

Massachusetts Legislation Points to Energy Challenges and Innovative Solutions

On August 8, 2016 Massachusetts Governor Charlie Baker signed into law An Act to Promote Energy Diversity (the “Act”). The Act is noteworthy as it addresses several of the significant and evolving challenges facing the energy sector. These include:

- (1) Procuring reliable, carbon-free energy supply resources;
- (2) Retirement of nuclear power generation;
- (3) Advancing new energy technologies including offshore wind and energy storage; and
- (4) Innovation in energy efficiency and renewable energy financing.

Procuring reliable, carbon-free energy supply resources

Two provisions of the Act require the Massachusetts electric utilities to solicit long-term contracts. While these requirements are similar to provisions in prior statutes, starting with Section 83 of the 2008 Green Communities Act, there are notable differences. First, Section 83D of the Act requires the Massachusetts utilities to solicit long-term contracts for approximately 9.45 terawatt-hours (approximately 1200 megawatts (MWs)) of “clean energy.” Prior statutes (i.e., Sec. 83, 83A, 83B) have included renewable portfolio standard (RPS) eligible resources, but this is the first Massachusetts statute which includes large hydro, which is not RPS eligible in Massachusetts. Further, the Act identifies using hydropower in combination with intermittent renewable resources to provide “firmed up” supply; this combination has contributed to the significant deployment of onshore and offshore wind in regions such as Northern Europe. Reflecting the challenge of

constructing transmission to connect clean power resources to load centers, the Act specifies that proposals may include transmission investments, potentially to be funded through FERC transmission rates. Finally, consistent with other regional efforts, including the “Clean Energy RFP” process undertaken with Rhode Island and Connecticut, the Act specifies working with other states, recognizing the regional nature of procuring reliable, carbon-free energy supply.

The Massachusetts Act reflects key energy challenges, but also continuing efforts of policy makers, utilities, and other stakeholders to craft and implement effective, innovative, long-term solutions.

The second provision requiring Massachusetts utilities to solicit long-term contracts is notable as it focuses on a single technology, offshore wind. Section 83C requires the Massachusetts utilities to seek bids for 1600 MW of offshore wind in an area approximately 10 miles south of Martha’s Vineyard and Nantucket. This follows on prior procurements in which the largest Massachusetts utilities, National Grid and NSTAR (now Eversource) entered into contracts for close to 80 percent of the projected output of the 468 MW Cape Wind project. While those contracts were ultimately terminated, the Act represents a renewed effort to tap the region’s significant offshore wind resource, now with a focus on projects farther from shore.

Retirement of nuclear power generation

Another energy challenge the Act addresses is the retirement of existing nuclear generation. Energy's Pilgrim Nuclear Power Station (Pilgrim) in Plymouth, Massachusetts, is currently scheduled for retirement in 2019. This follows the recent retirement of the Vermont Yankee nuclear plant, as well as a spate of similar retirements throughout the country. Pilgrim's 680 MWs represent approximately 14 percent of the electricity generated in Massachusetts. As such, Pilgrim's retirement represents a challenge to Massachusetts, whose Global Warming Solutions Act requires a 25 percent reduction in statewide greenhouse gas emissions by 2020 relative to 1990 levels, and a reduction of at least 80 percent by 2050. The Act establishes a stakeholder committee, composed of local, state, and private stakeholders, to review and manage the process of decommissioning.

Advancing new energy technologies including offshore wind and energy storage

Another energy sector challenge the Act takes on is the advancement of "new" energy resources. In addition to the solicitation of offshore wind, the Act establishes a process to research and advance the deployment of energy storage. Since the Act was passed, the Massachusetts Department of Energy Resources (DOER) has released a study calling for 600 MW of energy storage to be implemented in the Commonwealth. This echoes the broader increased focus on energy storage, as epitomized by California, which is seeking the procurement of 1325 MW energy storage by 2020, and New York in its Reforming the Energy Vision proceeding.

Innovation in energy efficiency and renewable energy financing

A final challenge the legislation takes on is innovation in energy efficiency and renewable energy financing. In particular, the Act authorizes what is referred to as Property Assessed Clean Energy (PACE). This provision enables commercial and industrial property owners to finance comprehensive energy efficiency and renewable energy investments that are repaid through a property tax assessment on their buildings. Because the assessments are tied to the property as opposed to the property owner, the repayment



obligation transfers with property ownership. This eliminates a key disincentive to investing in energy improvements, since property owners may be hesitant to make such investments given the possibility that they will sell the property before resulting savings cover the upfront costs.

In sum, the Massachusetts Act reflects key energy challenges, but also continuing efforts of policy makers, utilities, and other stakeholders to craft and implement effective, innovative, long-term solutions.

Contact: Benjamin Davis
bdavis@ceadvisors.com
508.263.6231