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Via electronic mail to <u>Storage.DOER@massmail.state.ma.us</u>

## Comments of the New England Power Generators Association, Inc. on the Adoption of Storage Targets

## I. Introduction

The New England Power Generators Association, Inc. (NEPGA) appreciates the opportunity to submit comments<sup>1</sup> in response to the Department of Energy Resource's (DOER) letter soliciting stakeholder input on energy storage targets. NEPGA is the trade association representing competitive power generators in New England. NEPGA's member companies represent approximately 26,000 megawatts (MW), or roughly 80% of the installed capacity in New England. NEPGA's mission is to support competitive wholesale electricity markets in New England. We believe that open markets guided by stable public policies are the best means to provide reliable and competitively-priced electricity for consumers. A sensible, market-based approach furthers economic development, jobs and balanced environmental policy for the region.

The recent decision by DOER to adopt storage targets as authorized by newlyenacted legislation, *An Act Relative to Energy Diversity*, will affect NEPGA members. Accordingly, NEPGA offers these comments on key issues for DOER's consideration. To facilitate review of the stakeholder comments, NEPGA offers limited responses at this time, but may desire to submit additional comments in response to comments filed by other organizations.

<sup>&</sup>lt;sup>1</sup> The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

## II. Setting Appropriate Storage Targets

NEPGA supports the development and deployment of innovative energy resources, including storage technology. Major investments and innovations have taken place thanks to the open marketplace that allows any resource that can compete, to do so. It is with that in mind, that NEPGA opposes the subsidization or carving out of markets for individual resources or technologies that undermine the overall marketplace that support tens of billions of dollars of energy supply investments here in Massachusetts and across New England. To the degree Massachusetts decides to provide out-of-market support for storage technologies in the hopes of spurring further deployment, NEPGA believes such development should be approached in a prudent and deliberate manner. A helpful model here can be found in the development of Class I renewable technologies under the Commonwealth's Renewable Portfolio Standards ("RPS").

As with the RPS goals, starting with a smaller targeted amount allows a newly emerging technology the opportunity to develop to the point where it can transition to then compete on equal footing with more cost-effective technologies in the marketplace. Accordingly, NEPGA encourages DOER to set modest initial storage targets to allow these resources time to become cost-effective and thus allow for larger application of these technologies (scalability). Proceeding in this manner not only appropriately supports the goal of incenting the development of new technologies, but it does so without picking winners and losers at the expense of the competitive marketplace, and it does so without burdening consumers with those increased costs.

This is particularly important in light of the substantial increase in public policy-funded resources that are today being proposed for Massachusetts consumers outside of the well-functioning wholesale market. These include 9.45 TWh of "clean energy resources" and up to 1,600 MW of offshore wind alone that are authorized in the same recent energy legislation that spurred this proceeding. In addition, the Department of Environmental Protection is considering draft regulations limiting the emissions, and, therefore, production, of Massachusetts power plants as well as mandating a Clean Energy Standard for retail providers. All these policies are expected to add substantially to what have often been cited as some of the highest retail electricity rates in the United States, despite the fact that wholesale electricity prices have fallen by over 50% since 2005.<sup>2</sup> NEPGA urges DOER to be mindful of

<sup>&</sup>lt;sup>2</sup> In 2005 ISO-NE wholesale electricity prices averaged \$76.64 MWh dropping to \$41 MWh in 2015. Source: : <u>https://www.iso-ne.com/static-</u>

the totality of public policy costs relative to energy that consumers are asked to shoulder and the impacts that these dramatic intrusions into a well-functioning marketplace will have on costs, reliability and future necessary infrastructure investments.

Moreover, proceeding in a more deliberate manner will also allow DOER to consider and benefit from similar efforts relative to storage that are occurring at the wholesale level.<sup>3</sup> These combined efforts provide substantial opportunities for storage technologies to participate in the competitive marketplace and encourage increased deployment, in-line with the policy laid out in the *Act*. With additional information and insight gained from these wholesale market changes, DOER can then augment its targets later, if appropriate.

## III. Conclusion

In conclusion, NEPGA continues to support the development and integration of new technologies into the market. NEPGA also, however, supports protection of the competitive market and supports technological solutions that are capable of competing with other existing resources within the market. NEPGA also supports state policies that allow for the competitive markets to function without undue interference, and policies that do not pick winners and losers within that marketplace. Accordingly, for the reasons set forth more fully above, NEPGA urges the DOER to proceed with setting moderate, incremental targets that will allow for the development of new technologies without undue disruption to the competitive market.

<u>assets/documents/2016/03/20160329\_prelim\_2015\_prices\_release.pdf</u>. Although audited year-end data from 2016 is not yet available, it is expected that 2016 average wholesale electricity prices were less than \$40 MWh. In fact, eight of the ten lowest wholesale electricity price months since 2003 occurred in 2015 or 2016.

The Federal Energy Regulatory Commission recently issued a Notice of Proposed Rulemaking ("NOPR"), which if promulgated will require each RTO/ISO to, inter alia, develop or confirm the existence of "participation models" that fully accommodate the participation of energy storage resources in wholesale capacity, energy and ancillary service markets. Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators, 157 FERC ¶ 61,121, Docket Nos. RM16-23-000 and AD16-20-000 (published Nov. 17, 2016). Earlier this year, ISO-NE (and all other ISOs/RTOs) responded to a Commission request for information on whether any barriers existed to the participation of energy storage resources in ISO-NE's wholesale markets in the same proceeding under which the Commission issued the NOPR. ISO-NE unequivocally stated that new and existing energy storage resources have every opportunity to enter and participate in ISO-NE's wholesale markets, and that it continues to evaluate the wholesale markets for improvements. See Letter Requesting ISO New England Inc. to File a Response to the Data Request of May 2, 2016, Regarding Electric Storage Participation in Regions With Organized Wholesale Electric Markets, Docket No. AD16-20-000 (April 11, 2016); Response of ISO New England Inc., Docket No. AD16-20-000 (filed May 16, 2016). Indeed, in the most recent Forward Capacity Auction large battery storage resources cleared for the first time.