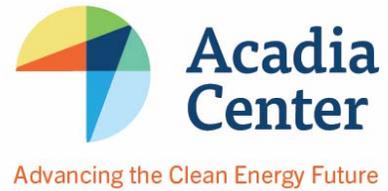


# Massachusetts House Bill 4336: An Act to Promote Energy Diversity

## Summary Analysis

May 2016



## Overview and Key Highlights

A long-awaited bill that could shape the Commonwealth's energy future ([H. 4336](#)) has been proposed by lawmakers in the Massachusetts House of Representatives. This summary provides an overview of the bill's contents, scope, and areas for improvements.

- **Contents** – The bill requires solicitations of offshore wind and hydropower, helping to diversify the power mix and reduce overreliance on natural gas.
- **Scope** – In many ways the bill is more notable for what it does not include; namely an authorization for utilities to impose the costs of expanding natural gas infrastructure on electric customers. By omitting legislative endorsement of this controversial approach, the bill closes off<sup>1</sup> one proposed avenue that would have exposed consumers to [risky multi-billion dollar projects](#). Some have called for legislation to go farther and explicitly prohibit electric ratepayer subsidies for natural gas infrastructure.
- **Areas for improvement** – The bill lacks the scale and scope needed to accelerate the transition to a modern clean energy system. Additionally, the approach for soliciting hydropower and offshore wind requires fine-tuning to achieve the intertwined objectives of reducing greenhouse gas emissions, boosting renewable energy growth, and efficiently building electric transmission to deliver clean energy.

## Offshore Wind

H.B. 4336 requires utilities to solicit proposals for at least 400 megawatts (MW) of offshore wind by June of 2017, followed by additional solicitations of 800MW over the following 10 years. Contracts would range from 15-20 years, and the Department of Public Utilities would make the final determination as to whether projects meet required criteria, including the ability to “provide reliability, price, economic, and environmental benefits that outweigh any costs to ratepayers.”

The procurement is smaller than the 2,000MW scale that a recent University of Delaware [analysis](#) found could develop an in-region supply chain and reduce costs 55%, while securing a share of an industry that [Department of Energy](#) determined could support 54,000 jobs and \$200 billion in economic activity by 2030. As written, H 4336 would only allow for projects located on the Outer Continental Shelf, which would disqualify Cape Wind from participation and orient development toward areas farther from shore.

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<sup>1</sup> In fact, Kinder Morgan officially canceled the controversial proposed *Northeast Energy Direct* pipeline the day H.B. 4336 was released, and the fate of the other major new pipeline expansion, the Eversource/National Grid/Spectra *Access Northeast* project, will now be determined by the courts.

## Hydropower

The bill requires utilities to solicit up to 9.45 terawatt hours of hydroelectricity starting on January 1<sup>st</sup>, 2017. The quantity is approximately 1,200MW of capacity (roughly twice the size of Pilgrim Nuclear Power Station), and enough to bring online one large or two smaller regional transmission lines, plus a handful of smaller projects. Massachusetts utilities would be authorized to coordinate with counterparts in other states, building on a [multistate effort](#) to procure hydroelectricity, wind power, and related transmission with Rhode Island and Connecticut. Proposals under the House bill would have to achieve criteria akin to offshore wind, with additional requirements for delivery of power during peak demand periods.

A ‘delivery commitment’ model would be authorized, allowing utilities to build – and earn sizeable returns – on transmission lines, while buying energy at floating market prices from hydroelectric providers. This untested approach would allow utilities to avoid long term contracts, as contracts *may*<sup>2</sup> be viewed as debt on the utility balance sheets and therefore affect financial ratings. The bill additionally permits utilities to structure contracts for both hydro and offshore wind proposals to avoid placing “an unreasonable burden” on balance sheets, or in the extreme, reject contracts on those grounds. Under the delivery commitment, damages would be imposed on project developers for failure to deliver energy when promised. It nonetheless remains unclear whether penalties would be sufficient to avoid curtailments in energy delivery that have dogged suppliers from Canada, where electricity demand peaks on the cold days when New England needs alternatives to natural gas and oil generation.

## Bundling Diverse Low and No-Carbon Energy Purchases

An important new element in H.B. 4336 would give preference to projects that “combine more than 1 source of clean energy generation.” This provision will need to be strengthened and clarified as a requirement, but the logic is sound. Pairing new renewables with hydroelectricity is the best way to optimize clean energy purchases, as described in greater detail in an Acadia Center [policy brief](#). Existing law requires Massachusetts utilities to source increasing quantities from renewable resources other than hydroelectricity (a mature technology that does not need bonus incentives), and many of the best locations to build grid-scale renewables such as onshore wind are in remote areas of Northern New England that do not have access to sufficient transmission capacity. Transmission lines needed to carry hydroelectricity from Canada could be filled with wind to achieve the Commonwealth’s renewable energy goals, and hydroelectricity could provide supplemental power to create a round-the-clock resource. Onshore wind is now one of the cheapest energy sources, and bundling wind with hydro would promote price competition. By contrast, a pure hydropower procurement will not achieve the multiple benefits of paired procurement; policymakers need to prompt the market to put forward creative proposals. At the same time, flexibility can be maintained by requiring each *procurement* to include renewables, which avoids excluding hydropower-only *projects* that should be able to compete.

Even clean energy projects can have local impacts and Massachusetts ratepayers’ dollars should promote projects that avoid, minimize, and mitigate adverse environmental effects to the greatest extent practical. In response to the procurement Massachusetts will face a wide array of projects with different characteristics. Local impacts of

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<sup>2</sup> Recent revisions to accounting standards may permit fixed-price long-term power purchase agreements not to be imputed as debt on utility balance sheets. See [comments](#) of RENEW Northeast in NY PSC proceeding on Clean Energy Standard.

different proposal features should be included alongside cost and reliability in a rigorous evaluation and selection process.

### The Rest of the Portfolio: More is Needed

A truly diversified approach to meeting Massachusetts energy needs and climate commitments will require a greater breadth of policies to foster growth of new technologies and accelerate the transition to clean energy. Focus areas include:

- **Energy Storage** – Costs for grid-scale and residential batteries are increasingly competitive, and promising new technologies are being developed in Massachusetts’ universities and laboratories. The Baker Administration has launched an [Energy Storage Initiative](#) to finance demonstration projects and provide funding for detailed analysis of the benefits of deploying storage. Storage could also be advanced through regulatory proceedings related to Grid Modernization. Legislation ([S. 1762](#)) before the Telecommunications, Utilities, and Energy Committee would authorize the Department of Energy Resources to establish mechanisms to deploy energy storage.
- **Expanded RPS** – The Renewable Portfolio Standard (RPS) should be increased in order to deliver additional growth in renewable energy and account for large quantities of renewable power that could otherwise crowd out new technologies. While procurement of offshore wind and onshore wind can help achieve the existing RPS, fostering more renewable energy growth than would otherwise occur requires increasing the RPS. With a modest 25% requirement by 2030, Massachusetts is already lagging behind New York and California (each requiring 50% renewables by 2030), and Hawaii, which intends to use 100% clean energy by 2045.
- **Solar** – Caps on the amount of solar projects that qualify for net metering are already being hit in parts of Massachusetts. The best approach to avoiding regular legislative adjustments to cap levels would be to establish a uniform, statewide policy that accounts for both benefits and costs of solar installations and permanently removes the net metering caps. Acadia Center’s [Next Generation Solar Framework](#) lays out such an approach, and has received broad support from stakeholders [in Massachusetts](#).

Acadia Center looks forward to continuing its engagement on these issues with partner groups and the Alliance for Clean Energy Solutions (ACES) – [www.acesma.org](http://www.acesma.org).

### For more information:

Peter Shattuck, Massachusetts Director, [pshattuck@acadiacenter.org](mailto:pshattuck@acadiacenter.org), 617.742.0054 ext. 103