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DEPARTMENT OF ENERGY RESOURCES

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April 28, 2025

Today, the Department of Energy Resources (DOER) is releasing a draft version of our Solicitation and Procurement Effectiveness Report (Report) for public review and comment. The Report will meet the requirements of Section 116 of Chapter 239 of the Acts of 2024 and will be finalized by June 30, 2025.

DOER has a long history with the Commonwealth's clean energy procurements, starting with Section 83 of the Green Communities Act of 2008. DOER's role has grown over the years. Today, DOER is leading both the Section 83C offshore wind procurements and the Section 83E energy storage procurements with the Massachusetts Electric Distribution Companies. As part of this involvement, DOER has learned how to refine and improve the clean energy procurement process. Following our review of previous procurements and the procurement process for other states, DOER finds that, while our solicitations have had successes, the procurement process needs a new framework to meet the Commonwealth's clean energy needs.

Early procurements supported the development of significant clean energy resources at the time: the projects selected through the first Section 83 solicitation represent over 600 MW of operating capacity and contribute to Commonwealth's renewable energy portfolio standard (RPS). The Section 83D solicitation supported the New England Clean Energy Connect (NECEC) project, which will supply 18 percent of the state's power demand with firm, clean hydroelectric energy while reducing costs for ratepayers. The Section 83C offshore wind energy generation procurements have resulted in the nation's first commercial scale offshore wind procurement with Vineyard Wind 1. Offshore wind continues to be the backbone of Massachusetts clean energy policy, both for the energy independence of local renewable energy generation and the regional economic development benefits.

As more and more clean energy projects come online, there will be both successful and unsuccessful project development. Market growth will be dependent on market conditions, and project viability risks will shift over time. It is therefore important that our procurements include more flexibility, both in terms of resource type and timing. This will allow the procurements to reflect current market conditions and more cost-efficiently meet clean energy goals. DOER's review of previous procurement finds that our current procurement structure has the following limitations:

- Complex and multiple reviews: Current processes are slow, inflexible, and do not allow for comprehensive public input.
- Deadlines: Legislative deadlines included in current authorities challenge the Commonwealth's ability to coordinate with other states and respond to market changes.
- Role of EDCs in contracting: While the EDCs have had success in contracting in previous procurements, as solicitations increase in size and frequency, remuneration costs will increase and affiliate concerns are more significant.
- Resource specific: Current authorities are for specific technologies, which reduces the clean energy options that DOER can support.
- Focus on generation: The purchase of energy as well as attributes does not allow for customers to take advantage of future market reforms that support the development of clean energy.

DOER proposes a new procurement framework that will include more flexibility and considers a broader clean energy resource portfolio, in line with the Commonwealth's strategies to meet the Global Warming Solutions Act (GWSA) net-zero mandate in 2050. This new framework addresses the current procurement limitations by addressing the following goals:

- Connect solicitations to GWSA emission limits: By connecting the procurement to Clean Energy and Climate Plans and the existing legislative emission limits, DOER will be able to facilitate the financing of the diverse projects necessary for decarbonization.
- Increased flexibility in resource types and timing: By broadening the eligible resources, DOER can maximize new development when market conditions will result in affordable projects. Flexibility in timing will support coordination with other partners and ability to react to market changes.
- DOER contracting: By shifting the contracting responsibility to DOER, the new framework will preserve the use of long-term contracts to facilitate financing at a lower cost to ratepayers.
- Flexibility with market reforms: As region markets are reformed and revised, long-term contracts for attributes only will capture future benefits for the Commonwealth.

DOER is releasing this draft Report today to provide the public with information on the procurement review and DOER's recommendation while continuing to consult with interested parties. DOER is opening a public comment period to seek feedback on the report's findings and recommendations. There are key aspects of the legislative recommendation that DOER is seeking further stakeholder comment including:

- Environmental justice and community needs
- Diversity, equity, and inclusion plans
- Business and commercial customer interest
- Facilitating financing and creditworthiness
- Vessel and port emission reduction plans

Additionally, DOER's procurement review and consultations highlighted areas for additional review and refinement. These include:

- Required staffing and DOER resources
- Cost recovery of procurement through a tariff
- Contract management
- Structure of contracts for energy services

Thank you for your interest in DOER's Procurement and Solicitation Effectiveness Report. We are looking forward to hearing from you.

A handwritten signature in black ink, appearing to read "Elizabeth Mahony", with a long, sweeping flourish extending to the right.

Elizabeth Mahony

Commissioner, Massachusetts Department of Energy Resources