Dear Massachusetts Energy Market Stakeholder,

The Massachusetts Department of Energy Resources ("DOER"), the Massachusetts Office of the Attorney General ("AGO "), and electric distribution companies that operate in Massachusetts ("EDCs") seek your input into the development of a request for proposals ("RFP") for the competitive solicitation of bids to enter into cost-effective long-term contracts for clean energy generation pursuant to Section 83D of Chapter 169 of the Acts of 2008, as amended by Chapter 188 of the Acts of 2016, An Act to Promote Energy Diversity. This new law requires every EDC to jointly and competitively solicit bids for an annual amount of clean energy generation equal to approximately 9,450,000 megawatts-hours no later than April 1, 2017. It also requires DOER and the EDCs to propose the timetable and method for solicitation of clean energy generation long-term contracts for review and approval by the Department of Public Utilities ("DPU") prior to the issuance of the RFP.

With this comment period, the DOER, the EDCs, and the AGO hope to gather stakeholder input on a number of key areas. This letter aims to focus stakeholder comments by providing questions that stakeholders should answer in their written comments.

All interested stakeholders should submit their written comments to marfp83d@gmail.com by 12:00PM on December 28, 2016. Comments will be reviewed and considered in the development of the RFP prior to its submission to the DPU for review and approval.

Thank you for your participation in this important initiative. We look forward to receiving constructive comments to these questions.

Sincerely,

The Massachusetts Department of Energy Resources
The Massachusetts Office of the Attorney General
Fitchburg Gas & Electric Light Company d/b/a Unitil ("Unitil")
Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid
NSTAR Electric Company and Western Massachusetts Electric Company d/b/a Eversource

Issues for Stakeholder Comment

1. Please provide the following information with your comments:

    a. Name of Organization

    b. Type of Organization (Public/Industry/Advocacy/Other)

2. Section 83D of Chapter 169 of the Acts of 2008 ("Section 83D"), as amended by Chapter 188 of the Acts of 2016, An Act to Promote Energy Diversity, requires a solicitation be issued by April 1, 2017, including a timetable for the procurement. What is the appropriate amount of time needed by bidders between the issuance of the solicitation and the date for submission of proposals?

3. Section 83D contemplates that the electric distribution companies operating in Massachusetts ("EDCs") will solicit bids to enter into cost-effective long-term contracts for clean energy generation. Clean energy generation means either: (i) firm service hydroelectric generation from hydroelectric generation alone; (ii) new Class I renewable portfolio standard ("RPS") eligible resources that are firmed up with firm service hydroelectric generation; or (iii) new Class I renewable portfolio standard eligible resources. As recognized in Subsection (h) of Section 83D, a long-term contract for clean energy generation may also include, in addition to the procurement of energy, the procurement of renewable energy certificates ("RECs") attributed to Class I RPS eligible resources, and renewable energy certificates not attributed to Class I RPS eligible resources (e.g., those generated by firm hydroelectric generation); hereinafter referred to as "environmental attributes associated with non-Class I RPS eligible resources."

    Please discuss the methodology that the Section 83D bid evaluation process should use to value the environmental benefits associated with either RECs attributed to Class I RPS eligible resources or the environmental attributes associated with non-Class I RPS eligible resources. Your discussion should address the following:

    a. Please describe the quantitative methods that the Section 83D bid evaluation process should incorporate for the purposes of evaluating the monetary value of the environmental attributes of RECs attributed to new Class I RPS eligible resources and environmental attributes associated with non- Class I RPS eligible resources.

    b. Explain how your recommended methodology for the quantification of the monetary value of environmental benefits associated with RECs attributed to new Class I RPS eligible resources and environmental attributes associated with non-Class I RPS eligible resources: (i) treats Class I eligible resources and hydroelectric generation equitably; and (ii) does not result in double counting of environmental benefits.

c. Explain whether you propose to incorporate the avoided compliance costs of Chapter 298 of the Acts of 2008, Global Warming Solutions Act ("GWSA") into your recommended methodology for quantification of the environmental benefits associated with RECs attributed to new Class I RPS eligible resources and environmental attributes associated with non- Class I RPS eligible resources.

4. Section 83D long-term contracts have the potential to provide the carbon reduction emissions needed to meet the Commonwealth's 2020 GWSA goals. How can the procurement be best structured to incentivize and reasonably value bids whose carbon reduction contributes to meeting 2020 GWSA goals? How can the evaluation incentivize and reasonably value bids that propose to offer clean energy delivery that maximize contributions to the 2020 GWSA goals by delivering incremental new clean energy in 2017, 2018, and/or 2019?

5. Section 83D requires a long-term contract to "utilize an appropriate tracking system to ensure a unit specific accounting of the delivery of clean energy, to enable the department of environmental protection, in consultation with the department of energy resources, to accurately measure progress in achieving the commonwealth's Global Warming Solutions Act ("GWSA") goals under chapter 298 of the acts of 2008 or chapter 21N of the General Laws." What requirements should be imposed on bidders so that, if selected, they are able to enter into long-term contracts that utilize an appropriate tracking system that ensures the procured clean energy can be counted towards GWSA compliance?

6. Please respond to the following questions regarding the evaluation of the potential benefits associated with a clean energy generation unit's ISO-NE market qualifications other than the energy and REC markets in the Section 83D solicitation process.

    a. Should the Section 83D bid evaluation process attempt to quantitatively evaluate the potential benefits associated with a clean energy generation project's potential qualification and participation in other ISO-NE markets, (e.g., the forward capacity market or ancillary services market)?

    b. Although capacity is not being purchased under the procurement, electric customers may benefit if a project provides a capacity resource to the region and eliminates the need to purchase other additional capacity from the market. Should the bid evaluation consider such potential benefits of capacity?

    c. With respect to evaluating capacity, one potential approach is to have the resource bid its capacity and take the financial risk of qualifying and clearing their capacity in the market. Another potential approach is to ascribe a capacity value based on technology to all resources with the expectation that if capacity revenue is sufficient, resources will have an incentive to pursue a Capacity Supply Obligation. Please explain how the evaluation process might appropriately consider and quantitatively evaluate the potential costs, benefits, and risks of each approach.

7. Project viability is an important consideration in the evaluation of a Section 83D bid. The ability of a clean energy generation project to achieve interconnection and be deliverable into the region can significantly impact the viability of the project. In addition, interconnection costs associated with clean energy generation can vary widely, and can change significantly over time. Please address the following questions:

    a. How should the procurement be structured to allow reasonable evaluation of bids that have not completed the ISO-NE I.3.9 process?

    b. For bids that have not completed the ISO-NE I.3.9 process, what information, such as technical reports or system impact studies that closely approximate the ISO-NE interconnection process, should the procurement require from bidders to allow a complete evaluation of bids and associated risks, costs, and benefits?

    c. What documentation and information should the procurement require bidders to provide in order to demonstrate that its project is viable from the interconnection process and ISO-NE PTF deliverability standpoint?

    d. What documentation should the procurement require bidders to provide that demonstrates the reasonableness of their estimates for interconnection and deliverability costs? What other cost containment information should bidders be required to provide to allow a complete evaluation of bids and associated risks, costs, and benefits?

8. The Section 83D bid evaluation process will require a careful review of any transmission costs associated with a bid. Please respond to the following questions relating to the evaluation of any transmission related costs:

    a. What documentation and information should bidders provide in order to demonstrate the reasonableness of their transmission costs estimates included within a bid?

    b. Please describe in detail how transmission cost risks should be analyzed in the quantitative portion of the bid evaluation.

    c. What type of cost containment features might a bidder use to ensure that transmission cost overruns, if any, are not borne by ratepayers as required by the statute?

9. Should the bid evaluation process allow repricing, and if so, how would you structure bidder repricing to ensure that the initial and final bid is a lowest priced bid?

10. Section 83D requires that the clean energy resources to be used by a developer under the proposal to guarantee energy delivery in winter months. How would bidders demonstrate that proposed long-term contracts can meet this requirement? How should the evaluation process consider bids that cannot demonstrate an ability to meet this requirement?

11. Section 83D requires the DOER to give preference to clean energy generation bids that "combine new Class I renewable portfolio eligible resources and firm hydroelectric generation and demonstrate a benefit to low-income ratepayers in the Commonwealth without adding cost to the project." Please describe how the procurement should be designed to give preference to such bids, and the minimum requirements a bidder should demonstrate to meet this standard.

12. Section 83D requires the solicitation and consideration of proposals for long-term contracts for a period of 15 to 20 years for clean energy generation. Does 83D allow for the solicitation and consideration of proposals, as one form of bid, in the form of a delivery commitment model approach as contained in the New England Clean Energy RFP (available at: https://cleanenergyrfpdotcom.files.wordpress.com/2015/11/clean-energy-rfp-final-111215.pdf). If so, should such proposals be allowed in response to this Section 83D procurement, and do you think the ability to submit such proposals would potentially be utilized by bidders? Would your firm potentially submit such a proposal if allowed as an option?

13. Section 83D permits firm service hydroelectric generation from hydroelectric generation, new Class I RPS eligible resources that are firmed up with firm service hydroelectric generation or new Class I renewable portfolio standard eligible resources to qualify for a long-term contract. Please discuss any quantitative bid evaluation methods not yet discussed in your comments that would be beneficial to incorporate into the quantitative portion of the Section 83D bid analysis to ensure that the value of firmness is adequately captured.

14. Resource flexibility— the ability to ramp up and down in response to contingencies— is a potential consideration in the evaluation of Section 83D bids. With increasing intermittency in both load and generation, resources with the ability to respond to system contingencies, extreme events, and load/generation intermittency can help avoid reliability issues and mitigate the impact of price spikes to customers. How should the evaluation team quantify the impact of resource flexibility? How should the evaluation be designed to give preference to resources that provide such flexibility?