



Long-Term Contract Opportunities for Massachusetts Wind Energy Developers: Past, Present and Future

Massachusetts Wind Working Group New Opportunities for Long-term Renewable Energy Power Purchase Agreements in MA and New England

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Barry Sheingold
New Energy Opportunities, Inc.

Overview

- ◆ What has been done in MA
 - MA Green Power Partnership Program (2003-06)
 - MA Community Wind Collaborative REC Contracts/ net metering contracts
 - Section 83 RFP solicitations—2008 Green Communities Act
- ◆ What is and will be happening: Section 83A
 - Pending first solicitation
 - Second solicitation: potential interaction with NESCOE regional procurement
- ◆ Beyond Section 83A?

MA RPS: the Opportunity and the Challenge

- ◆ MA RPS enacted in 1997 as part of electric industry restructuring
 - Reluctance of distribution companies, competitive retail suppliers, and other market participants to enter into long-term contracts with renewable energy developers
 - Obstacle to financing construction of new renewable energy projects
- ◆ 2002: Concern that RPS supply will not keep up with increases in RPS demand
 - REC prices begin to move upward toward Alternative Compliance Price (ACP)

Long-Term Contracting Through the Renewable Energy Trust (RET)

- ◆ MA Technology Collaborative, administrator of RET, develops RFP program for 10-year REC purchase/option contracts
- ◆ MA Green Power Partnership Program Round 1: 2003
 - \$21 million in RET funds supports MTC's contractual obligations
 - Purchased RECs are resold into market
 - 6 projects (99 MW) receive contracts, including 2 MA wind projects
- ◆ Round 2: 2005—smaller than Round 1 due to reduced amount of funds to support new contracts
- ◆ Takeaways:
 - REC-only contracts were helpful in financing, but not as helpful as energy + RECs
 - Great majority of projects were built, although Berkshire Wind and Hoosac eventually terminated contracts, and were financed with other support mechanisms
 - MTC's reliance on collected RET/ACP funds was a restraint on size of program

RET: Community Wind Collaborative REC Purchase

- ◆ REC sales contracts awarded to RET municipalities for wind projects in which they participate as energy purchaser or project owner: 2006-09
 - Up to \$1.2 million/MW in payments for up to 2 MW projects
 - REC prices not to exceed \$40, with contract term not to exceed 15 years
- ◆ Awardees:
 - Falmouth
 - Kingston
 - Fairhaven
- ◆ Program phased out after passage of Green Communities Act in 2008, with expanded net metering

2008 Green Communities Act—Section 83

- ◆ Distribution companies required to solicit approximately 3% of load in 2 solicitations
 - Limited to in-state/adjacent offshore generation with DPU authority to modify in event of judicial challenge
 - Distribution companies issue joint RFP in coordination with DOER
 - TransCanada files lawsuit claiming violation of commerce clause
 - DPU orders RFP to be reissued with removal of in-state limitation
- ◆ Results:
 - Pursuant to 2nd RFP, NSTAR, WMECO and Unitil enter into 5 PPAs, of which 4 are wind projects with 1 project located in MA—total of approximately 150 MW
 - National Grid (and, subsequently, NSTAR) enter into PPAs with Cape Wind
 - Four projects are built or are in construction
 - Report to legislature sponsored by DOER indicates Section 83 process facilitates financing of renewable projects and the RFP process was generally well conducted

Section 83A

- ◆ 2012 amendments to Green Communities Act—Section 83A
- ◆ Distribution companies to jointly solicit bids twice (coordinated by DOER) for approximately 3.6% of load by December 31, 2016
 - Additional 0.4% of load—distribution companies to solicit bids for small renewable DG projects meeting DOER eligibility criteria
- ◆ Key differences from Section 83
 - No in-state limitation
 - Competitive bidding only
 - Joint distribution company bid evaluation and selection with energy/RECs allocated to distribution companies based on their load
 - Remuneration to distribution companies reduced from 4% to 2.75%
 - Allows bids for recovery of transmission rates through FERC-approved tariffs rather than through PPAs

First RFP Under Section 83A

- ◆ Timetable and method for solicitation and execution of contracts approved by MA DPU—March 2013
- ◆ Bid due date—May 6, 2013
- ◆ Target date for submittal of executed PPAs to DPU—October 1, 2013
- ◆ Target procurement: 850,000 MWh/year (± 300 MW if all wind)
- ◆ Timing designed to provide the potential for successful bidders to obtain an executed PPA later this year to start construction to take advantage of expiring PTC or ITC



Second Main Solicitation Under Section 83A



- ◆ Timing and structure to be determined
- ◆ Potential for coordination with NESCOE regional procurement
- ◆ DPU regulations implementing Section 83A would allow such coordination as long as Section 83A requirements are satisfied



Beyond Section 83

- ◆ REC contracting by state agencies?
- ◆ Additional contracting by electric distribution companies?
- ◆ Central procurement?

REC Contracting by State Agencies: the Concept

- ◆ Net metering transactions are helpful in providing long-term revenue sources, but may not, by themselves, be adequate for some projects to be financed and may not be available for other projects
- ◆ It is permissible (under the commerce clause) for a state *as a market participant* to favor in-state entities
- ◆ The Commonwealth's agencies could purchase RECs from in-state renewable energy projects under long-term contracts:
 - To facilitate the financing of these projects
 - In a manner that coordinates with state energy procurement efforts and goals
- ◆ Addressed in 2012 report on electricity sourcing strategy by World Energy for MA Operational Services Division
- ◆ Not currently under active development



Additional Solicitations by Distribution Companies

- ◆ None required after Section 83A Solicitations
- ◆ RFPs for long-term contracts unlikely absent new requirements or incentives

Central Procurement

- ◆ 2012 legislation requires DOER and the Attorney General's Office to study the potential for the Commonwealth to procure long-term contracts with RPS Class 1 units and contracts for transmission services
- ◆ Study is now underway
- ◆ DOER and the AGO to submit report to the legislature by September 30, 2013

Concluding Observations

- ◆ Ongoing issue of long-term contracting mechanisms to facilitate financing of renewable energy projects
- ◆ Existing opportunities—Section 83A and net metering
- ◆ New opportunities may require new legislation