



July 27, 2021

Patrick Woodcock

Chair, Energy Efficiency Advisory Council (EEAC)

Commissioner, Department of Energy Resources (DOER)

100 Cambridge Street, Suite 120

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RE: CPower Comments on draft Three-Year (2022-2024) Energy Efficiency Plan

Dear Commissioner Woodcock and members of the EEAC:

I am writing to provide comments on behalf of CPower regarding the EEAC's draft three-year (2022-2024) energy efficiency plan which is set to be voted on this Wednesday (July 28, 2021). CPower is one of the largest providers of demand response and distributed energy services in North America, with over 4 GW of customer capacity under management. CPower has been participating in the Connected Solutions program with C&I customers since National Grid started their pilot in Massachusetts in 2017 and now serves all four investor-owned utilities, with a total of 180 MW in Connected Solutions.

We appreciate the EEAC's and DOER's leadership in developing a new plan that looks to preserve and expand the benefits provided by demand response in the Connected Solutions program. We have one concern about the proposal in this area, however. With respect to Active Demand Management, the Council recommends, "phasing out support for fossil generator participation in active demand programs and reporting the amount of C&I demand savings from generators versus load curtailment until said phase out is complete". While we understand the desire to reduce reliance on carbon-emitting resources, we do not believe this specific change is likely to accomplish that, and it runs counter to the Council's interest in increasing participation in Active Demand Management programs.

- **Without the incentive provided by the Connected Solutions programs, many C&I customers will choose less environmentally friendly ways to meet their back-up generation needs.**

Please note that generators in the Connected Solutions program meet federal EPA non-emergency emissions standards and are permitted by the Massachusetts DEP to operate for demand management purposes. A number of our C&I customers have recently made investments to retrofit existing on-site generation or purchase new back-up generation. These customers chose the more expensive, environmentally friendly options available in order to qualify for certain (ISO-NE and utility sponsored) demand management programs which will provide them with an additional revenue stream. Without the promise of that revenue stream, they would have purchased the less expensive, less environmentally friendly option or would have forgone retrofitting. This illustrates one reason why the plan to phase these generators

out of the Connected Solutions program is not likely to result in lower emissions. C&I customers will continue to maintain back-up generation, but without the incentive to meet stricter environmental standards, they will almost certainly choose less expensive and less environmentally friendly options. This will result in higher emissions when these generators are used to meet resiliency, maintenance, testing, and other needs.

- **Changing program eligibility rules on short notice will leave many customers with stranded costs.** The difference in cost between a Tier 4 generator (which meets recent federal non-emergency emissions guidelines and is Massachusetts DEP and Connected Solutions compliant) and a Tier 2 generator (which meets federal guidelines from over a decade ago) is significant. As an example, one of our customers recently spent an additional \$250,000 to purchase a Tier 4 generator rather than a Tier 2 generator. Their expectation was that they would be able to recover that cost through Connected Solutions, but this will not be the case if fossil generation is precluded from participating in this program going forward.
- **Eliminating fossil generation from the program will decrease peak load reduction ability, requiring ISO-New England to deploy higher emitting generation in many cases to make up the difference.** One notable advantage of using distributed generation to reduce peak loads is that this generation can be deployed quite surgically in the hours when it is needed. ISO-controlled generation, on the hand, generally has offer parameters that make it somewhat inflexible and inefficient in meeting targeted short-lived needs. These offer parameters may include, for example: economic minimums (that require the generator to be dispatched in whole or not at all) and minimum run times (that require the generator to be run for a certain number of hours when it is dispatched whether it is needed for the entire time or not). As a result, an ISO-controlled generator may provide more MWhs than needed, increasing emissions unnecessarily.
- **If a decision is made to phase out fossil generation from the Connected Solution Program, generation that has been retrofitted or brought on-line by May 31, 2022 should be grandfathered in.** Because many investments have already been made in anticipation of earning Connected Solutions revenue, any change to the program eligibility rules should affect only new applications (as of June 1, 2022). This would address the stranded cost issue noted above. To be clear though, we don't believe this is the optimal path because it would remove incentives for C&I customers to "clean up" their back up generation (potentially thwarting some of the goals of the program).

Thank you for considering our comments. Please feel free to contact me if you have questions.

Respectfully

/s/ Nancy Chafetz

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