47 Coffin Street Ratepayer Advocates
47 Coffin Street
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May 27, 2015

To: The Massachusetts Energy Efficiency Advisory Council

By email to Maggie McCarey, maggie.mccarey@state.ma.us

Re: April 30, 2015 Draft 2016-2018 Massachusetts Joint Statewide Three-Year Electric & Gas Energy Efficiency Plan

Pursuant to the procedures set forth in the Energy Efficiency Advisory Council's (EEAC's) Notice of Rescheduled EEAC Meetings,[1] 47 Coffin Street Ratepayer Advocates (47 Coffin)[2] provides the following comments regarding the above-captioned Draft Plan and accompanying documents. 47 Coffin appreciates this opportunity to comment and looks forward to further participation in this matter.

1. **47 Coffin commends National Grid's initiatives and strongly supports their widespread adoption.**

At the outset, 47 Coffin commends National Grid's efforts to promote demand response.[3] National Grid appropriately is focusing on (1) increased incentives for specific, existing energy efficiency measures that are projected to reduce customer usage during times of peak demand and are not currently adopted in large numbers by customers with existing incentives and (2) adding new incentives on the up-front costs of new direct load control messaging, devices and equipment. Further, as owners of an electric plug-in vehicle and a rooftop pv solar installation, 47 Coffin welcomes National Grid's exploration of technologies that may make these resources more meaningfully available for grid support. These commitments make National Grid unique among Program Administrators in meeting essential Green Communities Act objectives of reducing capacity (as opposed to exclusively or primarily energy) costs and of deploying load management and demand response.

Similarly, National Grid's proposed geotargeting of congested areas, particularly to reduce peak loads, should be recognized as having the potential to benefit a larger area than that specifically targeted. 47 Coffin is remote from electrically congested areas, by no means in a load pocket. It is located within the

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[1] Commonwealth of Massachusetts, Energy Efficiency Advisory Council, *Notice of Rescheduled Public Meetings* (Apr. 8, 2015), *available at* http://ma-eeac.org/wordpress/wp-content/uploads/Notice-of-Cancelled-and-Rescheduled-April-to-July-2015-EEAC-Meetings.1.pdf.

[2] 47 Coffin comprises senior citizen, mostly retired, retail National Grid zone NEMA/Boston electric ratepayers residing at 47 Coffin Street, West Newbury, MA, which at the moment is .5 miles from the Merrimack River, about 10 miles from the Atlantic, and roughly 50 feet above sea level.

[3] Mass Save Program Administrators, *Draft 2016-2018 Massachusetts Joint Statewide Three-Year Electric & Gas Energy Efficiency Plan* at Section VII, Appendices, Part E, National Grid Specific Elements (Apr. 30, 2015), *available at* http://ma-eeac.org/wordpress/wp-content/uploads/2016-2018-DRAFT-Electric-Gas-Energy-Efficiency-Plan.pdf

evacuation zone of the Seabrook nuclear plant and near other smaller generation sources, is in a town criss-crossed with major east coast transmission lines and is in a rural subregion that experiences Locational Marginal Pricing (LMP) outcomes below those in the congested Boston area. Nonetheless, 47 Coffin subsidizes Boston consumers by virtue of the New England ISO's arbitrarily large North East Massachusetts (NEMA)/Boston Load Zone.[4] Thus unless and until actual LMP and capacity market outcomes are more granularly applied to loads, 47 Coffin and others distant from congested areas may benefit from National Grid's geotargeting.

2. The Draft Plan's treatment of demand response and capacity cost mitigation has not been shown to be in compliance with applicable statutory mandates.

The Green Communities Act under which the EEAC and Program Administrators (PAs) operate is replete with directives to reduce *capacity* investment (which is driven by coincident peaks) as well as energy usage and to deploy *demand response* as well as energy efficiency. The purpose of this entire Three-Year Plan exercise is to "mitigate *capacity* and energy costs for all customers."[5] Moreover, the EEAC and PAs must act within their legislative mandate to develop a Plan that "shall include," among other things,

- "the amount of demand resources, including efficiency, conservation, *demand response* and load management, that are proposed to be acquired under the plan and the basis for this determination;"
- "the estimated energy cost savings that the acquisition of such resources will provide to electricity and natural gas consumers, including, but not limited to, *reductions in capacity* and energy costs and increases in rate stability and affordability for low-income customers;"
- "a description of programs, which may include, but which shall not be limited to: . . . *demand response* programs; [and] programs for *development of markets* for such products and processes. . . ."[6]

A. Failure to control peak electric loads has contributed to excessive capacity costs, contrary to Green Communities Act objectives.

Notwithstanding these statutory requirements, Three-Year Plans to date have excluded electric demand response and have significantly failed to reduce capacity costs. Without question great strides have been made in reducing overall demand in the Commonwealth. But electric coincident peak demand (which

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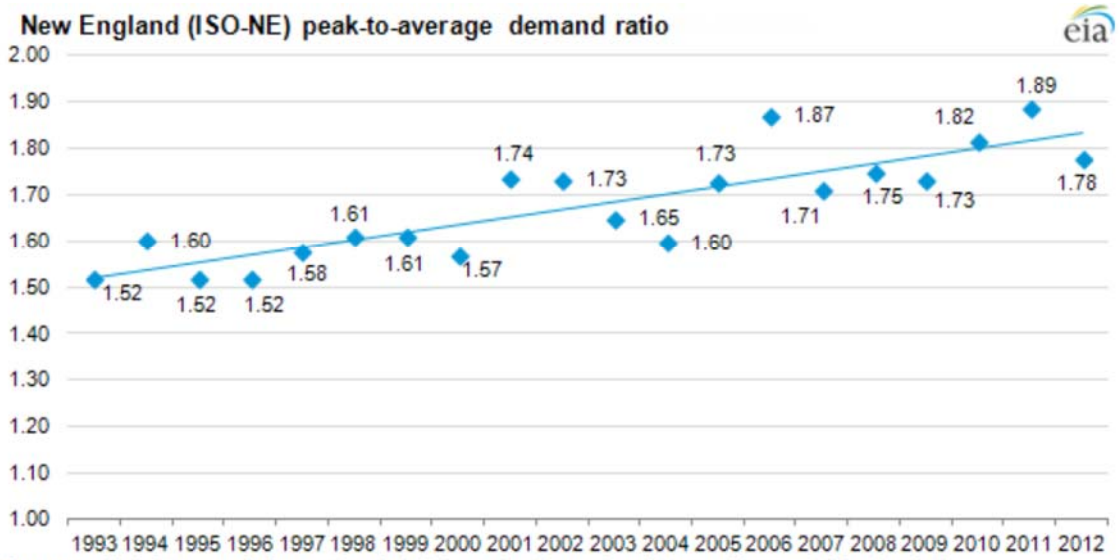
[4] *E.g., New England Power Pool,* 109 FERC ¶ 61,322 at P 17 (Dec. 21, 2004), *available at* http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=10345599 (to send accurate price signals and avoid subsidies, FERC supports implementation of full nodal pricing to load, with a transition mechanism of increasingly granular load zones.)
[5] Green Communities Act Sec. 21(a). Emphasis added.
[6] Green Communities Act Sec. 21(b)(2). Emphasis added.

drives capacity investment) is growing more in New England at higher rates in proportion to overall demand than in any other region in country.

The following chart[7] illustrates this phenomenon:



Source: U.S. Energy Information Administration based on Ventyx Energy Velocity Suite

Across the United States, but most pronounced in New England, the ratio of annual peak-hour electric demand to average hourly demand has risen over the past 20 years. In New England, the peak-to-average demand ratio has increased from 1.52 in 1993 to 1.78 in 2012. In other words, the highest peak-hour electric demand for the year in 1993 was 52% above the hourly average level while in 2012 peak-hour demand had risen to 78% above the hourly average level.

This in turn causes Massachusetts ratepayers to bear unnecessarily high capacity costs. Costs of ISO-NE's Forward Capacity Market (FCM)—only one component of ISO-NE costs—have escalated by almost $3 billion in the over the last two years. Last year, ISO-NE's non-competitive[8] FCM produced generator capacity costs for 2017-18 that almost tripled 2013 levels, increasing to $3.05 billion.[9] According to consumer interests, New England customers look forward to an additional $180 million costs in the capacity commitment period beginning in June 2017, with customers in the Northeastern MA/Boston zone bearing the greatest burden.[10]

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[7] US Dept of Energy, Energy Information Admin, *Peak to Average Electricity Demand Ratio Rising in New England and Many Other US Regions* (Feb. 18, 2014), *available at* http://www.eia.gov/todayinenergy/detail.cfm?id=15051#tabs_SpotPriceSlider-8.

[8] *ISO New England Inc.,* FERC Docket No. ER14-1409, Explanatory Statement of FERC Chairman LeFleur (Sept. 16, 2014), *available at* http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13638080 ("FCA 8 results in the NEMA/Boston capacity zone were 'non-competitive,' indicating that the level of participation in the auction was inadequate to satisfy the Installed Capacity Requirement….")

[9] ISO New England Press Release, *Finalized Auction Results Confirm Slight Power System Resource Shortfall in 2017–2018* at 2 (Feb. 28, 2014), *available at* http://www.iso-ne.com/nwsiss/pr/2014/fca8_final_results_final_02282014.pdf.

[10] *ISO New England Inc.,* FERC Docket No. ER14-1409, Joint Motion to Intervene, Motion Requesting Waiver, and Objection of Massachusetts Electric Co. *et al.* at 10 (Apr. 14, 2014), *available at* http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13514034.

This year's auction produced non-competitive results in Southeastern MA/Rhode Island, and will add yet another $1 billion in capacity costs starting in 2018.[11]

B. Contrary to statutory mandates and currently applicable EEAC objectives, the Draft Plan offers no concrete steps to control coincident electric peaks and thus mitigate capacity costs.

Rightly so, EEAC proposed that the PAs undertake demand response programs in the 2016-18 period. Curiously, the PAs' response is to assert that they are doing so inasmuch as they "*recognize* the special value of products and practices that can reduce winter and summer peak demand."[12] PA recognition is all that is offered: "no specific proposals are included in this draft of the Plan and investigation continues"[13]—all without any identified program of work or associated timeline enabling measurement of progress on this matter. Further, the consultants report that the PAs intend to accomplish summer peak reductions (winter peaks remain unaddressed) uniformly below the totals the consultants found reasonable in every category.[14]

In other words, the current Draft Plan is on course to continue the general failure to meaningfully fulfill Green Communities Act objectives to "mitigate *capacity* … costs for all customers"[15] or to deploy cost-effective demand response. According to the Draft Plan, the PAs (which in the main comprise the same investor-owned-utilities that helped create wholesale and retail supply markets) must first better understand an unspecified market that in some unexplained way is potentially vulnerable to demand response. They explain, "An area of particular focus is the need to review the current market and how it

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[11] ISO New England Press Release, *Annual Forward Capacity Market Auction Acquires Major New Generation Resources for 2018-2019* (Feb. 4, 2015), *available at* http://www.iso-ne.com/static-assets/documents/2015/02/fca9_initialresults_final_02042015.pdf ("A preliminary estimate of the total cost of the capacity market in New England in 2018–2019 is about $4 billion; by comparison, the previous auction resulted in an estimated total capacity market cost of about $3 billion for 2017-2018. Payments to resources for this auction's capacity commitment period will begin in 2018.")

[12] PA Response to Massachusetts EEAC Year 2016-19 Plan Recommendations, *available at* http://ma-eeac.org/wordpress/wp-content/uploads/PA-Response-to-MA-EEAC-Year-2016-18-Plan-Recommendations1.pdf Emphasis added.

[13] Mass Save Program Administrators, *Draft 2016-2018 Massachusetts Joint Statewide Three-Year Electric & Gas Energy Efficiency Plan* at 153 (Apr. 30, 2015) *available at* http://ma-eeac.org/wordpress/wp-content/uploads/2016-2018-DRAFT-Electric-Gas-Energy-Efficiency-Plan.pdf

[14] Consultant Team, *Memo to EEAC: Comparison of PA 2016-2018 Plan with Consultant Team Goal Framework Analysis* (May 12, 2015), *available at* http://ma-eeac.org/wordpress/wp-content/uploads/Comparison-of-PA-2016-18-Plan-with-Consultant-Team-Goal-Framework-Memo1.pdf

[15] Green Communities Act Sec. 21(a). Emphasis added.

functions, and whether further intervention and use of customer energy efficiency funding is appropriate to further move the existing market." [16]

C. The Green Communities Act has expressly resolved that capacity costs must be among those mitigated and that demand response is a favored solution.

47 Coffin has found no legal authority for such a PA objection to demand response or even such a line of inquiry or investigation. On the contrary, the Green Communities Act directs the PAs to deploy *all* cost-effective means of reducing capacity costs, specifically including demand response. The PAs also operate under a mandate to "develop markets" *in furtherance* of programs such as capacity cost mitigation and demand response. The statute identifies the criterion of cost-effectiveness as compared to supply—nowhere does it authorize the criterion of the PA's views and preferences in protecting existing supply markets.

With respect, 47 Coffin submits that it is not for the PAs to second-guess and/or defy legislative determinations. Nor is it the PAs' responsibility to determine, on their own, how and when to intervene in markets. Rather, it is the PAs' *obligation* to put forward a comprehensive plan to procure energy resources that include such items as peak reduction initiatives and demand response programs up to the point at which the costs of such programs would exceed the avoided supply costs.

D. Protecting selected markets at the cost of precluding demand-side participation has anticompetitive ramifications.

It is not possible to discern the exact nature of the PA's apparent market concern, but any action to protect incumbent suppliers would invite questions of anticompetitive impacts. Such action erects barriers to market participation by demand-side entities such as 47 Coffin, which could offer additional grid support through such resources as its electric vehicle, its solar generation, and its propane-fueled behind the meter generation—but currently has no avenue to do so. Further, New England generators, among the interests most critical of demand response and most vigilant about protecting their own markets, have expressed the expectation that "[c]onsistent with the jurisdictional line recognized in the *EPSA* decision [finding wholesale demand response beyond FERC's jurisdiction and arbitrary and capricious in its

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[16] Mass Save Program Administrators, *Draft 2016-2018 Massachusetts Joint Statewide Three-Year Electric & Gas Energy Efficiency Plan* at 153 (Apr. 30, 2015) *available at* http://ma-eeac.org/wordpress/wp-content/uploads/2016-2018-DRAFT-Electric-Gas-Energy-Efficiency-Plan.pdf

ratemaking], . . . States will presumably move forward with their own retail demand response programs and that to the extent that these programs result in legitimate load reductions, such reductions may be reflected in FCM."[17]

3. **To the extent that the PAs as a whole recognize but are confounded by peak reduction and demand response, they can and should learn from and deploy programs that National Grid is pioneering.**

Somehow National Grid has been able to launch demand response programs and indeed has announced its intent to expand additional innovative programs and technologies to accomplish the Green Communities Act's goals of reducing capacity costs and promoting demand response. Presumably it has already considered and resolved whatever concerns underlie the Draft Plan. 47 Coffin has seen no suggestion that National Grid's activities in this regard are illegal, imprudent or anticompetitive.

This begs the question why the Plan cannot be revised to incorporate programs that are like those that National Grid has begun or proposed and that would work for other PAs. While skeptical of ill-defined market concerns, 47 Coffin understands and respects the need to develop demand response programs that actually work well without unintended consequences. Common sense indicates that rather than reinvent the wheel or raise extra-statutory concerns, the PAs and EEAC would be more successful in meeting Green Communities Act objectives if they were to build on information already gathered and programs already underway.

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[17] *New England Power Generators Assn v. ISO-New England,* FERC Docket No. EL15-21, Complaint at 14, n.52 (Nov. 4, 2014), *available at* http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13685626.

In conclusion, 47 Coffin supports and applauds the work of EEAC and the Program Administrators in making the Commonwealth the nationwide leader in overall energy efficiency and hopes to see significant improvement in reducing coincident peak loads and resulting capacity costs through introduction of demand response programs. 47 Coffin appreciates the opportunity to submit these comments and looks forward to participating further in these proceedings.

Respectfully submitted,

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