By email to Thomas.Ferguson@mass.gov

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Mr. Thomas Ferguson, PhD
Energy Storage Programs Manager
Massachusetts Department of Energy Resources
100 Cambridge Street, 9th Floor
Boston, MA 02114

Subject: 83E Round 2 Comments

Mr. Ferguson,

Longroad Development Company, LLC ("Longroad") appreciates the opportunity to provide the following comments regarding the forthcoming Request for Proposals ("RFP") for a second-round solicitation for mid-duration energy storage projects under Section 83E ("83E Round 2").

Longroad commends DOER for the successful Round 1 procurement, which selected 1,268 megawatts ("MW") of energy storage projects, and for continuing stakeholder engagement as the Commonwealth refines its approach for future solicitations. Our comments focus on transmission-connected utility-scale battery energy storage systems ("BESS") and specifically address Questions 5 through 9 of the Request for Information ("RFI"), with particular emphasis on contract structure considerations that will maximize project finaceability and ensure timely deployment.

Longroad is a Boston-headquartered developer, owner, and operator of utility scale wind, solar, and energy storage projects across the United States. The Longroad team has been developing projects in New England for two decades, and during that time, invested over a billion dollars in the process of developing approximately 900 MW of clean energy in the region. We have experience with the Commonwealth's procurement policies as a bidder and contracted developer in multiple Sec. 83 processes since passage of the Green Communities Act in 2008. Longroad also has over 3.2 GWh of energy storage operating and under construction. Longroad is developing utility scale energy storage projects in markets across the United States, including Massachusetts.

Longroad respectfully submits the following recommendations for DOER's consideration in structuring the Round 2 procurement and future solicitations:

Summary of Key Recommendations

1) **Purchase Energy Services by Adopting a Full-Toll Contract Structure for Transmission-Connected Projects.** DOER should pursue a full-toll contract structure for transmission-connected projects, through which projects sell environmental attributes, capacity, energy arbitrage, and ancillary services to the electric distribution companies ("EDCs").
2) **Establish Minimum 20-Year Contract Terms.** We recommend seeking 20-year contracts, with durations no less than 15. Long-term contracts of 20 years minimum are essential for transmission-connected utility-scale storage projects to achieve optimal financing terms, maximize ratepayer value,

and align contract duration with the standard 20-year design life of lithium iron phosphate ("LFP") battery systems. Importantly, a 20-year contract can offer a lower price per kilowatt hour than a 15-year contract, The ISO-NE capacity market transition from Forward Capacity Market to Prompt Seasonal Market creates additional merchant risk uncertainty that further underscores the critical importance of long-term contracted revenues.

3) **Focus Transmission-Connected Procurement on Utility-Scale Projects.** Round 2 should maintain the transmission-connected procurement pathway established in Round 1, with a continued focus on utility-scale projects (40+ MW) interconnected above 69 kV. These projects deliver the greatest grid-wide reliability benefits, transmission system value, and economies of scale for Massachusetts ratepayers.
4) **Establish Commercial Operation Date Requirements Before 2030**. To meet the Commonwealth's 5,000 MW storage goal, the procurement should require Commercial Operation Dates ("COD") before December 31, 2030, with appropriate milestone requirements and site control demonstrations to ensure project viability.
5) **Allow bids from projects that do not meet the CCIS standard.** CCIS adds substantial cost, complexity, and development risk, while offering limited benefits that do not justify reduced competition or higher ratepayer burdens. Because 83E does not require CCIS, DOER can tailor interconnection requirements to program objectives. Mandating CCIS raises project costs, triggers additional ISO-NE studies, introduces significant uncertainty, and excludes otherwise viable resources—ultimately shrinking the pool of eligible bids. A smaller, more risk-constrained applicant pool weakens competition, increases bid prices, and limits DOER and the EDCs' ability to select the most cost-effective projects. CCIS also adds procedural delays and additional study requirements, further complicating evaluation and increasing schedule and cost risk for developers.

Other Topics – Responses to Specific RFI Questions

The RFI requested information and comments from parties on a list of topics. Those topics and Longroad's comments are provided below.

Question 5: Impact of ISO-NE's Transition from Forward Capacity Market to Prompt Seasonal Market

How should the DOER and RFP Drafting Parties account for ISO-NE's transition from the forward capacity market to a prompt seasonal market in the Section 83E procurement?

ISO-NE's Capacity Auction Reforms ("CAR"), filed December 30, 2025, fundamentally reshape the revenue environment for storage by shifting from a forward auction with 3+ years of lead time to a prompt, seasonal market held roughly one month before the commitment period. This transition materially reduces forward revenue certainty and increases merchant exposure for storage projects, directly affecting 83E procurement design.

Key elements of the CAR proposal relevant to energy storage include:

Prompt Auction Timing: Resources must be in-service before the auction to participate, eliminating the ability to secure capacity revenues 3+ years before commercial operation. Forward Capacity Auction 19, originally scheduled for February 2025, has been delayed until February 2028 under the new framework.
Seasonal Commitment Periods: The transition to seasonal auctions (Summer: June-October; Winter: November-May) beginning in Phase 2 will value resources differently across seasons, potentially benefiting storage that can demonstrate reliability contributions during both periods.
Revised Accreditation: New accreditation methodologies will measure actual resource contributions during high-risk periods, which may increase the capacity value of well-positioned storage assets while reducing the value of resources with firm fuel constraints.

Implications for 83E Procurement Design
The capacity market transition significantly increases the importance of long-term contracted revenues for project finance. Under the current Forward Capacity Market, developers could secure a Capacity Supply Obligation 3+ years before commercial operation, providing revenue certainty that supported financing decisions. The prompt auction framework eliminates this pathway, creating increased merchant risk that will raise financing costs and potentially slow storage deployment at the very moment Massachusetts needs to accelerate development.

Longroad recommends the following approaches:

1. **Prioritize Long-Term Energy Services Contracts**: The 83E procurement should structure energy services contracts of **20 years or longer** to provide the revenue certainty that the capacity market will no longer offer. These contracts become the primary mechanism for achieving project bankability in a prompt-auction environment.
2. **Value Contracted Revenue Stability**: DOER's evaluation criteria should recognize that projects with long-term 83E contracts will deliver greater certainty of on-time completion and sustained operation, as lenders will have greater confidence in financing structures backed by creditworthy EDC offtakers rather than uncertain merchant revenues.
3. **Recognize Transitional Uncertainty**: The period between now and full CAR implementation (expected June 2028) creates significant planning uncertainty. Projects that can secure 83E contracts before the transition will be better positioned to navigate this uncertainty, supporting Massachusetts' 2030 deployment timeline.
4. **Consider Capacity Value as Ratepayer Benefit**: Under a full-toll contract structure, capacity market revenues flow to ratepayers, providing a hedge against capacity price volatility. If capacity prices increase under the new framework (as some analysts predict due to improved accreditation accuracy), ratepayers would capture this upside.

The capacity market transition underscores that state-driven procurement mechanisms like 83E are now essential infrastructure policy. Long-term 83E contracts provide the stable revenue foundation that the

wholesale market will no longer offer, making contract structure and term length among the most consequential decisions in this proceeding.

Question 6: Energy Services Contract Structure for Transmission-Connected Energy Storage

How should the RFP Drafting Parties structure the Energy Services portion of a contract for transmission-connected mid-duration energy storage resources? What are the advantages and disadvantages of structuring the contract for the Buyers to dispatch the energy storage assets versus having the operator dispatch the assets while providing the environmental attributes and guaranteeing some level of energy benefit to buyers?

Longroad strongly recommends that DOER adopt a **full-toll contract structure** for transmission-connected projects, where the EDC/Buyer dispatches the energy storage asset and receives all associated revenue streams, including environmental attributes, capacity, energy arbitrage, and ancillary services.

Comparison of Contract Models Across Leading Jurisdictions

- Maryland's Partial- and Full-Toll Framework: Maryland's 2025 procurement for 1,600 MW of transmission-connected storage explicitly recognizes that full-toll contracts support higher project completion rates by reducing revenue volatility.
- NYSERDA's Index Storage Credit Program: Uses a contract-for-difference mechanism but exposes developers to significant merchant risk (basis, arbitrage capture, capacity clearing), making it less favorable for financeability.
- California Resource Adequacy Contracts: Long-term RA contracts (10–20 years) provide a strong model for the capacity component of toll structures.

Recommendation: Full-Toll Contract Structure for Massachusetts

Recommended Full-Toll Contract Structure for Transmission Connected Storage

Contract Element	Recommended Structure
Capacity	Fixed $/MW-month payment to developer; capacity market revenues flow to EDC/ratepayers
Energy Arbitrage	EDC or third-party scheduler dispatches asset; all arbitrage revenues flow to EDC/ratepayers
Ancillary Services	Included within toll payment; ancillary services revenues accrue to EDC/ratepayers
Environmental Attributes (CPECs)	Bundled with energy services and transferred to EDC
Contract Term	Minimum **20 year** term

Availability Guarantee	Developer guarantees **95%+** annual availability
Round-Trip Efficiency	Developer guarantees minimum roundtrip efficiency (typically **85%** for lithium ion systems)

Advantages of Full-Toll Structure:

- Optimal financing terms and lower cost of capital
- Alignment with asset life and battery degradation profiles
- Higher project completion rates
- Ratepayer participation in market upside
- More efficient system operations through utility dispatch
- Consistency with state reliability goals

Disadvantages of Developer-Dispatched/Attribute-Only Structures:

- Higher bid prices due to lenders' unwillingness to underwrite merchant cash flows.
- Higher bid prices due to merchant exposure risk
- Misalignment of incentives between developers and system needs
- Exposure to capacity market uncertainty
- Ratepayers pay for capacity but do not receive associated market revenues

Given these factors, energy services contracts should be the default structure for transmission-connected resources in Round 2.

Question 7: Guaranteed Benefits in Energy Services Contracts vs. Attribute-Only Contracts

What benefits can be guaranteed in an energy services contract that could not be guaranteed in an attribute-only contract? And/or how could both structures be designed to mitigate risks and provide guaranteed value?

Energy services contracts, particularly full-toll structures, can provide substantially greater guaranteed value to ratepayers than attribute-only contracts. The distinction is fundamental to how risk is allocated and who benefits from the storage asset's performance.

Benefits Unique to Energy Services Contracts:

1. **Guaranteed Capacity Value**: Under an energy services contract, the EDC receives the storage asset's capacity contribution to grid reliability. This includes the right to participate in ISO-NE capacity markets (receiving capacity market revenues) and the right to call on the resource during peak demand periods, system emergencies, or capacity scarcity events. Attribute-only contracts do not convey these rights.

2. **Guaranteed Energy Arbitrage Value**: Energy services contracts transfer the energy arbitrage capability to the buyer. When wholesale price spreads are favorable, the EDC captures this value by charging during low-price periods and discharging during high-price periods. Under attribute-only contracts, developers retain these revenues, and ratepayers receive only the environmental attributes.
3. **Guaranteed Ancillary Services Value**: Storage assets provide valuable ancillary services including frequency regulation, spinning reserves, and operating reserves. These services command market-based compensation in ISO-NE. Full-toll contracts transfer these revenues to ratepayers; attribute-only contracts do not.
4. **Guaranteed Reliability Performance**: Energy services contracts can include specific performance guarantees for reliability services—for example, guaranteed response during ISO-NE Operating Procedure 4 (OP4) actions, guaranteed availability during forecasted peak demand periods, or guaranteed discharge during high marginal emissions periods. These guarantees can be backed by liquidated damages for non-performance.

Recommendation:

Energy services contracts, specifically full-toll structures, should be the default for transmission-connected storage procurement. These contracts guarantee that ratepayers receive the full value of the assets they are funding, including capacity, energy, ancillary services, and environmental attributes. Attribute-only contracts leave substantial value with developers and expose ratepayers to the risk that they are paying for assets whose full benefits they do not receive.

Question 8: Pricing Mechanisms to Mitigate Capacity Market Uncertainty

What pricing mechanisms should be considered to mitigate capacity market uncertainty and safeguard against market changes that may advantage or disadvantage buyers or sellers?

The ISO-NE capacity market transition creates unprecedented pricing uncertainty that requires innovative contractual mechanisms. Longroad recommends a combination of approaches to appropriately allocate risk while ensuring project financeability.

The most effective mechanism to mitigate capacity market uncertainty is a **full-toll contract with fixed capacity payments**. Under this structure:

- Developer receives a fixed $/MW-month payment determined through competitive solicitation
- All capacity market revenues (under the current FCM or future prompt seasonal market) flow to the EDC/ratepayers
- The fixed payment provides developer certainty; the market revenues provide ratepayer hedge

This structure eliminates capacity market forecasting risk from developer bid prices, resulting in lower and more accurate pricing. It also positions ratepayers to benefit if the capacity market transition results in higher capacity prices, as some analysts predict.

Question 9: Guaranteeing Reliability Benefits Without Capacity Supply Obligation

How can reliability benefits be guaranteed when projects selected are unable to secure a capacity supply obligation?

Under the proposed prompt auction framework, resources must be in-service before the auction to participate, eliminating the ability to secure capacity commitments during the development phase. Longroad recommends several mechanisms to ensure reliability value regardless of capacity market participation.

- Contractual reliability performance guarantees (availability during peak hours, OP-4 events, Capacity Scarcity Conditions, and system emergencies)
- Physical delivery requirements and periodic capability testing
- Equivalent firm capacity demonstrations (ELCC, LOLE, marginal reliability value)
- Dispatch rights for EDCs under a full-toll structure
- Coordination with ISO-NE for visibility and reliability integration
- Explicit reserve margin contributions defined in the contract

Concluding Remarks

Longroad appreciates the opportunity to provide comments on the 83E Round 2 RFI. The procurement design elements DOER is considering—such as contract term, structure, and risk allocation—will help influence the Commonwealth's ability to meet its energy storage objectives.

We look forward to continued engagement with DOER.

Sincerely,

Michael U. Alvarez

Legal

Michael U. Alvarez

Chief Operating Officer,
Longroad Development Company, LLC