



Harnessing the Power of Communities

December 7, 2022

To: Massachusetts Department of Energy Resources
Marian Swain, Deputy Director of Policy & Planning
Via: marian.swain@mass.gov

Dear Ms. Swain,

The Local Energy Aggregation Network (“LEAN Energy US”) is a national 501(c)3 non-profit organization founded in 2011 dedicated to empowering communities to purchase and invest in competitive renewable power leveraging Community Choice Aggregation (“CCA”). Our goal is to accelerate the country’s transition to clean and renewable power, support competition and customer choice in the energy sector, and maintain affordable, more predictable, electricity rates. Bringing clarity and direction to a complex arena, LEAN Energy US provides information resources and market expertise to a national network of local governments, commercial and non-profit organizations, advocacy groups and individuals wishing to pursue or expand CCA in their states and/or communities.

We appreciate the opportunity to comment on the draft Municipal Aggregation Manual and Best Practices Guide (Guide). Massachusetts was an early adopter of municipal energy aggregation and paved the way for municipalities across the country to implement competitive energy choice in their communities. Since 1997, when Massachusetts adopted the enabling legislation, the priorities of communities, technologies and data access, and consumer demand have all changed. We believe that the Department of Energy Resources (DOER) has captured many of the best practices that will allow municipalities in Massachusetts to receive certification, however it is our hope that best practices across the nation can also be infused in the final document to allow municipalities to advance their services beyond cost competition to achieve climate and clean energy goals. Many of our recommendations are also supported in the 2020 report from the University of California Los Angeles Luskin Center for Innovation titled “The Role of Community Choice Aggregators in Advancing Clean Energy Transitions”.

Our comments are focused on identifying where best practices in energy aggregation have evolved, with recommendations for operational considerations that will improve aggregation service. Each of our recommendations consider two questions: (1) does it meet the needs of ratepayers; and (2) does it ensure municipalities and the DOER are striving towards the State's climate and greenhouse gas reduction goals. A discussion with recommendations for each section of the draft document is below.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read 'Alison Elliott', is written over a thin horizontal line.

Alison Elliott
Executive Director
LEAN Energy U.S.

Section 1 Basics of Electricity Supply and Distribution

- Section 1.3 Electricity Rates, Prices, and the Wholesale Market

While we understand the Guide is not intended to be a manual on energy markets, this section discusses cost of power with a brevity that leaves out key facets of electricity market procurement such as dollar-cost averaging, the value of long-term contracts, and capacity markets. This section is oversimplified and perhaps misleading to municipal staff who are expected to make decisions in this area. Procurement of power is a critical component of MA aggregation so should be covered in more depth or at least the importance should be further emphasized. Capacity markets at the local level in MA, for example, can dramatically affect costs. Capacity is a significant factor in rate setting and overall success and should be addressed. As is, this section also leaves the reader to believe that all energy contracts are short term, perhaps even real-time. Without additional context, the discussion of rates in Section 2 may be confusing.

Additionally, more advanced Municipal Aggregation structures, like those enabled in California and New Hampshire, engage in long-term contracting that provides a number of benefits beyond the bundled retail supplier model (also known as the CCA 1.0 model), including rate stability and the ability to incentivize new renewable energy project development. DOER should consider how this guide and associated best practices fits into Massachusetts' long term renewable energy mandates and the role of Municipal Aggregation in meeting those policy and legislative goals.

- Section 1.4 Understanding the Basics of Electric Bills

The Guide mentions several times that municipal staff will be expected to conduct outreach to their communities when forming an aggregator. The basics of customer outreach is understanding their energy bill, which helps set the stage for education on what components will be changing and why. This section oversimplifies the bill and should be updated. A sample bill can be included, and a breakdown of the actual components with explanations would be helpful. For example, discounts for low-income customers are a key point to discuss when doing customer outreach and should be discussed in more detail.

Section 2 Municipal Aggregation Overview

- Section 2.1 Key Players in the Municipal Aggregation Process

Figure 4 and the related narrative overemphasize the electricity broker component of aggregation consulting services. When looking at best practices across the country, this is just a small piece of aggregation consulting services and may lead municipal staff to place undue limitations on resources and support available to them. This, in turn, prevents innovation in service to customers. By contrast, we are seeing a variety of consultants supporting aggregators in the U.S. that are providing expertise in the areas of community engagement, electricity data management, and billing.

- Section 2.2 Key Steps in the Aggregation Formation and Operation Process

The steps described in this section are limited to those within the current rules' boundaries. It leaves out many options within each step that allow for implementation of state-of-the-art best practices. At minimum, it should be acknowledged that a municipality should do their own due diligence on options available based on their own

community needs or goals. If that flexibility is not explicit, municipal staff may believe, based on this Guide, that their options are limited and prescriptive.

- Section 2.4 Electricity Supply Rates in Aggregation

Electricity supply rates are incredibly important and also can be daunting for those who are not familiar with rate setting or what goes into rates. This is one reason we suggested included more background in Section 1 on this topic. With a better stage set, the discussion about supply rates in Section 2.4 may be more enlightening. For example, this section touches on contract duration and risks associated, but it should also discuss the benefits of long-term contracting.

Figure 4 in this section (and the call-out bubble on page 12) take note of how aggregation rates compare to basic service rates, yet no aggregation rates are displayed in the figure. We appreciate that the comparison is not always “apples-to-apples”, however a comparison can be displayed that demonstrates the higher quality product as well as price, e.g. when an aggregator price also reflects an increased amount of renewable energy.

Finally, we note that this section includes a discussion on contract duration and pricing relative to size of the aggregation. We would recommend against describing pricing in context to scale and volume, since as DOER correctly notes, the wholesale market is subject to volatility and a range of variable conditions. Instead, we recommend DOER note a need to monitor market conditions and engage with qualified partners to support procurement.

Section 3 Key Considerations for Municipalities Forming or Amending a Municipal Aggregation

- Section 3.1 Goal Setting for Municipal Aggregations

We believe this section is a cornerstone topic for the evolution of aggregation across the country. While aggregation was initially enabled for competition in electricity prices, municipalities throughout the U.S. have moved beyond that early motivation towards more responsiveness to customer and community needs using aggregation as the vehicle to execute. As an agency of the State, which has ambitious goals and mandates, we encourage DOER to be more direct that this is considered a best practice, or at the very least, an advantage to aggregation. Additionally, we suggest the DOER provides potential mitigation strategies for the challenges identified in this section.

- Section 3.3 Funding an Energy Manager Position

DOER should identify other variations of use for the operational adder, such as funding more than one staff position or eventually not funding a municipal staff position at all and instead funding additional consultant(s) or other services. It is also important to note that Aggregations, as municipal entities, need to have the appropriate flexibility to cover costs and a regulatory regime that is responsive to market changes and shifts in the policy and goals of the Aggregation.

Furthermore, in Section 4.1.4 “Paying for a Consultant” (starting at the bottom of page 25), DOER implies that limiting overhead to a low amount is a best practice. In theory this can be true, however, value and goals of the community should also be considered. There may be enough headroom to include additional administrative costs for improved community benefits while maintaining competitive rates. For example, Aggregations can utilize additional revenue received when markets have higher headroom to fund a “rate stabilization fund” that

can be utilized to bring greater stability to rates when markets are more volatile, which helps shield consumers from price spikes. DOER should note that and not deter municipalities from looking at both costs and benefits. [PG1] We recommend DOER provide Municipal Aggregators more flexibility on how to structure adders to accomplish a wider range of policy outcomes, including rate stability and community reinvestment, and not just funding an energy manager.

- Section 3.4 Working with Other Municipalities

DOER's tone towards multi-town aggregation in this section is dismissive and seems to suggest joint power entities (JPEs) are unnecessary. The actual achievement of the goals identified by municipalities is often occurring in aggregations across the country that have expanded into broader, wrap-around services for the communities they serve. This model is supported by economies of scale, pooling administrative costs for each municipality. Of course, municipalities still have the choice to form an aggregator on their own, but they should not be deterred from operational collaboration.

- Section 3.5.2 Access to Mass Save Energy Efficiency Programs

Similar to its tone towards JPE's, DOER does not adequately recognize the benefits to municipalities from applying to administer energy efficiency programs. While one aggregator that has done so is mentioned, there is no commentary on the benefits or success of that aggregator. As we have noted several times, municipalities have strong connections and obligations to the needs of their communities and can be highly effective at administering programs if the appropriate resources are available. There are many aggregators providing community energy programs beyond their incumbent utility/EDC's programs and are demonstrating innovation, success, and increase benefits to customers. At the very least DOER should acknowledge this as a best practice, when the resources are available. Additionally, current readily available commercial solutions exist for Municipal Aggregation that want to pursue Energy Efficiency programs without the burden of hiring additional staff. Those solutions provide market-based platforms for Municipal Aggregation and Contractors to effectively work together on local energy program design, implementation, measure, and verification, by leveraging open-source code and streamlined processes.

- Section 3.5.4 Technology Advancements & Time Varying Pricing

The access to and ability to use Advance Metering Infrastructure (AMI) data can have tremendous benefits to communities. Since this is not available yet, we will not comment in detail. However, our overall support of enabling municipalities to implement best practices that better serve communities will be greatly improved with access to better data. A critical component will be supporting municipalities in accessing the resources to best apply the data to improve service.

Section 4 Forming an Aggregation

- Section 4.1.4 Evaluate Consultant Options

The Guide suggests that either an energy broker or municipal staff are the only two choices to manage the formation and operation process. We do not think these are best practices today, or at least not the only choices. Even in MA, this model has evolved where an energy broker is just one component of "wrap-around" services being provided. We suggest that emphasis be placed on the best practice of retaining a consulting team with cross-sector functionality to serve all the needs of a municipality in aggregation.

In this section, DOER also notes that a municipality would be best served to issue an RFP for this service. While a competitive solicitation is best practice, doing so in conjunction with other municipalities or collaborating with another municipal RFP to cut down on duplicative administrative effort should be identified as a best practice.

- Section 4.3.1 Submit Plan to DPU for Review

We do not believe that a variable and unpredictable approval timeline is a best practice or even acceptable. In addition to being unpredictable, 12-18 months to approval is excessive for a prescriptive application process. DOER should acknowledge this and guarantee an explicit approval timeframe of no more than 60 days subject to ministerial review and a public comment period. DOER should look to how this is managed in other states, such as New Hampshire or California, and implement the best practices from those states.

- Section 4.4.2 Coordination with EDCs and Quarterly Updates to DPU

While we have no material recommendations, we wanted to take the opportunity to highlight the risk DOER notes here: *“Uncertainty around the timing of an aggregation launch, especially for larger municipalities, could lead to risk premiums in the supply rates for basic service customers.”* This context of this comment was focused on the need to coordinate with the EDC, however, the same risk is present in the long and uncertain approval timeline for municipal aggregations seeking to start service.

Section 5 Operating an Aggregation

There is a critical sub-section completely missing from this section: ongoing data collection and analysis to allow for procurement and program improvement and overall rate setting and rate management. Beyond rate management, data management is essential to: 1) improve bill accuracy; 2) tailor procurement with more granularity in load consumption, which often results in cheaper procurement costs; and 3) design programs that are cost effective by identifying customers who need them the most and solving both the grid constraints as well as saving customers’ money.

- Section 5.2 ESA Expiry and Renewal

While we appreciate the ability of a municipality to terminate and restart when an ESA expires, the details provided are limited to Aggregations that completely outsource supply. DOER should note there is more than one operational model for Municipal Aggregation and best practices for procuring supply changes between models.

Appendix

- Section E: “illustrative questions to ask prospective consultants”

Below are suggestions to be included as part of illustrative questions to ask prospective consultants. These questions are best practices for local governments soliciting this type of work or similar work.

Electric Supply Rates

- A. What data are currently available and what will become available with AMI installation that can be used to support rate setting?

Supply Product Options

- A. What are our biggest risks in energy supply procurement and how do you propose to help us mitigate those risks?
- B. If our municipality chooses to pursue increased levels of renewable energy, how will you explore portfolio options that allow us to do so cost effectively?

Outreach and Communications

- A. Please provide a detailed plan for community engagement for each step of aggregation.
- B. How do you plan to incorporate feedback from the communities into your recommendations for procurement, rate setting, and other customer needs that the aggregation could potentially support?
- C. Describe how you manage customer inquiries and complaints once the aggregation is providing service.

Administrative

- A. Describe how you plan to monitor performance of all aspects of your scope, report performance to us, and engage in regular improvement, as needed. This would include areas including rates and rate fluctuations, customer sales and usage, and portfolio challenges. Please provide historic and targeted accuracy and QA/QC processes.
- B. Describe your experience with joint power entities (in aggregation or other municipal programs). Provide a brief assessment of this model for our municipality including pros and con and potential partners.
- C. Describe your experience with energy program development and administration of statewide energy efficiency funding, including use of customer data to inform program possibilities.
- D. How do you propose to support municipal staff in tracking and understanding regulatory and legislative proceedings and recommendations for engagement?

Payment & Contracting

- A. Please describe how your fee varies should our municipality explore various structural options such as more than one staff person or a joint power entity model.
- B. Generally, how do you provide a value add over what has been traditionally offered to aggregations in Massachusetts?