March 7, 2025

**VIA EMAIL: Thomas.Ferguson@mass.gov**

**RE: 83E Round1 - VC Renewables Comments**

VC Renewables ("VCR") appreciates the opportunity to provide comments to the Drafting Parties regarding the forthcoming Request for Proposal for a first-round solicitation for mid-duration storage projects under Section 83E.

VC Renewables is a leading developer of clean energy projects in the Commonwealth and nationwide. VCR operates or is constructing over 400 MW of clean energy projects, in addition to a 2.0 GW/4.5 GWh portfolio of development projects nationwide. Notably, VCR is developing and constructing the Medway energy storage project, a 500 MWh battery electric storage facility, which is slated for operation by end of 2025.

## Overview

VCR appreciates the thoughtful and detailed questions developed by the Drafting Parties. Our comments directly address some of the questions at the conclusion, but this response is focused on the interpretation of ambiguous eligibility criteria in the statute and how the interpretation of the eligibility criteria impact the intended benefits of Section 83E. Specifically, the statutory definition of "mid-duration storage system" fails to specify how the legislature intended to define or measure the "full rated capacity" of an energy storage system. As explained herein, the definition is critical to assess project eligibility under 83E. A restrictive interpretation will undermine the ambitious volumetric goals set forth in the statute and increase ratepayer costs.

## Comments

### A. The statute fails to define "full rated capacity" resulting in ambiguous eligibility criteria

The first solicitation under Sec. 83E is intended to procure "mid-duration storage." The statute defines a "mid-duration energy storage system" as "an energy storage system that is capable of dispatching energy at its full rated capacity for a period equal to or greater than 4 hours and up to 10 hours."[1] However, the statute provides no guidance on how "full rated capacity" should be measured. There are multiple plausible interpretations of the term; for example, the maximum instantaneous capability of a storage system, the maximum instantaneous injection capability (perhaps due to inverter or substation limitations) of a storage system, or the maximum contracted capacity injection rights in a resource's interconnection agreement.

Each of the above examples, while plausible measures, are too limiting in the context of the statutory aims. Each fails to measure the storage system's potential discharge capability over the prescribed 4-10 duration contained in the statutory definition of a mid-duration energy storage system. As a result, any restrictive definition may result in undue discrimination between units

[1] *An Act Promoting a clean Energy Grid, Advancing Equity and Protecting Ratepayers*; St. 2024, c. 239, Sec. 97 (11/21/24)

with similar capabilities. Moreover, each is incompatible with the *hourly* CPEC definition. Such restrictive definitions could foreclose units, like the Medway energy storage project, from qualifying for the RFP.

Consider the following example:

| | Station A | Station B |
|---|---|---|
| Storage Capability (MWh) | 500 | 500 |
| Max Grid Injection Capability (MWh) | 125 | 250 |
| Duration at max. discharge (hr.) | 4 | 2 |
| Discharge capability over 4 hr. | 125 | 125 |

In this example, both resources are equally capable of providing 125 MWh of energy discharge over four hours. However, restrictive definitions of "full rated capacity" might label Station B as a 2-hour resource despite the exact same capability to provide 125 MWh of energy discharge over the arbitrary "4-hour duration" limitation. Ironically, Station B arguably provides greater reliability benefit given its ability to discharge twice as many MWh during an hour of peak system need.

### B. "Full rated capacity" should be defined consistent with a storage system discharge capability over four hours

Given the statutory ambiguity, the Drafting Parties should define "full rated capacity" in the fashion that maximizes development of energy storage resources, consistent with the legislature's ambitious volumetric goals.[2] One potential method is to require applicants to select a rating period between 4 and 10 hours, then calculate the maximum discharge capability of the system in each hour over the selected duration, consistent with the operating capability of the interconnected energy storage system.

### C. Applying a restrictive definition of "full rated capacity" would unduly discriminate and undermine legislative intent

The Drafting Parties should not assume that the legislature intended to restrict 83E eligibility based on maximum discharge over the shortest possible period. Employing such a definition would unduly discriminate between resources with identical four-hour capability, as in the example above, and could counter the clear legislative intent to procure 5 GW of energy storage by 2030, including 1 GW of procurement by the end of mid-2026.[3] The legislature's volumetric goals set out in the statute - especially those close in time - will likely be fulfilled by projects currently under development and construction, including VCR's Medway facility, or those currently in the queue. However, if such projects are ineligible for the 83E procurement, then they may not reach operation. Long development lead times will likely foreclose newly-conceived projects from filling the gap and satisfying the legislature's 2026 and 2027 targets. For example, based on our own experience with Medway and an examination of data regarding Plus Power's Cranberry Point Energy Storage project, energy storage development and construction takes approximately six years to reach COD.[4]

Moreover, use of a restrictive definition will undermine ratepayer benefits by constricting the pipeline of resources eligible to generate CPECs in short-run. Project delays or cancellations will

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[2] Sec. 83E(b)
[3] *Id.*
[4] *See*, Cranberry Point Energy Storage, Project Overview (available at: https://cranberrypointenergystorage.com/about)

limit CPEC supply and increase prices. Further, if procurements fall short of the legislature's goal, then the environmental and reliability benefits of the program will be delayed.

**Responses to selected enumerated questions**

5. Facilitating Financing of Projects

5(b) All projects in development are being pursued based on the existing federal tax credits in place. In the event tax credits are no longer available supplemental revenues will be needed to offset the loss of tax credits.

5(g) Long-term contracted CPEC awards will result in more competitive CPEC pricing and affordability for Commonwealth ratepayers. Projects with a "merchant" CPEC strategy are higher risk and demand higher CPEC prices / revenues to underwrite investment.

7. Resource Types

Generally, we recommend that the procurement is not overly prescriptive in carveouts or separate bidding criteria for different resource types. Distribution and transmission level resources should compete on their development merits and pricing. The market and RFP process will determine what resources are most competitive to achieve the Commonwealths policy goals while maintaining affordability for ratepayers.

8. Contract Length and Form

8(a) 20 years is the expected useful life of a BESS system. Contract lengths should be between 10 – 20 years, based on bidder preference.

- Bids should specify firm and unit contingent volumes that are based on the bidder's operational and augmentation assumptions.
- DOER should consider a contractual mechanism to pro-rate first year CPEC volume obligations based on actual COD timing of a given project.

10. Project Viability

10(a) Federal import tariffs are impacting BESS supply chain costs and risks. While the exact cost impacts are unknow at this time, they are anticipated to be significant. Revenue supplements will be needed to offset the impact of higher equipment costs.

Thank you for the opportunity to provide our insights. Please do not hesitate to contact me with any questions.

Respectfully submitted,

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