

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

Investigation by the Department of Public Utilities On its Own Motion into Electric Distribution Companies' (1) Distributed Energy Resource Planning and (2) Assignment and Recovery of Costs for the Interconnection of Distributed Generation

D.P.U. 20-75

**RESPONSES OF THE NORTHEAST CLEAN ENERGY COUNCIL,
THE COALITION FOR COMMUNITY SOLAR ACCESS AND THE
SOLAR ENERGY INDUSTRIES ASSOCIATION TO THE FIRST SET
OF INFORMATION REQUESTS OF THE DEPARTMENT OF PUBLIC
UTILITIES TO THE D.P.U. 20-75 ELECTRONIC DISTRIBUTION LIST**

Respectfully submitted,

NORTHEAST CLEAN ENERGY
COUNCIL, INC.

COALITION FOR COMMUNITY
SOLAR ACCESS

SOLAR ENERGY INDUSTRIES
ASSOCIATION

Dated: April 13, 2021

Request: Stakeholder-1

Refer to the response to EDC-1. Do you currently have a distributed generation facility in the interconnection queue within one of the groups identified by the EDCs?

Response:

Many NECEC, CCSA and SEIA members have projects within the group studies identified by National Grid and Eversource. Collectively, our members have a deep concern about the viability of their projects in these studies because of the costs likely allocated to each project, the timelines associated with interconnecting projects, and the uncertainty around both costs and timelines. The additional clarity provided by the EDCs in their responses is appreciated, and reinforces the need for an immediate solution for projects in the current group studies, as well as a long-term, equitable strategy.

The urgency of a Departmental response is underscored by the significant volume of DG capacity currently subject to group studies (348 MW for Eversource, 331 MW for National Grid) as well as the more stringent GHG reduction targets adopted in the Next Generation Roadmap Bill signed into law by Governor Baker on March 26, 2021. Under the Commonwealth's Interim Clean Energy and Climate Plan, the Executive Office of Energy and Environmental Affairs anticipates an additional 2GW of solar DG beyond the current SMART program targets will be necessary to meet the previous 45% GHG reduction target by 2030.¹ For the Commonwealth to meet the new target of 50% GHG reductions by 2030, there is an even more urgent need to deliver viable pathways for currently proposed projects AND establish an enduring, equitable strategy over the longer-term.

¹ See Massachusetts Interim Clean Energy and Climate Plan for 2030, at 37, 40-41.

Request: Stakeholder-2

Refer to the response to EDC-1. Based on the high-level planning estimates for costs and timelines provided by the EDCs, would you move forward with interconnection under the currently applied cost causation methodology?

Response:

Each individual project developer has its own internal financial models, financing strategies, and risk profiles. Moreover, each individual project will have a unique set of cost inputs (e.g., land, permitting, cost of capital), and compensation structure (e.g., SMART block and adders). Nevertheless, the costs per kW identified in the EDC responses to EDC 1-B (\$848/kW - \$4,608/kW for Eversource, \$1,977-\$3,913/kW for National Grid (excluding Transmission costs)) far exceed any threshold for project viability.

NECEC, CCSA, and SEIA note the stark difference between the EDC responses to EDC-1 (b) under current cost allocation policy and under the alternative proposals offered by the EDCs. As indicated in the Response to Stakeholder-2 above, interconnection costs in the thousands of dollars per kilowatt are not economically viable in Massachusetts. This reinforces the need for a dramatic change in cost allocation methodology in order for currently proposed projects in group study to have any chance of economic viability; moreover, these striking numbers are of great concern for the long-term DG development picture in the Commonwealth.

Under the cost allocation strategies advanced by Eversource and National Grid, the costs assigned to group study projects would drop significantly -- to between \$340 - \$1,031/kW for Eversource and between \$420 and \$977/kW for National Grid.² This represents an important closing of the financial viability gap for group study projects; however, even under the information supplied by Eversource and National Grid, these figures are still high enough that these two EDCs infer such costs to be “a financial barrier for many proposed DER facilities.”³ Our members generally agree that the level of interconnection costs that would result from the proposed cost allocation methodologies of the Department or the EDCs would still be cost prohibitive. It is also important to note that project size is a significant variable in understanding the level of interconnection costs a specific project can bear. Some 5MW projects may, under optimal circumstances, be able to bear costs that approach \$300/kW;⁴ however, smaller projects face different economics such that the Department may want to consider instituting a sliding scale to cap interconnection costs at a level that continues to send an economic signal to developers, but allows projects to move forward.

² See National Grid Attachment EDC 1-1.

³ Eversource Response to EDC-3.

⁴ NECEC proposed a \$1.5M cap on interconnection costs for 5MW projects in its February 28, 2020 Cost Allocation Proposal, at 20.

It is also important to note the uncharted territory in which we find ourselves. Eversource's response to EDC-3 shows that the majority of applications over the past four years faced interconnection costs less than \$100/kW; and the average costs for applications in the range of \$100/kW - \$500/kW was \$209/kW. Thus, the ranges predicted by Eversource are almost unheard of in the Commonwealth, notably at a time when SMART block rates continue to decline in value.

The estimates provided by Eversource and National Grid regarding the cost of group study-based upgrades or comprehensive system planning-based to be allocated to DER's clearly show that the scope of upgrades and the resulting costs greatly exceed historic financially viable interconnection cost levels. The information that the EDCs have provided is important because it shows that while the Department's cost allocation and system planning proposal is an improvement over the status quo, the resulting cost allocations are still prohibitive and may adversely impact the continued successful development and deployment of DERs consistent with the Commonwealth's overall policy objectives. Consequently, NECEC, CCSA and SEIA encourage the Department to revisit NECEC's cost allocation proposal, which assigns no more than 30%, or \$300 per kilowatt, of shared distribution upgrade costs to DER. Importantly, this approach reflects allocation of distribution costs consistent with history (when upgrades were made largely within the limits of the existing system) and does not saddle DER (or any subset of users) with rebuilding the distribution system to serve the future needs of all users of the system; all transmission upgrades would be allocated to broadly to all customers. NECEC, CCSA and SEIA encourage the Department to continue to work with stakeholders towards a more expansive cost allocation methodology that focuses allocating the cost to the broadest set of beneficiaries, while providing structures, either incentives or planning, that result in DERs being sited efficiently, minimizing costs and maximizing benefits across all distribution system users.

Request: Stakeholder-3

Refer to the response to EDC-1. If a provisional system planning program were implemented that decreased the cost to interconnect but did not alter the timeline for EPS upgrade construction, would you move forward with interconnection?

Response:

Each individual developer has its own internal modeling and business strategy that dictates whether a specific project could move forward under the timeframes identified by the EDCs in their responses to EDC-1 (c). However, few, if any, NECEC, CCSA, and SEIA member companies are able to absorb the 4 and 5 year times identified by National Grid and Eversource. Given that the upper bounds of the EDC construction schedules will likely be challenging for many developers, we suggest that the EDCs redouble their efforts to reduce these timelines considerably through advancing procurement, permitting, and design planning. Creative construction strategies, including allowing experienced developers to perform the construction process to EDC specifications, should be considered if they can accelerate timetables, improve efficiency, and maintain high construction standards.

It is important to note that providing as much certainty as possible about timetables is a necessary element of making these business decisions. Developers need concrete, specific timelines AND the assurance that delays in these timelines will not occur. Departmental oversight and direction is necessary to ensure that (a) schedules are reasonable; (b) the EDCs are maximizing creativity and collaboration to accelerate timelines; and (c) that interconnection deadlines are clear, specific, and achieved. Given the Commonwealth's adoption of a target for 50% reduction in greenhouse gases by 2030 and the Department's expanded climate mission, not only do individual developers have a critical stake in this, so too does Massachusetts and its citizens.

To reiterate, DER developers are very much concerned about the timelines both Eversource and National Grid estimate for the completion of the upgrades to interconnect the DER in the several groups under study. Both utilities show timelines that stretch five years or more for certain groups. Our organizations recognize that a combination of supply change constraints and regulatory uncertainties may limit the EDCs ability to accelerate the timelines much beyond those indicated. NECEC, CCSA and SEIA encourage the Department to explore mechanisms that would allow the EDCs to pull forward procurement decisions, accelerate engineering, and reduce risk of restudy if one or more DER leaves a group or exists the queue. Planning studies can form the basis for making some key decisions that currently must wait for the completion of studies and execution of agreements with individual DERs. The goal should be accelerating schedules for the construction of upgrades and interconnection facilities, reducing timeline delays and uncertainty, and increasing the incentives and mechanisms for the EDCs to minimize the time it takes to effect interconnection of DERs.

Given the long and, in National Grid's case, extremely general timelines offered by the EDCs, NECEC, CCSA and SEIA urge the Department to hold a Technical Conference in the near term to explore ways in which these construction timelines can be dramatically reduced, including areas of accelerated regulatory approval for design, procurement and permitting.

Request: Stakeholder-4

Refer to the response to EDC-4, how long following submittal of a provisional system planning program proposal by the EDCs would the Department need to make a determination on the proposal for you to move forward with interconnection?

Request:

For projects currently included in the current group studies, the provisional planning program by the EDCs should be submitted concurrently with the results of the group studies. NECEC, CCSA, and SEIA urge swift action on this matter. Both National Grid and Eversource predict the current group studies to be completed later this year, and state that they would require a number of months following the completion of the current group studies to be able to file provision plans. As we expect the Department will be required to review and process any provisional plans that are filed, we encourage the filing to happen as quickly as possible.

Request: Stakeholder-5

Are there any federal law implications that should be considered concerning sharing costs of EPS upgrades with interconnecting customers over an extended period of time and in particular after the EPS upgrade has been constructed?

Response:

While federal laws touch upon the regulation of the transmission system, wholesale markets, and certain jurisdictional questions, NECEC, CCSA, and SEIA agree with Eversource that “[t]he absence of a FERC-approved tariff mechanism is not a bar to a state pursuing a unique cost recovery method for state-jurisdictional interconnection customers.”⁵ The Department should move forward with an immediate reform to cost sharing for upgrades to the EPS systems subject to its jurisdiction.

⁵ See Eversource Reponse to EDC-5