



June 7, 2019

Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114
(Submitted via email to DOER.RPS@mass.gov)

Re: RPS Class I and II Rulemaking

Dear Mr. Wassam:

Calpine Corporation (“Calpine”) submits the following in response to Massachusetts Department of Energy Resources’ (DOER) proposed amendments to the Renewable Portfolio Standard (RPS) Class I and Class II regulations. These regulations require retail electricity suppliers selling electricity to end-use customers in Massachusetts to obtain specific minimum percentages of their electricity supply from renewable energy generation sources. The proposed amendments would revise the RPS Class I and RPS Class II regulations.

Calpine operates the largest fleet of natural gas combined cycle (NGCC) and combined heat and power facilities in the U.S. Calpine is also the nation’s largest producer of electricity from renewable, base-load geothermal resources. Overall, Calpine is capable of delivering approximately 26,000 megawatts (MW) of clean, reliable electricity to customers and communities in 17 U.S. states and Canada, with 79 power plants in operation or under construction. In Massachusetts, Calpine operates the Fore River Energy Center in Weymouth, a natural gas combined cycle plant (NGCC) with baseload capacity of 750 megawatts (MW).

In addition, through its subsidiary, Calpine Energy Solutions, Calpine serves as a licensed retail energy provider in every deregulated state in the U.S. This includes providing electricity in seventeen states, including Massachusetts (approximately 1,670,000 megawatt-hours (MWh)) and several others in ISO-New England (ISO-NE), as well as Washington, D.C. As a retail electricity supplier, we are required to comply with all facets of Massachusetts’ RPS and the complementary Clean Energy Standard.

Overall, Calpine is concerned that the proposed regulatory changes would continue to add complexity to the Commonwealth’s RPS programs. There are now seven different classes of renewable requirements—each with its own separate regulatory requirements—and this complexity reduces overall program efficiency and adds administrative costs. Additionally, as the Commonwealth and other states finalize more stringent RPS and Clean Energy Standard (CES) requirements, demand for RPS credits will increase.

Thus, Calpine urges DOER to consider the implications of each proposed change in light of the numerous parallel programs the Commonwealth and other states are implementing. Each additional requirement will ultimately affect the supply of Renewable Energy Credits (RECs), increasing market prices, and likely triggering the Alternative Compliance Payment (ACP) provisions. Calpine also urges DOER to fully consider whether, and if so, how these proposed changes support the Commonwealth’s objective to address state and regional greenhouse gas emissions. Calpine is concerned that some of the proposed

changes undermine the ability of the Commonwealth to implement an efficient and coherent strategy to drive greenhouse gas emission reductions.

Calpine is specifically concerned with the proposed changes to the RPS Class II Waste Energy requirements. For the Class II Waste Energy standards, DOER is proposing to: 1) increase the minimum standard for waste-to-energy from 3.5% to 3.7% from 2019 to 2025, after which point the standard would revert to 3.5%; and 2) increase the Alternative Compliance Payment (ACP) for WTE resources to equal the Class II ACP from 2019 to 2025, after which point the WTE ACP rate would be \$11.50/MWh. DOER is also proposing to conduct reviews of the WTE minimum standard and WTE ACP rate to determine whether modifications are warranted. However, Calpine is concerned that these proposed changes will lead to market uncertainty for retail electricity suppliers in the Commonwealth and increase costs for Massachusetts ratepayers without providing any environmental benefits.

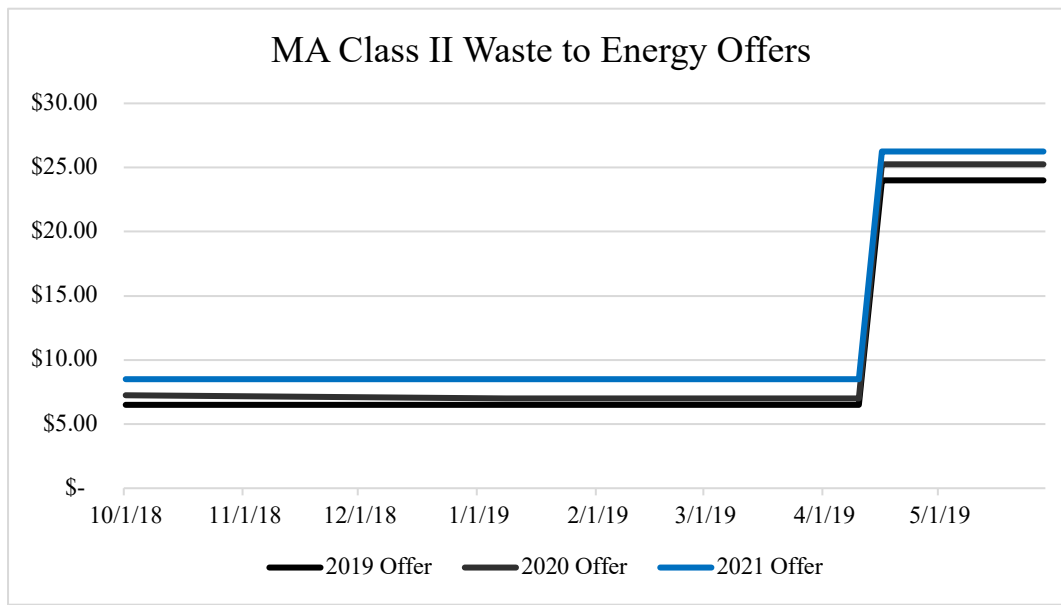
Waste Energy Minimum Standard

Retail providers like Calpine rely on regulatory certainty to make investment decisions that are in the interest of their customers based on their long-term compliance obligations. Finalizing the proposed increase in the minimum standard for WTE resources would impose an additive, unexpected compliance obligation that could ultimately harm retail consumers. We are also concerned that given the limited number of WTE market participants, entities could have the opportunity to take actions that manipulate the market, which could lead to even higher prices for customers. Thus, we urge DOER to maintain the current regulatory requirements to avoid increasing compliance costs and undermining business certainty without any clear environmental benefit.

Proposed Increase of Waste Energy ACP

DOER is also proposing to increase the current WTE ACP price of approximately \$11 to roughly \$28. As discussed above, it is critical for retail suppliers to have long-term certainty regarding compliance obligations, and it is also critical that DOER understand important and potentially anti-competitive market power issues associated with having such a limited number of WTE REC suppliers in this market. As an example, as soon as DOER released the proposed amendments, sellers immediately raised their asking price for WTE RPS to more than \$25, in anticipation of the higher ACP proposal. In this instance, the lack of market competition allowed sellers to take advantage of the mere existence of the proposal to earn higher revenues through their captive market—the retail suppliers that have a compliance obligation under the state RPS. Thus, even the proposed ACP has had a dramatic impact on market prices, and the proposed ACP essentially became an administratively set price, which is objective of including an ACP, but illustrative of the design problems of the proposed changes.

The following chart shows the recent price trend for Class II WTE RPS based on actual broker market data:



Even if the Commonwealth believes its WTE facilities require higher revenues, artificially raising the costs for statewide RPS compliance is not an equitable or efficient way to do so. To the extent specific WTE facilities operate to provide waste management services for certain local communities, the financial burden of operating those facilities should fall upon the communities who benefit from them, rather than asking ratepayers across the Commonwealth to subsidize another community’s waste management challenges. In addition, increasing out-of-market subsidies for power generating facilities that participate in the regional wholesale markets administered by ISO-NE ultimately affects ratepayers throughout New England and is contrary to sound energy policy.

Given underlying objective of state RPS programs, the proposed ACP increase must be considered in the context of whether higher ratepayer costs will result in environmental benefits. In this case, it will not; the additional program costs will not lead to any incremental environmental benefits. Thus, we urge DOER to reevaluate the proposed increase to the ACP for WTE.

Existing Contractual Agreements

Despite our concerns with the proposed changes as discussed above, if DOER elects to increase the ACP and/or increase the minimum WTE standard, Calpine alternatively urges DOER to include regulatory provisions that ensure existing contracts in place prior to implementation of the Final Rule continue to be subject to the existing regulatory requirements. By grandfathering existing contracts, DOER can provide confidence in retail electricity market prices for those that entered into contractual agreements based on the assumption of regulatory requirements. Such provisions can help support long-term market certainty.

Thank you for the opportunity to comment on these proposed amendments.

Sincerely,

Steven S. Schleimer

Senior Vice President, Government and Regulatory Affairs
Steven.Schliemer@calpine.com