

October 30, 2019

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

Re: Comments on Clean Peak Energy Portfolio Standard Draft Regulations

Dear Commissioner Judson:

Pursuant to the September 27, 2019 Notice of Public Comment and Hearing, the Energy Storage Association (“ESA”) submits these comments to the Department of Energy Resources (“DOER”) on the draft regulations for the implementation of the Clean Peak Energy Portfolio Standard.

ESA is the national trade association dedicated to energy storage, working toward a more resilient, efficient, sustainable and affordable electricity grid – as is uniquely enabled by energy storage. With more than 190 members, ESA represents a diverse group of companies, including independent power producers, electric utilities, energy service companies, financiers, insurers, law firms, installers, manufacturers, component suppliers, and integrators involved in deploying energy storage systems around the globe. Further, our members work with all types of energy storage technologies and chemistries, including lithium-ion, advanced lead-acid, flow batteries, zinc-air, compressed air, and pumped hydro among others.

We applaud the DOER for its ongoing effort to solicit stakeholder feedback in the development of the Clean Peak Energy Portfolio Standard. We appreciate the complexity of developing this first-in-the-nation program and recognize that the latest draft regulations reflect the DOER’s commitment to creating an effective program that meets its intended goals. In our comments below, ESA outlines several outstanding areas of concern that need to be addressed for the Clean Peak Energy Portfolio Standard program to drive the deployment of new energy storage installations. Specifically, our comments address the need for long term price certainty, the Alternative Compliance Payment, and program multipliers.

Respectfully,



Nitzan Goldberger
State Policy Director
Energy Storage Association

I. INTRODUCTION

ESA appreciates the opportunity to provide the following comments on the Clean Peak Energy Portfolio Standard (“CPS”) draft regulations issued by the Department of Energy Resources (“DOER”) on September 27, 2019, as part of the development and design of CPS program required by Chapter 227 of the Acts of 2018. ESA commends the DOER for engaging stakeholders on the implementation of the first-in-the-nation CPS program and for its thoughtful incorporation of stakeholder feedback in the program design. ESA is pleased to see changes to the eligibility requirements for energy storage resources and the inclusion of a long-term contracting requirement for a portion of the compliance obligations.

ESA acknowledges that the draft regulations reflect the DOER’s commitment to ensuring that the program provides ratepayers with the maximum benefits possible. Nonetheless, ESA remains concerned that with the current design, the CPS program will not provide sufficient revenues to drive new deployments of resources. In our comments below, ESA addresses three main areas of concern: (1) lack of long-term contracting opportunities and a price floor creates uncertainty about certificate pricing; (2) the Alternative Compliance Payment is not high enough to drive program participation; and (3) the multipliers and treatment of resources supported by other state programs will oversupply the market.

II. COMMENTS ON DRAFT REGULATIONS

A. A price floor is needed to drive greater price certainty and ensure program success

ESA applauds the DOER for engaging stakeholders on the issue of long-term price certainty and Clean Peak Energy Certificate (“CPEC”) procurement requirements. ESA is pleased to see the draft regulations include a requirement that the electric utilities competitively procure and enter into long-term contract for 30% of the total CPS requirements each year for all retail providers. ESA looks forward to engaging the DOER and other stakeholders on the implementation of this procurement and agrees this is an important first step.

ESA notes that most new resources developed for the CPS, unless they receive substantial support from another market-based program or incentive, will require greater certainty about the values of the CPECs in order to be financed. Such uncertainty will inhibit investments in new resources like energy storage to meet CPS goals, slowing participation in the program and the availability of solutions for compliance, which may ultimately raise program costs.

ESA strongly believes that leaving 70% of the market without price certainty through long-term contracts will limit the program’s success. Price certainty will be needed to ensure resources are able to be deployed to support the objectives of the program. Given that the fact that this program is the first-in-the-nation, the CPEC market will remain uncharted territory for the financial investment community at the outset of the program and over the years to follow.

ESA believes that price certainty in the form of a price floor is one solution for creating the needed price certainty in the program given the significant amount of resources not supported by procurements. While an ACP creates the price ceiling for the program, ensuring a price floor in the form of a buyer of last resort will be needed at least in the first stages of the program. ESA welcomes the opportunity to work with the DOER and other stakeholders in addressing the key issues to address in such a proposal.

B. Proposed Alternative Compliance Payment too low to drive desired resource behavior

ESA recognizes that the Alternative Compliance Payment (ACP) was developed with the purpose of meeting the statutory requirement to limit the program's impact on ratepayers. However, ESA believes stakeholder would need additional information about the assumptions that went into the modeling of the ACP in order to comment on the proposal to set the ACP at \$30 per CPEC. ESA notes that materials available on the DOER website, including the consultant report, suggest that the consultants who supported the DOER in modeling the program conducted a gap analysis and cost impacts to reach the ACP price of \$30 per CPEC. The description suggested that the modeling included assumptions for a project's operational profile, costs and potential revenue streams. ESA welcomes the opportunity to review those assumptions and provide input.

It is ESA's position that the current proposed ACP price is not sufficient to drive the deployment of new resources. Even as one value stream in a stack of potential values energy storage can secure, ESA is concerned that the current level will not be high enough to encourage developers to divert their resources from other potential services to participate in the program. Therefore, ESA respectfully urges the DOER to engage stakeholders in reviewing the assumptions behind the ACP and consider whether changes are possible. One important area to explore is whether the allocation of ACP budget between years could be changed to better align with market conditions.

ESA also notes that in addition to concerns that ACP value is not high enough to encourage participation in the program, existing wholesale market rules are likely to make it more challenging for resources to seek additional revenues outside the program. Many resources that could participate in the CPS program will not be able to clear the ISO-NE administered Forward Capacity Auctions ("FCA"), since the ISO-NE Minimum Offer Price Rule ("MOPR") requires resources receiving out-of-market revenues to ensure those revenues are not included in their offer prices.

The application of the ISO-NE's MOPR for resources seeking to participate in the CPS program will significantly increase the asset's offer floor price, thereby reducing its competitiveness in the FCA. Therefore, unless ISO-NE agrees to exempt these resources from the MOPR in order to allow the Commonwealth to achieve its environmental and clean energy goals, the ACP value would have to be greater to account for the restriction CPS resources would face in seeking other market revenues.

C. Multipliers continue to risk oversaturation of market with resources that do not serve program objectives

ESA has noted in previous comments that the use of multipliers, particularly ones aimed at providing benefits that are not related to the core objectives of the CPS program, create a risk of oversupplying the CPEC market and drive down prices for all resources. ESA recognizes that the draft regulations have adopted multipliers for resilience, seasonal peaks, actual monthly peak multiplier, and existing and contracted resource multiplier. ESA would appreciate additional information on the development of these multipliers, specifically how certain amounts were determined and would appreciate the opportunity to comment on the appropriateness of the specific multipliers once that information is available, in order to better understand how DOER determined the multiplier amount.

The more conservative the DOER is with the multipliers, the more likely the supply and demand balance – and by extension prices – will reflect the true needs of the systems as they relate to the policy objectives of the CPS program. ESA respectfully recommends the judicious application of all multipliers to reduce the risk of a saturation of resources in market and encourages the DOER to consider reducing multipliers where they are not aligned with the program’s stated objective. For example, ESA is aware that many resilient facilities that will participate in the CPS are already designed as resilience capable without the CPS incentive. Many behind-the-meter installations are able to serve load during outages. As a result, ESA questions the need for a 1.5X multiplier to encourage the deployment of resilient resources.

ESA recognizes that the DOER has imposed the one-tenth multiplier for existing and contracted resources in order to ensure that the resources that participate in the program do not flood the CPECs market. While ESA understands the motivation to use the multiplier for existing or contracted resources, ESA believes clearer market rules excluding certain resources from participating, along with the revision of the 12/31/2018 baseline from 0 megawatt-hours given the new information and modeling that has been done since that determination was made, would be a more straightforward way to ensure the integrity of the program. However, if the DOER does maintain a multiplier for existing and contracted resources, ESA believes one-tenth is too high. Instead, ESA believes the multiplier should be reduced to 0.01.

Finally, ESA notes that the resilience multiplier as it is currently incorporated into the draft regulations unnecessarily restricts the resilience multiplier to resources that are paired with a Renewable Portfolio Standard (RPS) resources. If the definition of resilience in the regulations is to provide back up to on-site load during an outage, standalone resources and other CPS eligible technologies are just as able to meet that definition as a co-located resource. If additional multipliers are going to be applied to resilience, then ESA respectfully recommends that the regulations should define what resilience means to the Commonwealth and let the market determine what configuration of CPS eligible resources can meet that definition.

III. CONCLUSION

ESA appreciates the opportunity to work with the DOER and other stakeholders on the development of the CPS program. The immense work done to support the development of this program, particularly the modeling conducted by the consultants supporting the DOER, serve as an important tool for the effective design of this program. The analysis provides information that could drive additional incentive programs and pilots to complement the CPS program in the future.

We thank you for your consideration of these comments in support of the DOER's implementation of the CPS Program. ESA looks forward to working with the DOER and other stakeholders to develop a program that achieves the public policy objectives of the legislation while maintaining program simplicity that enables participation by the widest range of technologies and applications.