,

The Northeast Clean Energy Council (“NECEC”) appreciates the Massachusetts Department of Energy Resources’ (“DOER”) continued efforts to develop the Clean Peak Standard (“CPS”) Distribution Circuit Multiplier (“Multiplier”). The Multiplier represents an opportunity to encourage deployment of distributed energy resources targeted to the areas of the grid that could most benefit from these resources. To assist with the development of the Multiplier, NECEC submits the following comments.

NECEC is a clean energy business, policy, and innovation organization whose mission is to create a world-class clean energy hub in the Northeast, delivering global impact with economic, energy and environmental solutions. 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.

At the outset, NECEC agrees with the “Guide Posts” and, particularly, on retaining as much simplicity as possible in the Multiplier. The CPS is already a complicated program, so it is important to simplify the Multiplier to ensure that financiers are confident about a project’s ability to develop in response to the Multiplier. The Multiplier must provide developers with the certainty, flexibility, and transparency necessary to finance and construct projects in response to the Multiplier’s signals. Below we provide comment on certain aspects of DOER’s proposal, focusing on changes from the previous proposal.

**Distribution Circuit Multiplier Structure and Eligibility**

The proposal anticipates targeting two types of circuits with the Multiplier: solar saturated circuits and increasing peak demand circuits. NECEC agrees with the list of resources proposed to be eligible for each of these circuits. We are concerned, however, with the operational limitations assigned to standalone storage. While we appreciate that resources receiving the

Multiplier would need to demonstrate that they are helping to alleviate the identified constraint, significant additional information is needed with regard to the exact parameters that will be imposed on resources.

In fact, the situation surrounding operational limitations on energy storage has significantly evolved since the last straw proposal was released. It has become clear that National Grid intends to impose operational schedules on many energy storage assets attempting to interconnect to its distribution system, regardless of their intent to participate in the Multiplier. This is concerning as these operational limitations significantly reduce the value streams an energy storage resource is able to capture, defeating the intent of the CPS to provide flexibility and revenue stacking for resources.

In particular, these charging and discharging restrictions likely preclude participation in wholesale markets such as the forward capacity market and the regulation market. As an example, consider a standalone energy storage project that has secured a capacity supply obligation in the ISO-NE Forward Capacity Market. The storage resource must discharge when called upon by ISO-NE during a scarcity event or would be storage subject to steep financial penalties for non-performance. For standalone storage projects subject to charging and discharging restrictions, non-performance during a scarcity event due to the Interconnection Services Agreement (“ISA”) restrictions would inject considerable uncertainty into project financing assumptions and would result in the resource choosing not participating in the forward capacity market. Furthermore, the mutually exclusive charge/discharge windows preclude participation in frequency regulation markets, which requires batteries to perform both operation modes within the same timeframe.

NECEC views these operational limitations as proxies for distribution circuit challenges and we believe that any energy storage resource that is subject to an operational schedule in its ISA should be eligible for the Multiplier, regardless of whether the circuit meets the formulaic criteria. While the formula may not indicate an issue with the circuit, clearly the EDC has identified an issue that requires limited charging and discharging windows. Without access to the Multiplier, energy storage projects that are subject to operational limitations will likely not move forward and the Commonwealth will struggle to meet its energy storage deployment goals. As such, we urge DOER to revise the eligibility criteria to ensure any storage resource that is subject to an operational limitation be eligible for the Multiplier; any operational limitations are, by their very nature, a sign that the project is located on a constrained circuit. Furthermore, the presence of operating limitations within a project’s ISA provides a straightforward, transparent, and simple method of determining Multiplier eligibility. Multiplier eligibility for projects with operational limitations would enable storage projects to become operational until the utilities implement Distributed Energy Resource Management Systems, at which time operational restrictions and this requirement could then be revisited.

### Size of Available Multiplier

The proposal identifies two structures to determine the size of the Multiplier: megawatt-limited and time-limited. NECEC believes that either of these options can work if designed correctly. We propose that, for whichever structure is ultimately chosen, DOER implement a SMART-style reservation system that allows developers to secure a spot at some milestone before Permission to Operate, granting the certainty needed to finance projects in response to the Multiplier signal.

Perhaps the biggest change from the previous proposal is a new proposed limit on Multiplier eligibility to eight years. Limiting the circuit multiplier such that an eligible project can only receive it for eight years from approval would impair the Multiplier's success by limiting deployment in response to the Multiplier's signal as resources would be unlikely to accept the additional operating restrictions in return for the additional value. The eight year proposal would present several challenges to resource development and thus to the success of the Multiplier.

First, the operational limitations that a standalone storage resource participating in the Multiplier would accept are unlikely to be limited to eight years. We understand that, in a recent Technical Standards Review Group ("TSRG") meeting on energy storage, the Electric Distribution Companies ("EDCs") indicated that operating schedules for resources that intend to participate in the CPS provide the long-term certainty needed in order to plan distribution system enhancements. That is, the EDCs will make distribution planning decisions based on long-term commitments from the participating resources. However, under the proposed eight-year limit to the Multiplier, participating resources would likely need to find new ways of operating in order to replace lost revenues, which could mean submitting new interconnection applications in order to change their operation and take advantage of any new markets. Not only would this invalidate the distribution system planning, but it is also not clear that it would even be possible for resources to change operating parameters – the very uncertainty that poses a threat to financing this type of project. A resource installed today may never be able to change its operation in the future.

Second, resources that develop in response to the Multiplier effectively forgo the opportunity to stack value in other markets and, as such, the Multiplier must remain for the life of the project. In order to participate, standalone storage must make investments and commitments to operation schedules that cannot be accomplished without certainty of revenue for the investment community. If DOER limits a resource's eligibility to receive the Multiplier to eight years, the project's projected cash flow will be adjusted to match the eight year eligibility term for the Multiplier and no other cash flow will be included until there is certainty that any other cash flow can actually be earned by the resource. Without long-term revenue certainty, it will be difficult to convince investors to make commitments to projects intending to develop in response to the Multiplier.

Lastly, resources that deploy in response to the Multiplier would be providing solar integration or peak load alleviation for the life of the project, not just for eight years. The Multiplier is an incentive intended to drive an outcome (i.e., peak management and renewable integration) that benefits ratepayers and state policy, despite the lack of an existing market that recognizes that benefit. Allowing these resources to remain eligible for the Multiplier for the life of the project ensures that they are fairly compensated for the value they are providing.

### Future Refinement

Each of the Electric Distribution Companies has grid modernization filings pending before the Department of Public Utilities. These plans propose to provide significant additional insight into the distribution system, as well as more granular, accessible data. We encourage DOER to leverage the proposed grid modernization investments to enhance the Multiplier.

### Other Comments

We recommend that the annual filings identify not only circuits that are subject to the Multiplier, but those that are also trending towards such a designation. This will allow developers to understand which circuits are likely to experience a Multiplier well in advance of the Multiplier being applied, reducing the development time needed once the Multiplier is actually implemented. Shorter development timelines would allow resources to begin contributing towards alleviating load growth or solar saturation more quickly.

### Conclusion

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

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Burke". The signature is fluid and cursive, with the first name "Sean" and last name "Burke" clearly distinguishable.

Sean Burke  
Policy Manager