April 22, 2019

Commissioner Judith Judson
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

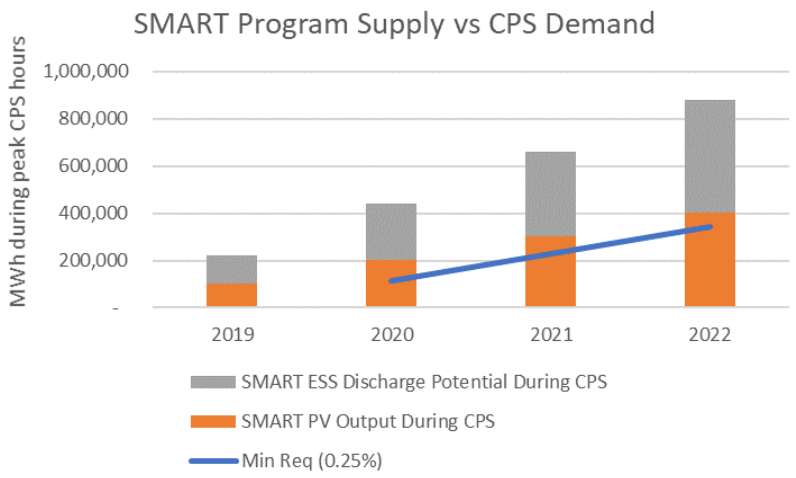
Re: Borrego Comments on Clean Peak Standard (CPS)

Dear Commissioner Judson:

Borrego Solar Systems, Inc. (Borrego) appreciates the opportunity to provide feedback on the proposed design of the Commonwealth's first Clean Peak Standard (CPS). Borrego supports the comments of the Northeast Clean Energy Council ("NECEC") on the CPS and provides the following additional comments and recommendations:

1. **DOER should set the target for annual increases in the CPS obligation at 2%, and revisit if necessary, after gaining experience.** We strongly agree with NECEC's recommendation to set the annual increase in the CPS no lower than 2%. The graphic below indicates that even setting aside the multiple near-term utility-scale projects currently in the ISO-NE interconnection queue, it is likely that Clean Peak Credits (CPCs) produced from the SMART program alone would greatly exceed a CPS set at the statutory minimum 0.25% annual increase.[1]

[1] This analysis assumes that 1.6 GW of PV come online over the next 4 years and that 50% of the 1.6 GW will install a 2 MW/4 MWh battery that will allow the system to dispatch during the CPS windows.



2. **DOER should clarify that CPCs will be owned by system generators, not EDCs, including for projects constructed under the SMART and SREC II programs.** As NECEC points out, unless DOER makes explicit in its regulations that CPCs are not Environmental Attributes and that these CPCs are the property of the customer or system owner, it is possible that the Distribution Companies (EDCs) will attempt to claim title to these credits under the SMART or SREC programs. Providing these CPCs for free to the EDCs would have numerous negative consequences, including:
    - Failing to provide an incentive for privately owned SMART and SREC II projects to target the peak, because these systems would not benefit from the creation of CPCs.
    - Creating an uneven playing field between EDCs (who would receive these CPCs for free) and competitive retail suppliers (who would be required to purchase CPCs).

3. **DOER should clarify that resources connected to the distribution systems of municipal lighting plants (MLPs) in the Commonwealth may participate.**
    - Projects developed in MLPs can provide system benefits to all MA ratepayers that are similar to resources located in EDC territories and elsewhere in ISO-NE. Excluding these resources from the CPS would remove a potentially viable source of new clean peak capacity.
    - While it is true that MLP ratepayers are not obligated to purchase CPCs, the same is true of ratepayers in neighboring states that may be hosting transmission-level resources that are eligible for the CPS. Therefore, this fact should not be considered in determining whether MLP resources can generate CPCs. If DOER allows transmission-level resources in other states to participate in the CPS (as currently proposed), it would be unreasonable to exclude in-state resources from the CPS merely because they are located in MLP territory.

4. **DOER should exclude or limit the use of transmission-level resources in the CPS.** The legislation authorizing the CPS defines a clean peak resource as "a qualified RPS resource, a qualified energy storage system or a demand response resource that generates, dispatches or discharges electricity to the electric distribution system during seasonal peak periods, or alternatively, reduces load on said system." The term "distribution system" is used throughout Chapter 25A

and Chapter 164 to refer to the portion of the electric grid that is within the jurisdiction of Massachusetts, managed by the electric distribution companies, and generally at low or medium voltage. Therefore, it is difficult for us to see how the statutory requirement could be met if transmission-connected projects were deemed eligible for the program.

- For this reason, we do not believe DOER has discretion to allow transmission-connected facilities to participate, let alone transmission-connected projects not located in Massachusetts. Conversely, all facilities that are interconnected to the state's distribution system should be eligible to participate regardless of whether they are also participating in the ISO-NE market.
- Nevertheless, if DOER determines that transmission-level resources may be eligible despite this statutory language, we encourage DOER to use carve-outs, tariffed programs, or distribution-level multipliers to drive investment to the distribution-level, where system benefits will be greatest and where in-state jobs and benefits will be maximized.

5. **DOER should limit the dual participation of previously-awarded resources in the CPS in order to incentivize *new* investment.** Projects which have already been fully awarded (e.g., under Section 83 procurements, the SREC II program, or the early blocks of SMART) should not be eligible for the CPS as these projects were bid and awarded without any reasonable expectation of revenue from a CPS. Giving these projects CPCs would not result in any additional investment. Such projects should become eligible, however, in two cases: first, if they give up their award or their right to participate in the other state program (i.e., they are not participating in both the CPS and the other program simultaneously); and second, if they later install a sizable quantity of energy storage (in which case they should be treated similar to renewable projects constructed before 2019 that later add storage).
    - This rule should apply for SMART projects that received SOQs prior to the proposal of a CPS. These resources presumably have been financed based on the existing SMART program revenues and do not need additional revenues from the CPS to reach completion.
    - However, SMART projects that receive their SOQ after the publication of the CPS draft regulation should be eligible to generate CPCs. These resources will have an incentive to be designed to help with the public policy goal behind the CPS, and it is therefore appropriate to allow these resources to receive CPCs.
    - In addition, early SMART projects that add energy storage of reasonable size (e.g., 25% of nameplate) after the publication of the CPS draft regulation should also become eligible to generate CPCs (similar to the treatment for SREC II projects).
    - Finally, DOER could consider amending the SMART Energy Storage Guideline to add a compliance option in which resources that meet the storage cycling requirements during the clean peak periods would qualify for the energy storage adder.

6. **Borrego supports DOER's proposal to include a tariffed program or similar predictable procurement structure for distribution-connected resources.** It is our understanding that DOER's intent with respect to a "tariffed" program is to include features similar to those that have supported the Commonwealth's robust solar market, including making such a program "always open" for eligible projects, requiring meaningful project maturity thresholds to avoid speculative development and minimize attrition, and providing long-term certainty with respect to compensation. Well-designed tariffed programs can provide needed revenue certainty for

clean peak resources, enabling greater development of these resources at a lower overall cost than competitive auctions. Based on our initial modeling, we believe a tariffed program may be needed, at a minimum, to ensure sufficient investment in standalone energy storage systems and retrofits of existing SREC project. Such systems are unlikely to be constructed absent a clear, financeable mechanism for procuring CPCs from these resources. Including a "tariffed" program as part of the CPC design is important for the following reasons:

- A tariffed or similar predictable procurement structure provides a runway for developers to plan and invest, reducing the potential for lost development investments and thereby reducing the cost of new projects.
- Competitive auctions (which have been discussed as alternatives to tariffed programs) can result in significant over-development, which induces participants to "price in" expected losses from other projects not selected in the auction, potentially increasing prices relative to a declining-block tariffed approach.
- Auctions tend to reward speculative bids that may ultimately fail to be constructed. In addition, winning bidders often have an incentive to delay construction as long as possible in order to take advantage of expected cost declines in equipment. For these reasons, over-reliance on competitive auctions could therefore compromise the timely achievement of the CPS goals, resulting in greater emissions and higher ratepayer costs than would be the case under a well-designed tariffed program.
- Competitive auctions represent particular challenges for small-scale and behind-the-meter projects as the speculative nature of the auctions can result in misunderstandings between developers and host customers or landowners and thereby erode support for the CPS.
- Competitive auctions can also lead to inefficient allocation of permitting and interconnection resources because the periodic nature of such auctions tends to lead to periodic spikes in interconnection applications and studies as well as spikes in permitting activity that are responsive to the auction schedules. By contrast, an "always-on" tariffed program allows the EDCs, permitting authorities, and developers to space out their work such that staff resources are utilized more efficiently.

We commend DOER and the Administration on preparing to issue the nation's first Clean Peak Standard program and believe that with the key changes recommended herein, and in the comments submitted by NECEC, the program will continue Massachusetts' position as a leader in clean energy job growth and emission reductions. We appreciate your attention to our recommendations on this important program and look forward to further dialogue with you and other stakeholders in the coming months.

Sincerely,

Haley Orvedal
Director of Policy and Business Development
Borrego Solar Systems, Inc.

Ilan Gutherz
Vice President of Policy and Strategy
Borrego Solar Systems, Inc.