



Enel X North America's Comments on the Solar Massachusetts Renewable Target (SMART) 400 MW Review – June 1, 2020

Enel X¹ appreciates the opportunity to comment on the Solar Massachusetts Renewable Target (SMART) 400 MW Review, and commends the Department of Energy Resources ("DOER") for their consideration of stakeholder feedback throughout the process.

Introduction

In these comments, Enel X will provide recommendations on the following sections of the 400 MW review regulation:

- Section 20.05 3 (C): Set-aside for Solar Tariff Generation Units Greater than 25kW and Less than or Equal to 500 kW
- Section 20.05(5)(k): Energy Storage Requirement
- Section 20.06 (1)(c): Qualification and Block Reservation Process for Solar Tariff Generation Units
- Section 20.07 (2): Base Compensation Rate decline of 2% for behind-the-meter Solar Tariff Generation Units ("STGUs") in subsequent Capacity Blocks
- Section 20.08 (3): Calculation of Incentive Payments for Behind-the-Meter Solar Tariff Generation Units

I. Section 20.05 3 (C): Set-aside for Solar Tariff Generation Units Greater than 25kW and Less than or Equal to 500 kW

Enel X strongly supports creating a set-aside for STGUs in this general size range. Our September 27, 2019 comments in this proceeding highlighted why such a set-aside is necessary. The set-aside has the potential to enable increased SMART participation from commercial & industrial customers at a time when reduced overall energy spend for the Commonwealth's businesses is more important than ever.

¹ Enel X is leading the transformation of the energy sector through harnessing the flexibility of energy storage, load curtailment, electric vehicles, and distributed generation. Enel X in North America has approximately 3,400 business customers, spanning more than 10,400 sites, representing more than 4.6 GW of demand response capacity and over 20 behind-the-meter storage projects. Enel X's e-Mobility offering has deployed 42,000 charging stations across its footprint, completed 12.7 million charging sessions, and currently provides Day-Ahead and RealTime Energy as a demand response provider in the California ISO Market. Enel X started as EnerNOC in the Commonwealth in 2003, and has been a pillar of the Commonwealth's clean energy landscape ever since, partnering with several hundred C&I customers across the Commonwealth during that time.

In late 2019, Enel X was pleased to announce an agreement with UMASS-Boston, where Enel X will install a 1 MW solar photovoltaic (PV) facility integrated with a 0.5 MW/2.0 MWh lithium-ion energy storage system, as well as 11 Enel X JuiceBox electric vehicle (EV) smart charging stations at the campus. Enel X expects the project to be operational in 2020 and to participate in the SMART program.

The set-aside should help address one major barrier to solar + storage development for C&I customers, which is the lack of certainty created by the lengthy sales cycle (1-2 years) to these customers. Developers in this segment and C&I customers have had minimal confidence in Capacity Block availability and pricing, as by the time they could potentially reach an agreement and a project reaches the SOQ stage, the pricing would significantly change from when the conversation started or there would be no room left in any Capacity Blocks. This lack of certainty has hindered project development.

While the set-aside provides greater certainty, it does not address the challenging economics of projects this size. In the BTM C&I solar + storage space, project development has been extremely minimal to date, including projects > 500 kW and < 750 kW. Clearly, the economics have been challenging, even in the higher priced blocks. While greater certainty is important, it will still be in lower priced Capacity Blocks. In other words, the economics of projects will be less attractive than the economics to date, and the economics to date has failed to stimulate development in the BTM C&I solar + storage space.

Enel X believes that the set-aside can be effective, but strongly **recommends that DOER increase the set-aside eligibility to STGUs < 750kW**. The Engineering, Procurement, and Construction (“EPC”) costs for BTM projects are similar for projects 500 kW and 750 kW, and represent a significant portion of overall project costs. Increasing the eligibility to 750 kW would enable developers to spread these high fixed costs across a greater number of kW, enabling more projects to become economic.

If one of the objectives of the 400 MW review is to increase BTM solar + storage participation, and there are end-use customers who have space for 750 kW and could achieve greater bill savings at 750 kW, it seems logical to extend the eligibility to that size of project. Again, businesses and organizations across the Commonwealth are in need of these bill savings and revenue streams more than ever. Additionally, projects over 500 kW would install a battery, which has additional benefits for BTM.

II. Section 20.05(5) (k): Energy Storage Requirement

Enel X strongly supports DOER’s proposed requirement to pair STGUs > 500 kW with storage. However, we concur with the following two recommendations from the Energy Storage Association (“ESA”):

- 1. Allow virtual pairing of large solar projects with storage to satisfy new requirements**
- 2. Eliminate the continued phase down of the incentive adder for energy storage in the program expansion**

We also support ESA’s rationale for these recommendations. Virtual pairing can accomplish many of the objectives of the requirement to pair, while also recognizing that finding space to co-locate energy storage may not always be feasible.

Regarding the phase down of the incentive adder, the decline in the Energy Storage Adder of 4% from one block to the next outpaces the actual decline in costs associated with installing a battery. As such, DOER should modify the phase down to align with actual technology and EPC cost declines.

III. Section 20.06 (1)(c): Qualification and Block Reservation Process for Solar Tariff Generation Units

While DOER is not proposing any modifications to this section, there is a need to clarify the existing language. The existing language states:

“(c) Required Documentation for Solar Tariff Generation Units with Rated Capacities Larger than 25 kW. All Generation Units with a capacity larger than 25 kW must provide evidence of the following in order to obtain a Statement of Qualification: 1. an executed Interconnection Service Agreement, as tendered by the Distribution Company;”

Increasingly, developers are seeking to enroll their SMART projects in the wholesale market on FERC-jurisdictional feeders. In these instances, the developer will need authorization to interconnect through a three-party agreement including both ISO-NE and the applicable Distribution Company. **Therefore, Enel X recommends that DOER modify this section of the regulations to allow such three-party agreements.**

DOER could accomplish this by removing the words “as tendered by the Distribution Company” or adding the words “or tendered by the Distribution Company and ISO-NE.”

IV. Section 20.07 (2): Base Compensation Rate decline of 2% for behind-the-meter Solar Tariff Generation Units (“STGUs”) in subsequent Capacity Blocks

Enel X supports DOER’s proposal to reduce the BCR by 2% in future Capacity Blocks as opposed to 4%. We appreciate that DOER understands the challenges of developing BTM. However, **we urge DOER to implement this change for the next tranche in Eversource East.** Participation in Eversource East has been limited to date due to less available space for development and higher development costs. Projects in this territory tend to be smaller, which means that developers must spread high development and EPC costs over a smaller number of kW.

The costs of developing in Eversource East are not decreasing at a rate close to 4% (or even 2%), and even at current BCRs, participation is limited. If DOER wants to see BTM development in this denser environment, it should avoid a 4% decrease.

While we recognize that the 4% decrease was supposed to apply to all eight capacity blocks in Eversource East, DOER has previously demonstrated its ability to adjust to real-time conditions, and we recommend that they do so again here. Moreover, DOER has placed additional requirements on new projects in Eversource East that are in the first eight capacity blocks. To balance out these new requirements, it is fair to implement the 2% reduction for the next Capacity Block.

V. Section 20.08 (3): Calculation of Incentive Payments for Behind-the-Meter Solar Tariff Generation Units

Enel X supports DOER’s proposal to extend eligibility to AOBC for BTM resources and to modify the incentive calculation for BTM resources. As outlined in DOER’s September 5, 2019 presentation to stakeholders, the current set of regulations incents developers to locate projects in front-of-the-meter, despite the benefits that could accrue to BTM installations. Notwithstanding our previous recommendations in this document, these changes should create more of a level playing field between BTM and FTM development.

Conclusion

Enel X thanks DOER for their consideration of these comments. Please do not hesitate to contact us with any questions.

Sincerely,

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