

Via Electronic Mail

February 19, 2021

Patrick Woodcock, Commissioner
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston MA, 02114

Re: Clean Peak Standard, EDC Procurements Straw Proposal

Dear Commissioner Woodcock,

The Northeast Clean Energy Council (“NECEC”) appreciates the opportunity to provide comments to the Department of Energy Resources related to the Straw Proposal for the Electric Distribution Company (“EDC”) procurement of Clean Peak Energy Credits (“CPECs”) for the Clean Peak Standard.

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.

A well-designed EDC procurement will jumpstart the CPEC market and accelerate market maturation. As such, we support the three objectives outlined in the Straw Proposal: (1) Spur new and incremental clean peak resource development, (2) provide revenue certainty for clean peak resources to enable financing, and (3) provide cost-effective Clean Peak Energy Credit supply. We propose recommended revisions to the Straw Proposal that will allow the procurement to better meet these objectives.

Before turning to discrete recommendations, NECEC raises a concern about how certain classes of resources, particularly residential resources, will participate in the Clean Peak Standard. The Straw Proposal will likely result in the selection of larger projects that benefit from economies of scale. This is an understandable outcome, and we suggest further consideration of how the Clean Peak Standard can spur new and incremental development of residential resources. One option is to offer a tariff for residential Clean Peak Standard resources that will promote a diversity of resource types within the program. We urge DOER to consider how to ensure that projects of all sizes are meaningfully participating in the Clean Peak Standard.

Eligibility

The Straw Proposal proposes that EDC-owned resources, SMART Solar Tariff Generation Units (“STGUs”), and Section 83C Offshore Wind (“OSW”) resources be ineligible to participate in the procurement, but still count towards the total procurement target. This is inconsistent with the goal of spurring new and incremental clean peak resource development, and we urge that existing and procured resources not be counted towards the procurement target. EDC-owned resources are rate based, and SMART STGUs and 83C OSW projects are financed based on the revenues from those programs, which automatically assign rights to the CPECs they generate to the EDCs without assigning a separate value to the CPECs. The goal of the procurement is to stimulate new development, not simply to ensure that 30% of CPECs are transferred to the EDCs. A procurement that properly accounts for the considerable uncertainty in the market will be successful in driving cost-effective development.

In addition, the Clean Peak Standard regulations state, “Clean Peak Certificate procurements shall be designed to achieve an initial target of 30% of the total market obligation of Retail Electricity Suppliers in a given Compliance Year.”¹ We do not believe that counting resources with EDC-owned CPECs towards the procurement target adheres to the spirit of this provision. Allowing CPECs that have not been competitively procured to participate in this procurement would unnecessarily limit the size of the procurement and the opportunity to facilitate market certainty through the procurements.

The Straw Proposal also proposes that new energy storage participating in the ConnectedSolutions program would be ineligible for the procurement. While we agree that resources with long-term contracted revenue should not be eligible for the procurement, the ConnectedSolutions program on its own does not provide sufficient incentive to deploy projects and is intended to be combined with other programs to justify deployment. ConnectedSolutions and the Clean Peak Standard can stack to provide additional value to ratepayers and new resources that participate in ConnectedSolutions should be eligible for the procurement.

Segmentation

One objective of the straw proposal is to deliver cost-effective CPEC supply. Any segmentation of the procurement, either by EDC territory or technology type, will increase the cost of the procurement. Statewide, technology-agnostic procurements will allow the broadest range of resources to participate and ensure the competitiveness of the process. As such, we recommend a single statewide procurement with no geographic or technological restrictions.

¹ 225 CMR 21.05(8)

Bid Requirements

In order to meet the first objective of spurring new resource development in a timely manner, maturity requirements will produce the most reliable and cost-effective outcome by ensuring that bids are real and likely to be built. Implementing certain bid requirements will prevent against speculative bids that do not end up being built and contributing towards the Clean Peak Standard requirements.

We recommend the following set of maturity requirements for the Clean Peak procurements:

- Site control
- Permit applications filed
- System Impact Study is complete
- Bid deposit or letter of credit

This structure ensures that the auction results will not be skewed by speculative bidding, while acknowledging that interconnection timelines can stretch to several years for many projects.

Delivery Timeline

NECEC recommends that selected projects should have 30 months from the time of award to the obligation to deliver CPECs. Much like the maturity requirements discussed before, this timeline discourages speculative bidding, while also recognizing the protracted interconnection timelines many projects face, and thus optimizes the percentage of awarded projects that will be constructed in a timely manner.

Contract Length

Sufficient contract length is critically important to providing revenue certainty to selected projects. Longer contracts allow projects to secure a more cost-effective financing, leading to more cost-effective procurements, in line with the stated objectives. For resources that intend to participate in the ISO New England Forward Capacity Market, contracts of sufficient length are especially important in light of ISO New England's recent elimination of the 7-year price lock for new resources. Thus, NECEC recommends a contract length of 10 years for resources selected in the procurement. This appropriately balances the need for new projects to have revenue certainty, with the goal of promoting cost-effectiveness.

Capacity Market Participation

In the CPEC Procurement Straw Proposal: Questions and Answers, DOER signaled its openness to comments on how resources participating in the capacity market should be treated in the procurement. NECEC recommends allowing these resources to participate in the procurement. The capacity market and the Clean Peak Standard are intended to provide fundamentally different signals to resources; the capacity market provides a demand signal, while the Clean Peak Standard provides an emissions signal. It is true that these signals may

sometimes align, but the goals are distinct and should not be conflated. For these reasons, resources that are also capacity resource should be eligible to participate in the procurement.

Request for Clarification

NECEC requests clarity on the anticipated terms of the contracts for resources that receive an award through the procurement. Specifically, we request clarification on whether the price for procured CPECs will remain constant for the length of the contract term. As discussed previously, clarity and predictability in revenue streams will be important for ensuring deployment of projects to meet the Clean Peak Standard and we recommend stable pricing throughout the contract term.

Conclusion

NECEC appreciates the opportunity to provide comments on the Straw Proposal and recommends certain modifications to better achieve the procurement objectives.

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 Associate