

Regulation Summary

Summary of Draft Clean Peak Energy Standard –225 CMR 21.00

The Clean Peak Energy Standard was established as part of the Act to Advance Clean Energy of 2018 and is codified at M.G.L. c. 25A, § 17C (Statute). This draft regulation represents the Department of Energy Resources (DOER) first promulgation of regulations to implement the Statute.

The Clean Peak Energy Standard allows for qualified renewable energy generators, energy storage resources, and demand response resources to earn Clean Peak Energy Certificates (CPECs) for every megawatt hour of electricity they produce or reduce coincident with Seasonal Peak Periods as established by the regulation. Seasonal Peak Periods represent the times of day in which the Net Demand for electricity is typically the highest. The CPECs may then be purchased by retail electricity suppliers, who are required to document annually that they have procured a certain quantity of CPECs each year. These resources contribute to the Commonwealth's clean energy goals by increasing renewable energy generation, reducing the need for conventional fossil fuel-based power generation, and assisting the Commonwealth in meeting its obligations under the Global Warming Solutions Act.

In 2020, retail electricity suppliers will be obligated to procure CPECs equal to an amount of 1.5% of their total electricity sales to end-use customers. This requirement increases by 1.5% each following year. The requirement may increase by more than 1.5% if the market is oversupplied. A requirement increase greater than 1.5% is accompanied by a decrease in Alternative Compliance Payment rate, to cool the market and reduce the ratepayer impact of an increased obligation. The DOER may also require the Electric Distribution Companies to enter into long term contracts for CPECs through a competitive procurement process.

Municipal Lighting Plants are exempt from the obligation, and facilities interconnected with Municipal Lighting Plants are ineligible to participate in the program.

The Clean Peak Energy Standard will send a market signal to clean energy generation to invest in storage technologies to deliver energy to users and to reduce demand during peak periods, thereby reducing the emissions and costs associated with these periods. The market signal will include prioritization of Winter and Summer seasons, resources which enhance energy resilience, performance coincident with actual monthly system peak demands, and resources which are new and provide incremental additional energy on peak beyond what already exists or is contracted for. The market signal will reduce the Commonwealth's reliance on high emissions and high cost power plants and enable the continued integration of renewable resources in support of achieving the Global Warming Solutions Act.

A summary of changes to the regulation in response to comments is as follows:

- Increase the initial ACP value to \$45 from the originally proposed \$30
- Hold the initial ACP for 5 years instead of the originally proposed 10 years
- Increase the Summer/Winter Multiplier to 4x from the originally proposed 3x
- Increase the Actual Monthly Peak Hour Multiplier to 25x from 15x
- Adjust the EDC procurement target according to the market supply of the previous year
- Adjust the obligation (up) and ACP (down) in response to market oversupply