



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL
ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS 02108

MAURA HEALEY
ATTORNEY GENERAL

(617) 727-2200
(617) 727-4765 TTY
www.mass.gov/ago

February 28, 2020

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: Inquiry by the Department of Public Utilities on its own Motion into Distributed Generation Interconnection, D.P.U. 19-55

Dear Secretary Marini:

The Massachusetts Office of the Attorney General (“AGO”) submits the following in response to the Hearing Officer Memorandum soliciting cost allocation proposals. *Hearing Officer Memorandum* at 3-4 (December 26, 2019) (“HO Memo”). The AGO offers proposals for (1) residential and small commercial distributed energy resource (“DER) facilities and (2) medium and large DER facilities.¹ *Id.* at 4.

1. Background/Procedural History

As noted in the HO Memo, currently, the costs related to infrastructure modifications needed to interconnect a DER facility are allocated based on the principle that the DER facility causing the need for a modification must pay for that modification (“Cost Causation Principle”). HO Memo at 3. Based on stakeholder requests for the Department to investigate alternatives to the Cost Causation Principle, the Department announced at the October 3, 2019 technical conference in this docket that it would commence a process through which stakeholders could submit alternative cost allocation proposals. *Id.* The Department subsequently facilitated a question and answer session on the proposal process at the November 21, 2019 technical conference. *Id.*

On December 17, 2019, the Northeast Clean Energy Council (“NECEC”) submitted a request on behalf of itself and the AGO seeking a four-week extension of the deadline to submit alternative cost allocation proposals from February 1, 2020 to February 28, 2020. Recognizing the complexity of the task at hand, the Department approved the extension request on December 19, 2019. *Id.* at 4. In order to afford stakeholders the opportunity to ask procedural questions

¹ While the Massachusetts Standards for Interconnection of Distributed Generation currently focus on “distributed generation,” there is a need to consider a broader set of technologies, such as energy storage. As such, we have used the term DER throughout the cover letter and proposals.

related to the cost allocation proposal process of Department staff, the Department held a conference call on January 7, 2020. *Id.*

In its HO Memo, the Department noted that it will accept two proposals from each stakeholder or group of stakeholders: (1) a proposal for residential and small commercial DER facilities that have historically not been required to pay for infrastructure modifications; and (2) a proposal for medium and large DER facilities that are currently required to pay for infrastructure modifications. *Id.* The Department also clarified that it seeks detailed proposals that could be implemented in the near term with little to no further process. *Id.* Further, the Department explained that it is not currently seeking long-term solutions for preemptive infrastructure modifications to meet state climate change requirements; rather, the Department seeks midterm cost allocation proposals for infrastructure modifications triggered by DER facilities seeking to interconnect to the electric distribution system. *Id.* The Department highly encouraged engagement with experts and joint submissions. *Id.*; *D.P.U. 19-55 Distributed Generation Interconnection Technical Conference Slide Deck*, at 4 (October 3, 2019).

2. The AGO/Strategen Proposals

In accordance with the Department's recommendation, the AGO retained the services of Strategen Consulting ("Strategen") to develop cost allocation proposals that are implementable in the short term but also offer the potential for longer-term modifications in the future. The attached report, drafted by Strategen in consultation with the AGO, provides cost allocation proposals for (1) residential and small commercial DER facilities; and (2) medium and large DER facilities as requested by the Department. The report, summarized at greater length below, also contains several appendices intended to provide further guidance to the Department in considering the proposals, including case studies of cost allocation methods in practice in other jurisdictions. *See* Appendices A, B, C. While we attempt to offer proposals that are implementable in the near-term, the necessary thresholds for implementation should be established with stakeholder input and data currently only available to either the distribution companies or developers. This would require additional process necessary to create fully workable alternatives to the Cost Causation method of cost allocation.

a. Guiding Principles

In the historical context of DER, the cost causation principle was a reasonable method of allocating costs when interconnections were not overly common and were generally limited to large central generators that were better equipped to absorb upgrade costs. However, the recent proliferation of renewable energy installation at the distribution level, driven by successful DER incentive programs, creates inequalities in assigning system upgrade costs to a single DER facility. For example, when multiple DER facilities are queued up to interconnect to the same constrained circuit, it is difficult to justify charging only the triggering developer for an upgrade that will ultimately offer direct benefits to subsequently interconnecting developers. When moving beyond the Cost Causation Principle, the Department should use a principles-based approach to identify alternative cost allocation methods for DER interconnection. A principles-based approach allows decision-makers and stakeholders to find commonalities around cost allocation priorities and to ensure that the chosen solutions satisfy the priorities.

The proposals presented here were developed using four guiding cost allocation principles: (1) beneficiary pays; (2) differentiation; (3) transparency; and (4) efficient greenhouse gas (“GHG”) reduction. The “beneficiary pays” principle focuses on the idea that the cost of distribution upgrades must be allocated to those who benefit most directly from the upgrades, and not allocated to those who do not receive direct benefits. The “differentiation” principle focuses on the idea that different grid conditions or DER facility specifications merit different cost allocation methodologies. The “transparency” principle focuses on the idea that more data is key to developing and verifying fair and reasonable cost allocation methods. Finally, the principle regarding GHG goals recognizes that GHG emissions have motivated several state policies and that the issue must be an important factor driving changes to the regulatory structure, including DER interconnection standards. These guiding principles are explored in further detail in the attached proposals.

b. Proposal 1: Residential and Small Commercial DER Facilities

The residential and small commercial DER facility cost allocation proposal offered in the attached report recommends maintaining the status quo in Massachusetts by not requiring these facilities to pay for infrastructure modifications associated with their interconnection. However, the proposal recommends aligning these exemptions with Massachusetts’ existing simplified process for DER interconnection and tracking the resulting system modification costs.

c. Proposal 2: Medium and Large DER Facilities

The cost allocation proposal for medium and large DER facilities combines several mechanisms based on the guiding principles mentioned above. Such a principles-based approach balances the need to mitigate system modifications where possible while appropriately allocating the costs of those system modification costs when they cannot be avoided.

In order to mitigate system modification costs, the attached proposal recommends the adoption of arrangements that can control and manage power export, allowing projects to interconnect without causing costly and time-consuming upgrades. The proposal offers two complementary approaches meant to allocate the costs of power curtailments to a direct beneficiary, allowing for more equitable and timely cost allocation: (1) power control limiting; and (2) a dynamic curtailment pilot program.

In addition to offering options that allow for the mitigation of system upgrade costs, the attached proposal also provides a recommendation as to how to allocate unavoidable system modification costs that can reduce developer risk and cost burden. This option is intended to allow more facilities to interconnect in furtherance of the Commonwealth’s GHG reduction goals, clear the project queue for others, and minimize administrative study time and cost via a combination of complementary cost allocation approaches: (1) developer reimbursement; and (2) group study. These allocation approaches were selected in large part due to their short-term applicability.

While we recognize the Department’s desire for easily implementable short-term solutions, it is also important to ensure that cost allocation mechanisms are sufficiently flexible as

technology, data, policy, and regulatory frameworks evolve. Accordingly, the attached proposals satisfy the Department's desire for immediate cost allocation alternatives while also building a working foundation for the future evolution of cost allocation policy for DER interconnection. We offer the attached proposals for the Department's consideration and welcome any questions or additional process that would allow for the adoption of alternative cost allocation proposals in line with the guiding principles set forth above.

Sincerely,

s/ Shannon Beale _____

Shannon Beale

Elizabeth Mahony

Ashley Gagnon

Assistant Attorneys General

Energy and Telecommunications Division

cc: Kate Tohme, Hearing Officer