Creating a Clean, Affordable and Resilient Energy Future for the Commonwealth

Clean Peak Energy Portfolio Standard (CPS)

EDC Procurements Straw Proposal

Released 1/22/2021
Procurement Objectives

• Spur new and incremental clean peak resource development
• Provide revenue certainty for clean peak resources to enable financing
  ➢ Decrease the risk of a new market
  ➢ Target resources which do not have existing policies that provide long-term revenue certainty
• Provide cost-effective CPEC supply
Straw Proposal Structure

• EDCs hold RFPs twice-per-year, to award to resources that produce CPECs
  ➢ RFP will be designed to procure up-to a certain number of CPECs
  ➢ RFP seeks bids from eligible resources to provide a pre-determined number of CPECs per year at a fixed price-per-CPEC, for a pre-determined duration (6 years) of the CPEC contracts
  ➢ Bidders would submit proposed projects with the number of CPECs and $/CPEC pricing
  ➢ Awarded bids would have the auction clearing price up to the total number CPECs accepted through the RFPs
    ▪ Alternative structure: award the bids at as-bid prices
  ➢ Awarded bids are enrolled in the Tariff for payment and CPEC transaction
    ▪ Tariff would provide $/CPEC as awarded for a 6-year term
    ▪ Tariff enrollment only conveys CPECs (not bundled with energy, capacity, or any other services the resources can provide)
Straw Proposal Structure: Eligibility

• Eligible for Tariff enrollment:
  ➢ New RPS resources
    ▪ Exclude: Projects receiving SMART incentives, 83C contracted offshore wind resources
      Reason: Already receive long-term revenue from other programs
  ➢ New Energy Storage
    ▪ Exclude: Projects receiving SMART Adder incentives for energy storage, Connected Solutions ESS,
      Reason: Already receive long-term revenue from other programs

• Eligible to count toward Procurement, but not in Tariff:
  ➢ EDC owned CPS Resource CPECs
    ▪ Anticipate a limitation on the % of an EDCs procurement target which can be met with EDC owned resources
    ▪ EDCs can produce more CPECs than the limit, they just would not count toward procurement target
  ➢ SMART STGU & 83C OSW CPECs
Size of Procurement

• 225 CMR 21.05(8) establishes that
  ➢ “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.”
    ▪ 225 CMR 21.05(8)(b) enables DOER adjusts the 30% according to market supply, increasing scale of procurement in response to an undersupplied market, and decreasing scale in response to an oversupplied market.

• Proposed Method to Determine # CPECs in RFP
  ➢ Targeted Annual # CPECs in tariff = target – met with other procured CPECs [self-owned (limited), SMART, OSW]]

• Annual target would account for CPECs supplied from those enrolled in the tariff from previous RFPs
• Tariff size would adjust according to total EDC procurement target
• All CPECs in tariff, including past years, count toward the EDCs’ target
Straw Proposal Structure: Terms

• RFP & Tariff to include a CPEC delivery requirement
  ➢ May be a percentage of a project's total CPECs produced and need not be 100%

• Penalties
  ➢ Penalty schedule may be established through tariff and may be technology and/or development stage specific
    ▪ Penalty = X percent (%) of the expected CPEC revenues awarded

• Termination
  ➢ Termination can only occur with EDC permission or force majeure/destruction

• At the end of the tariff terms (6 years), the resource will own all future CPECs
Potential Enhancement: Targeted CPS Resource Deployments

• DOER may work with EDCs to:
  ➢ Establish Distribution Circuit Multipliers to target resource deployments to areas of the grid which see the greatest benefit from CPS resources
Implementation

- DOER to release Procurement Straw Proposal for public review
  - Provide opportunity for Q&A
- DOER to take public feedback on the straw procurement proposal
- DOER to release a Procurement Guideline to 225 CMR 21.00 establishing
- EDCs file Tariff
- EDCs to draft RFP in consultation with DOER
- EDCs release first RFP by end-of-year 2021