Offshore Wind Municipal Aggregation Guidance

Massachusetts Department of Energy Resources

June 2025

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I. Executive Summary

*An Act promoting a clean energy grid, advancing equity, and protecting ratepayers (*2024 Climate Act) required the Department of Energy Resources (DOER) to issue by June 1, 2025, technical guidance on how Massachusetts municipalities with an aggregation plan can enter long-term contracts to purchase offshore wind (OSW).[1] DOER staff spoke to 33 entities over two months of extensive stakeholder engagement to identify benefits and challenges to municipal aggregations signing long-term contracts for OSW.

This guidance document explains how municipal aggregations could pursue contracts for OSW today under existing contract and procurement structures, while recognizing the challenges and limitations of this process. Additionally, the guidance describes a possible pathway for greater municipal involvement in OSW contracts in the future through alternative procurement structures, as proposed in Governor Healey's Energy Affordability, Independence, and Innovation Act.[2]

II. Introduction

On November 11, 2024, Governor Healey signed into law the 2024 Climate Act.[3] Section 114 of the Act required the DOER to issue by June 1, 2025, technical guidance on how Massachusetts municipalities with an aggregation plan can enter long-term contracts to purchase OSW.

> *SECTION 114. Notwithstanding any general or special law to the contrary, the department of energy resources, in consultation with the department of public utilities and the Massachusetts clean energy technology center, shall issue technical guidance on how a municipality or group of municipalities with an approved municipal load aggregation plan authorized pursuant to section 134 of chapter 164 of the General Laws or with approved aggregations authorized pursuant to section 137 of said chapter 164, may enter into a long-term contract to purchase electricity*

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[1] St. 2024, c. 239, sec 114.
[2] Announced on May 13, 2025. Available at: https://www.mass.gov/info-details/the-energy-affordability-independence-and-innovation-act. See also Draft *Massachusetts Solicitation and Procurement Effectiveness Report.* Department of Energy Resources. April 2025. https://www.mass.gov/doc/draft-solicitation-and-procurement-effectiveness-report/download
[3] St. 2024, c. 239.

from an offshore wind developer. The guidance shall be publicly posted on the department's website not later than June 1, 2025.

a. Municipal Aggregation

Municipal governments in Massachusetts are permitted to establish a **municipal aggregation**, where the municipality or a group of municipalities contract for electricity supply service for its residents and businesses on an opt-out basis.[4] As of April 2025, Massachusetts has 206 approved aggregations serving 225 municipalities.[5] As of December 2024, municipal aggregations served 48% of residential customers in MA and 25% of total electricity supply.[6]

DOER plays an active role in supporting municipal aggregations in Massachusetts. Pursuant to D.P.U. 23-67, municipalities must consult with DOER when preparing their plan to initiate a municipal aggregation program. DOER publishes and updates a *Municipal Aggregations Manual and Best Practices Guide* (Best Practices Guide) that helps municipalities navigate the process of forming an aggregation and advocate for municipal interests, such as cost and sustainability. [7] DOER also tracks the status and performance of aggregations in the Commonwealth by analyzing the annual reports submitted by each aggregation to DPU.[8]

Many municipalities are interested in direct actions to promote clean energy through an aggregation. The Best Practices Guide identifies that the most direct way to meaningfully contribute to new clean energy generation in Massachusetts is to utilize aggregation funds to finance and construct local clean energy projects. For example, the City of Cambridge installed a 540-panel solar array on a Cambridge school rooftop in 2022 using aggregation funds.[9] However, most aggregations have not yet

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[4] G.L. c. 164, § 134.
[5] DPU Municipal Aggregation Webpage. https://www.mass.gov/info-details/municipal-aggregation#approved-municipal-aggregation-programs-
[6] Massachusetts Customer Choice Data 2024. https://www.mass.gov/info-details/electric-gas-customer-choice-data. Statistic excludes customers of municipal light plants.
[7] Municipal Aggregations Manual & Best Practices Guide. August 2024. https://www.mass.gov/info-details/municipal-aggregation-manual-best-practices-guide
[8] Starting in 2024, each aggregation must submit a report under a docket titled D.P.U 24-XX, where "XX" is the year in which reports are submitted (e.g., D.P.U MA-24 includes data from 2023).
[9] "First City to Invest in Local Solar Using Contributions from Cambridge Community Electricity Program." City of Cambridge. November 21, 2022. https://www.cambridgema.gov/digital/Stories/cityviewwinter202223/firstcitytoinvestinlocalsolarusingcontributionsfromcce?sc_lang=en

actively pursued this pathway due to the administrative burden and uncertainty it would present for resource constrained local governments.

Instead of directly funding clean energy projects, many municipal aggregations choose to increase the amount of renewable energy in the electricity supply by purchasing voluntary **renewable energy certificates (RECs),** which represent environmental attributes associated with renewable energy production. In 2023, municipal aggregation customers spent $22.7 million on voluntary RECs, including $20.5 million on MA Class I RECs.[10] This demonstrates that aggregations across the Commonwealth are interested in contributing additional funds towards advancing clean energy in Massachusetts.

b. Section 83C Offshore Wind Procurements

OSW is a crucial part of the Commonwealth's clean energy strategy.[11] Massachusetts has been on the forefront of the OSW industry since the first-in-the-nation procurement of the Vineyard Wind 1 project in 2017 and has conducted several rounds of competitive OSW solicitations since then. Section 83C of the Green Communities Act is the governing statute that requires the Massachusetts electric distribution companies (EDCs), in coordination with DOER, to competitively solicit proposals for OSW energy generation and to enter into cost-effective long-term contracts with developers to facilitate the financing of OSW energy generation resources in the Commonwealth.[12]

Under Section 83C, DOER, in consultation with an independent evaluator and the EDCs, may select one or more cost-effective OSW projects that provide benefits to the Commonwealth. The EDCs enter into contract negotiations with selected projects and file executed contracts at the Department of Public Utilities (DPU) for review and approval. The developers need an executed and approved contract to secure project financing to develop the project and reach commercial operation. When the project begins delivering power, the developer sells clean energy and/or associated environmental attributes (e.g., RECs) to the EDCs at the pre-defined prices included in their proposal. The EDCs may sell the energy and any attributes they do not use to meet their Basic Service supply or Renewable Portfolio Standard (RPS) obligation. This

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[10] DOER's Analysis of Municipal Aggregation Annual Report Data, filed with DPU under MA-24.
[11] Clean Energy and Climate Plan for 2050. Page 68-69. December 2022. https://www.mass.gov/doc/2050-clean-energy-and-climate-plan/download
[12] Section 83C of the Green Communities Act, St. 2008, c. 169, as amended by the Energy Diversity Act, St. 2016, c. 188.

sale of extra attributes allows retail electric suppliers, such as those that supply energy through municipal aggregations, to purchase attributes for RPS compliance.

All distribution customers, including customers in municipalities with approved aggregation plans, currently support Section 83C OSW energy procured through a Long-Term Renewable Contract Adjustment (LTRCA) charge on electricity use, as measured in kilowatt-hours (kWh). The LTRCA is an electricity tariff that the DPU reviews and approves. The charge is established to collect the net costs of the long-term renewable contracts, which is calculated as the difference between the costs of energy, RECs, administrative costs, remuneration, and associated market revenues from the value of energy sold into ISO New England (ISO-NE) energy markets and value of RECs.

Starting in 2022, the amended Section 83C requires DOER to give preference to proposals that demonstrate benefits from "commitments to enter long-term contracts to purchase offshore wind energy with businesses, non-profit organizations, a municipality or group of municipalities with an approved municipal load aggregation plan. . ."[13] As part of the Section 83C Round 4 solicitation, the City of Boston[14] and the Massachusetts Municipal Wholesale Electric Company (MMWEC)[15] signed separate non-binding Memorandums of Understanding (MOUs) with Avangrid to negotiate off-take agreements for up to 15 MW and 50 MW, respectively, of the New England Wind 1 project that was selected in Round 4 of 83C OSW procurements.[16]

III. Stakeholder Engagement

DOER staff conducted outreach to key stakeholders between January and March 2025 to identify barriers, benefits, and stakeholder interests related to municipal aggregations signing long-term contracts for OSW.

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[13] Section 83C of the Green Communities Act, St. 2008, c. 169, as amended by Section 61(c)(viii) of An Act Driving Clean Energy and Offshore Wind, St. 2022, c. 179.
[14] "Mayor Wu Announces Support for Avangrid's Proposal for Offshore Wind Energy." April 23, 2024. https://www.boston.gov/news/mayor-wu-announces-support-avangrids-proposal-offshore-wind-energy
[15] "Avangrid Submits Multiple Proposals for Transformative New England Wind Projects to Regional Offshore Wind Solicitation." March 27, 2024. https://www.avangrid.com/w/avangrid-submits-multiple-proposals-for-transformative-new-england-wind-projects-to-regional-offshore-wind-solicitation
[16] The status of those negotiations is confidential to the developer and prospective off-takers.

a. Stakeholder Engagement Process

DOER conducted outreach to a set of stakeholders that have demonstrated interest in, or may have relevant perspectives on, municipal aggregation and OSW contracting (see full list in Figure 1).[17] DOER hosted 60-minute video conference calls during which background information was provided and specific questions were discussed.

DOER interviewed 33 entities, including eight municipal aggregations and eight power purchasers.

Figure 1: Stakeholders interviewed by DOER staff

Municipal Aggregations	Municipal Aggregation Consultants	OSW Developers	Advocates and Associations	Power Purchasers	Electric Distribution Companies
City of Boston	Peregrine Energy Group	Avangrid	Green Energy Consumers Alliance	Massachusetts Municipal Wholesale Electric Company	Eversource
City of Cambridge	Colonial Power Group	Ocean Winds	Metropolitan Area Planning Council	Energy New England	National Grid
Town of Arlington	Good Energy	Orsted	Light Commissioners Association	NextEra	Unitil
City of Newburyport	Power Advisory	BP	Vineyard Power	Power Options	
City of Framingham				NRG	
City of Worcester				Vistra	
City of Amherst				First Point Power	
Cape Light Compact				Residents Energy	

[17] Per statutory requirements of Section 114 of the 2024 Climate Act (St. 2024, c. 239) DOER consulted with the DPU and Massachusetts Clean Energy Center to produce this guidance.

b. Stakeholder Interests

Through stakeholder interviews, DOER identified several consistent trends in the benefits that motivate stakeholders to pursue OSW for municipal aggregations.

i. Promote the development of additional offshore wind capacity

Stakeholders suggested that municipal aggregations serving as additional off-takers for OSW projects could enable more OSW capacity to be financed and built. However, developers noted that most projects are already designed to be built to their maximum capacity, and that the limiting factor is either the size of the lease area or capacity at the point of interconnection.

ii. Offering an alternative to purchasing existing RECs

Many municipal aggregations provide a "green" product that funds voluntary REC purchases (i.e., above the RPS obligation), either as the default product for aggregation customers or as an opt-in product. This voluntary REC purchasing reflects a desire to contribute additional funds to support clean energy.

However, voluntary REC purchases have limited impact on bringing new, local clean energy resources online. When an aggregation collects funds to purchase voluntary RECs, the aggregation's supplier typically uses those funds to purchase RECs at market price from existing resources. Too often those RECs can be from an out-of-region resource (e.g., wind RECs from Texas), which means that neither the electricity nor economic benefits are deliverable to Massachusetts. Furthermore, the purchase of out-of-region RECs may not necessarily reduce emissions and will not contribute towards reaching Massachusetts emissions goals.

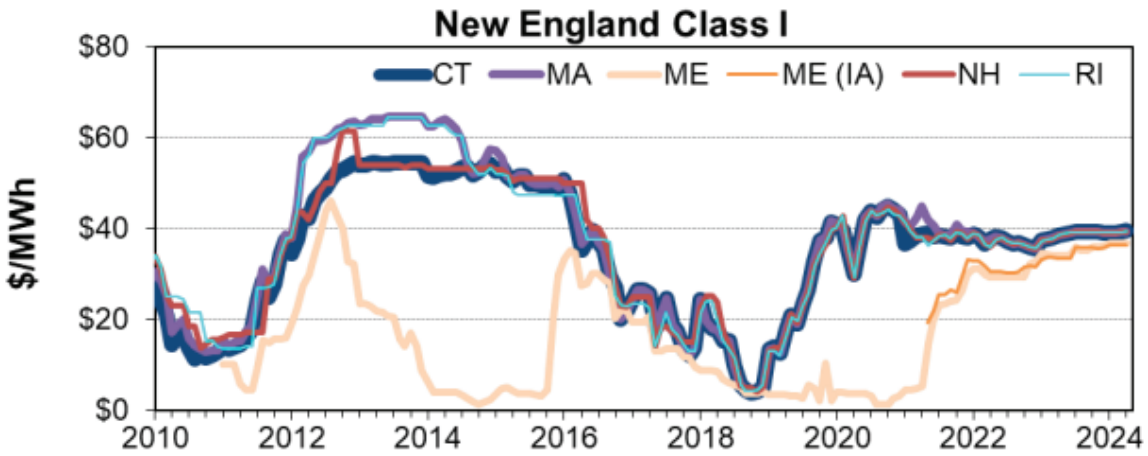
Alternatively, the aggregation can purchase RECs from a qualifying in-region resource by purchasing MA Class I RECs, which meet the standards in the Massachusetts Class I RPS policy. MA Class I RECs are produced by a qualified renewable energy facility that began commercial operation after 1997 and is located in the New England power grid or an adjacent area. Qualifying facilities must generate electricity using one of the following technologies:

- Solar photovoltaic
- Solar thermal electric
- Wind energy
- Small hydropower (<= 30 MW)
- Landfill methane and anaerobic digester gas
- Marine or hydrokinetic energy

- Geothermal energy
- Eligible biomass fuel

Purchasing in-region MA Class I RECs is a more effective option than purchasing RECs from out-of-region resources,[18] but even MA Class I RECs have limited ability to bring new, local resources online. The price of MA Class I RECs is effectively capped by the value of the Alternative Compliance Payment (ACP) of the RPS, which DOER establishes through regulations. When the market price of MA Class I RECs is near or at the ACP value (i.e., MA Class I REC market is undersupplied), purchasing voluntary MA Class I RECs does not increase the market price due to the cap and therefore does not bolster the market signal to attract new renewable resources in the region. For example, MA Class I RECs have been priced at the value of the ACP for the last few years (see Figure 2). Without a capped ACP, the value of those MA Class I RECs likely would have been higher, which would signal clean energy developers to build more projects supported by those higher-priced RECs.

Figure 2: REC Market Pricing in New England (2010-2024)[19]



Furthermore, purchasing voluntary RECs – even MA Class I RECs – from the market does not provide long-term revenue stability, which clean energy developers require to finance the up-front costs of developing a new project. As acknowledged in the

[18] Municipal Aggregations Manual & Best Practices Guide, page 20, August 2024. https://www.mass.gov/info-details/municipal-aggregation-manual-best-practices-guide

[19] Lawrence Berkeley National Laboratory, Galen Barbose, U.S. State Renewables Portfolio & Clean Electricity Standards: 2024 Status Update, pg 33; available at https://etapublications.lbl.gov/sites/default/files/lbnl_rps_ces_status_report_2024_edition.pdf; Per 225 CMR 14.08(3)(a)2, the Alternative Compliance Payment for Class I was set at $50/MWh for 2022 compliance year, and $40/MWh for the 2023 and 2024 compliance years.

Best Practices Guide, the most meaningful way for an aggregation to contribute to clean energy generation is by directly financing and constructing clean energy projects through a power purchase agreement (PPA).[20] Several stakeholders acknowledged that in the case of OSW, which is a highly capital-intensive industry, long-term revenue is of the utmost importance for developing new projects.

Due to these dynamics, stakeholders expressed interest in ways to more directly finance the construction of new renewable resources like OSW, rather than purchasing existing RECs in the market.

iii. Meaningful connection to local clean energy and its benefits

Many stakeholders expressed interest in enabling municipal aggregations to directly support local OSW projects, as well as the economic benefits that come along with OSW projects (e.g., local jobs, supply chain impacts, etc.). Stakeholders expressed that doing so may foster a sense of engagement with the OSW projects, which is essential for building a successful and mutually beneficial OSW industry in the Commonwealth.

iv. Meet local clean energy goals

Some municipalities, such as Boston and Cambridge, have their own clean energy and climate goals. Several stakeholders mentioned OSW as an opportunity for municipal aggregations to contract for long-term sources of local RECs to meet local goals.

v. Lower electricity prices

Many stakeholders voiced an interest in securing lower cost energy and/or RECs from OSW. The Section 83C procurements have secured cost-effective OSW energy and RECs for Massachusetts, including from the Vineyard Wind 1 project, which began delivering power in 2024. Stakeholders expressed interest in securing the benefits of cost-effective OSW directly for municipal aggregation customers.

vi. Hedge against uncertainty

Municipal aggregations tend to sign contracts of 18- to 36-months with energy suppliers that purchase electricity from the wholesale market. If an aggregation contract expires at a time when wholesale market prices are especially high (e.g.,

[20] Municipal Aggregations Manual & Best Practices Guide, page 18, August 2024. https://www.mass.gov/info-details/municipal-aggregation-manual-best-practices-guide

when natural gas prices skyrocketed after the invasion of Ukraine), the aggregation is locked into that high rate for the full term of the contract.

Due to the volatile and unpredictable nature of electricity prices, some stakeholders expressed interest in long-term contracts for OSW as a hedge. For example, a municipal aggregation could sign a long-term, fixed-price contract for 30% of its capacity, thereby limiting the volatility of the market to 70% of its capacity.

c. Barriers

DOER identified five main barriers during stakeholder interviews that municipal aggregations may face in contracting for OSW.

i. Aggregation customers can opt-out at any time

Aggregation customers can opt-out of their aggregation at any time and instead choose to contract their electricity supply from the utility-provided Basic Service or a competitive retailer. Aggregation customers may opt-out if customers see these alternatives as more advantageous than an aggregation product. Although aggregations have - on average - delivered savings compared to Basic Service and competitive retailers, aggregations cannot guarantee customer savings nor that products will remain competitive going forward. This uncertainty makes aggregations a challenging partner for OSW developers, who require highly dependable and long-term off-take agreements to secure financing.

ii. Credit quality of municipalities

OSW developers require contracts with off-takers that have investment-grade credit quality to receive financing. There is no amount of capacity that would be acceptable to contract with an off-taker that does not have investment-grade credit quality. The Massachusetts EDCs, who contract with OSW projects through the Section 83C procurement process, are highly credit-worthy counterparties. Municipal aggregations, however, are not credit-rated organizations, and municipalities themselves often either do not have the necessary credit rating or are unwilling to underwrite a long-term OSW contract. Numerous stakeholders suggested that a third party with investment-grade credit would have to underwrite long-term contracts between aggregations and developers for such contracts to be viable.

iii. Length of contract

To receive financing, OSW projects prefer contracts that guarantee revenue certainty for no less than 20 years, whereas aggregations typically enter 18- to 36-month contracts for their electricity supply. Municipal aggregations typically cannot sign

longer contracts because aggregation customers are not required to remain in the aggregation and may opt out of the program at any time. The fact that aggregations cannot guarantee their customer base deters power suppliers from offering longer-term contracts to aggregations, due to potential losses if the aggregation terminates or loses customers.

Due to the barriers outlined here, any long-term contract for OSW that an aggregation enters is likely to only represent a small share of the aggregation's total demand. The remaining demand would still have to be supplied by a contract with an electricity supplier. Managing two contracts of different durations – e.g., a 20-year OSW contract and a 24-month electricity supply contract – may introduce administrative and contractual complexities, especially for aggregations with limited resources.

iv. Cost of OSW

Several stakeholders conveyed an interest in OSW as a cost-effective energy supply. The EDCs and several other stakeholders indicated that aggregations should be prepared to pay the same contract price for OSW that is negotiated on behalf of EDC delivery customers. Given the current uncertainty in the OSW industry, stakeholders also expressed concern about the cost of OSW energy.

v. Administrative complexity

At present, Section 83C procurements are complex, multi-party solicitations and contracting processes involving OSW developers, state agencies, the EDCs, and an independent evaluator. There are numerous stages of analysis and review to ensure that projects are cost-effective and advance the public interest. Navigating this process and entering bilateral agreements with developers, even a non-binding MOU, is likely outside the capacity of most municipal aggregations, many of which do not have a full-time energy manager. It is also unlikely that OSW developers will pursue contract negotiations with multiple municipal aggregations, especially smaller aggregations that may not have a full-time energy manager.

Several stakeholders suggested a streamlined and centralized process for municipal aggregations to access contracts for OSW to overcome the barrier of administrative complexity. A different process could reduce the need for aggregations to negotiate bilaterally with developers and navigate the contractual details associated with OSW contracts. Many stakeholders further suggested that the Commonwealth is best positioned to coordinate such a process. The following section describes how expanded state procurement authority may offer a centralized process by which aggregations can enter contracts for OSW RECs with lower administrative complexity.

IV. Guidance

a. Existing 83C Process

Under the current Section 83C process, municipal aggregations can bilaterally contract with OSW developers who plan to bid into a solicitation under Section 83C. Municipal aggregations can approach developers, or vice versa, to negotiate an MOU for potential off-take from a project if DOER selects said project to enter into contract negotiations with the EDCs. The developer can then submit a copy of the signed MOU with their proposal(s) into the Section 83C solicitation. Statute requires DOER to "give preference to proposals that demonstrate benefits from . . . commitments to enter long-term contracts to purchase offshore wind energy with . . . a municipality or group of municipalities with an approved municipal load aggregation plan."[21]

If DOER selects the project that includes an MOU for municipal aggregation off-take, the EDCs negotiate contracts with the developer and the DPU approves the contracts in the normal course. The municipal aggregation can then similarly negotiate their own binding bilateral contract for off-take based on the previously signed MOU. The project's full capacity would ultimately be under contract with the municipal aggregation and the EDCs.

Municipal aggregations can purchase OSW energy and RECs under the existing Section 83C process; however, the barriers outlined above likely limit the ability to scale the existing process. DOER identifies a single possible pathway under the existing Section 83C process to assist municipal aggregations in entering long-term contracts for OSW energy and/or RECs.

i. Municipal load as a backstop

Municipal load (e.g., city-owned buildings) is much more stable than aggregation load, since aggregations are opt-out and could lose customers or terminate at any time. The municipal load, on the other hand, will always need to be served. This stability of the municipal load could largely solve the barrier of aggregation customers opting out at any time and allow municipal aggregations to contract for OSW electricity with the municipal load as a "backstop". In the event that the aggregation loses customers or terminates, the municipal load would absorb the

[21] Section 83C of the Green Communities Act, St. 2008, c. 169, as amended by Section 61(c)(viii) of An Act Driving Clean Energy and Offshore Wind, St. 2022, c. 179

unused OSW capacity. This would allow aggregations to contract for OSW electricity up to the total capacity of the municipal load.

It is worth noting that this structure would reduce the cost of OSW project(s) for all other distribution customers. Any OSW capacity that municipal aggregations contract for cannot be contracted for by the EDCs, thereby reducing the overall costs that need to be recovered under the LTRCA.

However, this option comes with some limitations. The proposed structure would only solve the barrier of aggregation customers being able to opt-out. The credit quality barrier would still exist, since OSW developers require off-takers with investment-grade credit quality to receive financing. This structure also would not solve the barrier of administrative complexities: bilateral negotiations between aggregations and developers would still be required. It is highly unlikely that OSW developers would be interested in negotiating numerous contracts. Finally, municipal load is typically a small percentage of the total load of an aggregation, or in some cases is not included in the aggregation at all and is served instead by other separate long-term supply contracts. Therefore, the municipal aggregation off-take of OSW electricity would be limited to the small capacity of municipal load served by the aggregation. These limitations may restrict the feasibility of aggregations using municipal load as a backstop.

b. Expanded DOER Procurement Authority

Governor Healey's proposed Energy Affordability, Independence, and Innovation Act[22] proposes a new structure for clean energy procurement that provides additional flexibility to support the resources, such as OSW, needed to meet greenhouse gas (GHG) emission reduction requirements pursuant to the Global Warming Solutions Act (GWSA) and the Clean Energy and Climate Plans for 2025/2030[23] and 2050.[24]

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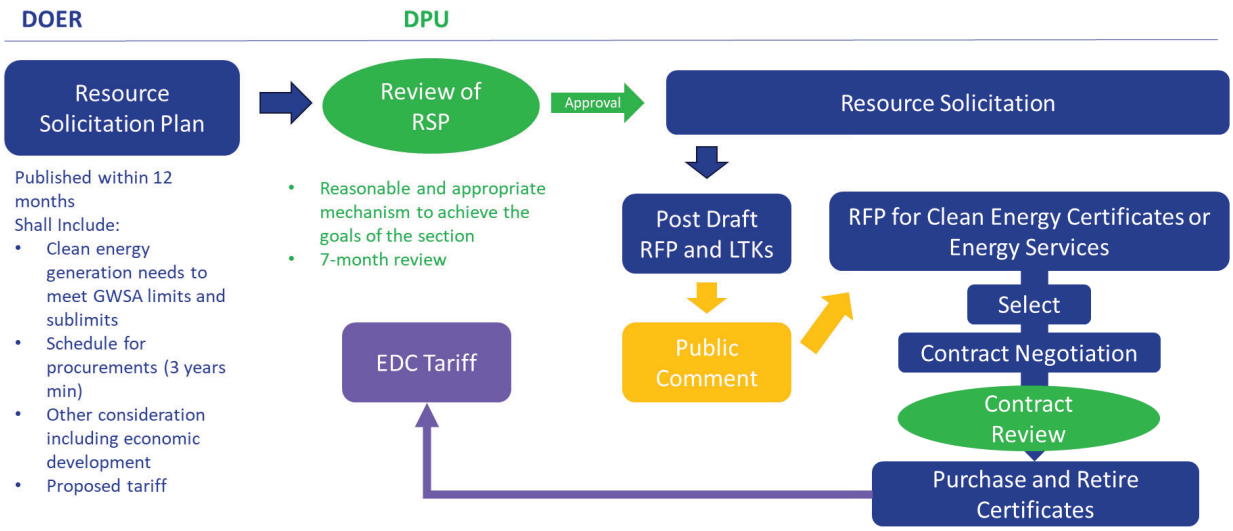
[22] Announced on May 13, 2025. Available at: https://www.mass.gov/info-details/the-energy-affordability-independence-and-innovation-act. See also Draft *Massachusetts Solicitation and Procurement Effectiveness Report.* Department of Energy Resources. April 2025. https://www.mass.gov/doc/draft-solicitation-and-procurement-effectiveness-report/download

[23] Massachusetts Clean Energy and Climate Plan for 2025 and 2030. June 30, 2022. https://www.mass.gov/info-details/massachusetts-clean-energy-and-climate-plan-for-2025-and-2030

[24] Massachusetts Clean Energy and Climate Plan for 2050. December 2022. https://www.mass.gov/info-details/massachusetts-clean-energy-and-climate-plan-for-2050

Figure 3: DOER Recommendation for New Procurement Framework[25]



Under this proposed framework (see Figure 3), DOER would develop a Resource Solicitation Plan (RSP), which identifies the necessary clean energy resources to support the Commonwealth's emission reduction targets. The RSP would also include a schedule for clean energy solicitations that DOER would conduct within the subsequent three years after the DPU approves the RSP. Consistent with the approved RSP, DOER would conduct competitive clean energy solicitations to procure environmental attributes (e.g., RECs) or energy services and directly enter into long-term contracts with developers. DOER would retire all purchased environmental attributes on behalf of electric distribution customers and reduce portfolio standard compliance obligations commensurate with the purchased attributes. DOER would regularly recover the costs associated with the contracts through an electric rate tariff the EDCs file and the DPU approves.

The ability to finance and construct large, new OSW projects will still rely on procurements backstopped by the EDCs' creditworthiness for the foreseeable future. Large-scale, capital-intensive projects such as OSW projects require equally large and stable counterparties that can offer revenue certainty. However, as the contracting party under the proposal, DOER would have greater flexibility for coordination with municipal aggregations, in addition to other governmental and non-governmental organizations, including opportunities for municipal aggregations to purchase RECs

[25]Draft *Massachusetts Solicitation and Procurement Effectiveness Report*, page 78. Department of Energy Resources. April 2025.https://www.mass.gov/doc/draft-solicitation-and-procurement-effectiveness-report/download

from contracted OSW projects and reduce the cost that must be recovered from all ratepayers.

For example, DOER could work to establish a process for municipal aggregations to purchase environmental attributes from OSW projects that DOER has contracted for following its RSP process. In the proposed structure, the OSW project would still receive secure financing, which is funded through an EDC tariff, pursuant to DOER's procurement. However, municipal aggregations with a desire to purchase additional OSW RECs could contract with DOER for a given level of those RECs for their customers, which would reduce the costs of the project recovered from all ratepayers.

i. Resolving barriers

This approach would address four of the five main barriers facing aggregations in pursuing long-term contracts for OSW. First, it solves the issue of opt-out uncertainty for aggregations, since DOER is the contracting party with the OSW developer. Under the proposed framework, any RECs that municipal aggregations don't purchase would be retired by DOER on behalf of all EDC customers and reduce portfolio standard compliance obligations commensurate with those RECs.

Second, municipal aggregations would be able to purchase RECs from those which DOER procures without needing to offer their own credit or find a third-party to underwrite a contract. Ultimately, only a creditworthy party like the EDCs can provide the secure financing needed to construct an OSW project. Since DOER would be the contracting counterparty, with financing guaranteed through an EDC tariff, developers would still be relying on the EDCs' credit rating – not municipalities' – to secure financing.

Third, aggregations could enter contracts with DOER for RECs that are shorter in duration than the contract that DOER would sign with developers. Signing shorter duration contracts may be more feasible for aggregations who procure their electricity (and corresponding REC) supply on 18- to 36-month cycles, while still providing financial support to OSW projects. DOER's long-term contract for the full capacity of an OSW project, financed through the EDC tariff, enables municipal aggregations to enter into these shorter contracts while developers continue to receive the stability of long-term contracts.

Finally, instead of negotiating bilaterally with project developers, municipal aggregations would work with DOER to access products (e.g., RECs) of the Commonwealth's procurements without needing to directly engage in the procurement and negotiation process.

The proposed procurement framework would require new legislative authority and processes for DOER. First, DOER would need authority to enter into contracts with municipal aggregations for their purchase of RECs. Second, DOER would need to work with municipal aggregations to establish a new financial and contracting arrangement, which would be a first of its kind. The details of such a process would require further stakeholder engagement and legal and policy analysis that is beyond the scope of this report.

ii. Reducing costs for ratepayers

Under this new framework, municipal aggregations that work with DOER to purchase environmental attributes from OSW project(s) would be reducing the costs of said project(s) for all other distribution customers. OSW project costs under this framework are recovered by DOER via an EDC electric rate tariff. Municipal aggregations that purchase environmental attributes would reduce the amount collected through the tariff, which is paid by electric distribution customers, thus reducing the bill impact of OSW projects for all distribution customers.

There are significant potential advantages to this structure, which would allow DOER to work with municipal aggregations, as well as with other interested buyers, to support OSW projects. However, it is important to note that OSW developers would still be primarily relying on state-led procurements and targets to finance and construct their projects. DOER's proposed procurement structure is designed to ensure the Commonwealth purchases enough OSW and other clean energy to meet its GHG goals. The additional purchasing capacity of municipal aggregations could change *which* ratepayers pay for the cost of that OSW but would not ultimately change the *volume* of OSW purchased. OSW projects require long-term contracts at a specific price that are underwritten by an investment-grade credit-worthy institution; additional OSW capacity therefore requires additional off-take demand with all of those characteristics, which municipal aggregations are not in a position to provide. However, by contracting for RECs that OSW projects produce, aggregations can credibly claim to support the OSW projects that are essential for the Commonwealth to achieve its climate commitments while reducing costs for other customers.

As outlined in Governor Healey's proposed Energy Affordability, Independence, and Innovation Act,[26] DOER recommends changes to the structure of OSW procurement and contracting to meet climate goals and secure the greatest benefits for Massachusetts residents and businesses. As the report notes, DOER will need to expand staffing and resources, especially in contract administration, to successfully meet the responsibilities of the proposed framework and create better opportunities for municipal aggregations to use their purchasing power to contract for OSW RECs directly through DOER.

V. Conclusion

Municipal aggregations demonstrate a clear willingness to pay for new, local clean energy projects in support of the Commonwealth's clean energy transition. The current dynamics of the OSW industry result in significant barriers for municipal aggregations that wish to purchase energy and environmental attributes from OSW. Although there are existing pathways for municipal aggregations to purchase OSW under the existing Section 83C procurement process, there are significant limitations that will limit scalability. However, the new structure for clean energy procurements described in Governor Healey's proposed Energy Affordability, Independence, and Innovation Act[27] would provide DOER greater flexibility to coordinate with municipal aggregations to allow them to contract for OSW and support the growth of the OSW industry in Massachusetts, benefiting aggregation customers and the entire Commonwealth.

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[26] Announced on May 13, 2025. Available at: https://www.mass.gov/info-details/the-energy-affordability-independence-and-innovation-act. See also Draft *Massachusetts Solicitation and Procurement Effectiveness Report.* Department of Energy Resources. April 2025. https://www.mass.gov/doc/draft-solicitation-and-procurement-effectiveness-report/download

[27] Announced on May 13, 2025. Available at: https://www.mass.gov/info-details/the-energy-affordability-independence-and-innovation-act. See also Draft *Massachusetts Solicitation and Procurement Effectiveness Report.* Department of Energy Resources. April 2025. https://www.mass.gov/doc/draft-solicitation-and-procurement-effectiveness-report/download