

Comments on 83E Round 1 & 2 RFPs and 83E Stakeholder Questions

To: 83E RFP Drafting Parties

From: Massachusetts Fiscal Alliance

Introduction

Massachusetts Fiscal Alliance is submitting public comment today with concerns related to this hugely expensive storage procurement. See our "Proposed Battery Law Costs Billions and Does Nothing" at <https://www.massfiscal.org/op-ed-the-actual-costs-legislature-climate-bill>

However, since this unwise effort is proceeding, we are also interested in having it function with minimum fiscal damage to the people of Massachusetts. Thus, we present the following comments that apply to both Round 1 & 2 RFPs.

1. Which ratepayers pay?

Ratepayers around the state are beginning to feel the repercussions of well-meaning energy transition policies such as this one, and it should be top of mind to minimize the impact of the higher price tag on those paying their bills. Just because the distribution companies are tasked with the buy of battery storage, their retail customers should not be hammered with the full price. In fairness, the municipal utilities, co-ops and electricity retailers should share the billions in costs, with all rate increases fairly apportioned.

Can the DPU unilaterally set rates for these entities, or would that require new legislation? This complex rate increase fairness issue needs to be resolved before an RFP is issued.

2. The procurement schedule is long and unknowable

Contract negotiations depend on two separate DPU actions, which may take a long and unpredictable amount of time. First, they must agree to the contract terms which may involve several iterations, and second, they have to approve the rate increases needed to fund the contracts. The rate increases determine what can be paid, so their approval precedes the final contracting.

The RFPs need to make clear that this is nothing like a normal procurement as it is highly contingent on several future DPU actions.

3. Site and facility costs are unpredictable

These project sites are not like more familiar offshore wind, where the lease cost is known and the site develop costs are predictable before the PPA is negotiated. We may have no idea where the project sites will be, so how much the site and facility costs will be are unpredictable. This makes contract pricing highly problematic. This uncertainty must be addressed in the RFPs.

4. Environmental attributes just shift cost, which may be increased

While environmental attributes can reduce the contract cost they still must be paid for, in many cases by the people of Massachusetts. After all, every subsidy costs someone money. For example, Clean Peak Energy Certificates ("CPECs") are typically paid for by ratepayers. The goal of the RFP should be to minimize the total cost to the people of Massachusetts, not just the contract price.

5. The 30-year contract term raises serious cost issues

A. Grid scale lithium batteries are said to last 10-15 years so they would have to be completely replaced once or possibly twice over the contract term. The greater the use the sooner the replacement is required. This doubles or even triples the costs discussed in our article cited above. Thus 1,500 MW could run into tens of billions of dollars over the 30-year term. It would be foolhardy to commit to such amounts today. Replacement should be a separate contract.

B. Conversely, there are some predictions that the long-term cost of grid batteries will decline significantly, as much as 80% in some cases. If this happened and the contract payment did not decline as well, the result could be huge windfall profits for the developers, once again paid for by the ratepayers. The RFPs need to structure the bids to handle this possible battery cost decrease.

6. These are not merchant facilities

The figures from the "Charging Forward" report are misleading as they are for merchant plants, not ratepayer contracted facilities. In fact, one of the main conclusions of "Charging Forward" is that merchant storage facilities are not viable at this time.

Several stakeholder questions seem to incorrectly suggest that these are merchant projects. For example, the question of whether a project is viable without federal investment tax credits (which may be repealed) is incorrect. The obvious developer's answer is, of course it is if Massachusetts is willing to pay more. This is really a question for DPU not the developer.

7. Contracts will be complex

These will not be relatively simple power purchase agreements (PPA's) like we see with offshore wind. There are a variety of battery uses which must be paid for in different ways. Backing up offshore wind might see no use for weeks at a time. Time of day arbitrage, buying at midday and selling during evening peak, would see daily use. Rapid discharge for grid stabilization due to the intermittency of renewables might be in between these two extremes. Moreover, different duration batteries are better suited to these different uses. For example ten hour batteries are well suited for backup while four hours is better for arbitrage. The RFPs need to clearly address these complexities.

We hope you will take our comments into consideration, and remember there are real people on the hook that will need to pay for the decisions you make.

Respectfully submitted,
Massachusetts Fiscal Alliance