



The Energy Consortium

A non-profit Organization of Industrial, Commercial and Institutional Energy Users

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Eric Steltzer (by email)
Deputy Director, Renewable & Alternative Energy Division
Massachusetts department of Energy Resources

Ref: Responses to OSW questions

Dear Eric:

The Energy Consortium (“TEC”) is a non-profit association of commercial and industrial (“C&I”) ratepayers who are each large energy users in Massachusetts. TEC’s members include hospitals, world-renowned universities, and large international companies. Among TEC’s members are two of the ten largest employers in the Commonwealth. The cost and reliability of energy plays a crucial role in TEC members’ continued ability to operate in Massachusetts. To that end, the organization’s goals are to:

- Promote competition in the electricity and natural gas industries;
- Bring the C & I rate closer to the national average;
- Minimize cross subsidies in regional and local utility and regional transmission rates;
- Sponsor open discussions between large energy users, customer advocates, utilities; government agencies, transmission operators and environmental groups; and,
- Foster better understanding of national, regional and local energy efficiency programs, especially customer

We appreciate the DOER establishing a forum in which stakeholders can provide input into its investigation for the Offshore Wind Study required under section 21 Chapter 227 of the Acts of 2018. We reviewed the questions and determined many of them were not within the scope of our knowledge to comment on. Therefore, it was decided that we would provide you with our view of another OSW procurement at this time and our reasons for that.

As ratepayers and taxpayers in Massachusetts we believe we have a large stake in the electric supply in Massachusetts from many standpoints, including the economic and physical wellbeing and health. We have read the questions and believe the best way for us to respond is to point out as succinctly as possible in a brief discussion of points we believe are relevant to the many questions.

1. We believe another procurement by the State at this time will not allow the market to be tested and utilized by OSW.
2. The current procurement will allow the intermittency of OSW to be tested which is important in terms of resiliency.
3. Technology is advancing and the electric industry is also predicted to experience significant change another state procurement at this time may impede this.
4. There may be better alternatives to an OSW procurement sponsored by the state.
5. The ratepayer continues to take all the financial risks.

1. ISO-NE and its stakeholders have taken the procurement of power outside of the ISO-NE market seriously and has spent the past 2 years, at least, trying to accommodate it. FCA 13, which has just been completed was conducted on February 4, 2019 and included a new market provision, CASPR, to accommodate the inclusion of projects, primarily renewable that don't meet the Minimum Offer Price Rule. There was good news in FCA 13; a 20 MW photovoltaic project with storage was accepted as part of the auctions RTR exception.¹ And Vineyard Wind, a part of the State's procurement was able to secure a 54 MW capacity Supply Obligation (CSO) through CASPR.² We believe the market needs to be given the opportunity to operate as planned without additional interference from governmental bodies in order to test the viability of the market to develop. We have seen considerable interest along the Eastern Sea Coast from substantial companies that have had success in Europe. It is our hope that they will be able to operate in the market environment. It is our hope that the Department of Environment and Energy will work closely with ISO-NE and the legislature to develop a coordinated approach to bringing more renewables into the electric market. This question relates to the first question the DOER asked. This comment relates to questions 1, 3, 7, 19 and 20
2. OSW is a new technology in the United States. There has only been a small installation thus far that serves Block Island, R.I. It is important that the technology be established prior to putting significant resources into it as a key resource for Massachusetts. How does intermittency impact the grid? Is it a problem that potentially affects the reliability of the grid. It is our hope that this will not affect the viability of this technology. Using storage capability wisely and a variety of other technologies hopefully will serve to compliment OSW. It is expected that OSW will be important in the electric industry over time, we believe it needs to be tested prior to rapid expansion which may be problematic. This comment relates to questions 6a and 10.
3. Massachusetts is a leading state in innovation in technology including electric advances. Significant work is being conducted in many different methodologies as well as advances in current technologies such as wind power to make it more efficient and economic. Some of the technologies that will compete with wind are hydro, wave power, fission and fusion. We don't have enough knowledge where new technologies are in their stage of development but do know they are under various stages of development. And there is significant interest in them.

¹ Utility Dive, Residential solar & storage breaks new ground as Sunrun wins ISO-NE contract, Julia Gheorghiu, February 8, 2019

² ISO-NE Industry News and Developments, Vineyard Winds Participation in FCA#13, Feb. 8, 2019

There is also significant work being conducted in transmission capability. OSW is complicated and expensive. One of your questions relates to the coordination of transmission. We are not qualified to discuss the technical aspects of this but from an economic and environmental point of view coordinated transmission makes sense. Economically it seems it would be less expensive to share in transmission expense and environmentally it would leave the ocean closer to its original state. The one issue we see initially is that it could slow down initial projects.

We believe that state aid is particularly helpful in the early stages of product introduction into the market. The SREC 1 program is a good example of this. The program encouraged an explosion of photovoltaic development in Massachusetts. Not only did it encourage the use of sun power, but it powered the start of many companies and the employment of many people. However, we believe that after the initial introduction of a product or service a subsidy is no longer necessary. This comment relates to questions 11 and 13.

4. There may be alternatives other than a OSW procurement. that are less or equally expensive that will serve to provide the same result or better. It may make economic sense to invest in net zero facilities that provide permanent reliable energy reductions with minimal operating cost. Or as a headline in Energy Central Utility News on February 20, 2019 *Texas Power Pool surpasses 140 MW, releases renewable RFP*. This is an aggregation of entities which have solicited enough interest from customers to buy renewable energy for 3¢/kWh with contracts for 12 plus years. This relates to Question 18.
5. Ratepayer takes all the financial risk. The price is determined when the project developer is selected. The risk can begin prior to project completion or once the project is completed. Usually it is upon completion. Our understanding of the way the developer will be paid is that energy from the facility will be delivered to the market and will be part of the economic dispatch of ISO-NE. Any shortfalls in the contracted price and revenue from the market will be charged to the ratepayer through the utilities' distribution rate. Therefore, the ratepayer takes all the financial risk in the market. In addition, the utilities have asked for a 2.75% management fee for the contract. The fee has not been approved yet but that fee that is approved will be included in the utility distribution rate also. It is noticeable in the stakeholder questions that there is what appears only to be minor concern for the impact on the ratepayer. In the Act that provides for a restructured market in 1997 it specifically says that one of the reasons for enacting such an Act is," the existing regulatory system results in the highest, residential and commercial electricity rates paid by customers throughout the United States.³ Massachusetts ratepayers continue to be among the highest ratepayers in the United States. These comments relate to question 1 and 16

Regards,



Roger Borghesani, Chairman
The Energy Consortium

³ An Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein .Section 1, Page 2 (D)