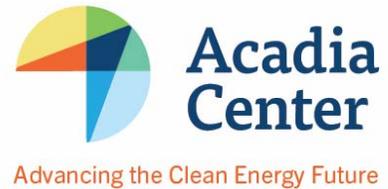


# Grid Modernization in Massachusetts

## Delays and More Delays

February 26, 2018



In recent years, states across the country have been exploring how to keep pace with clean energy technologies that offer enormous promise to make the electricity grid more responsive to consumers, improve economic competitiveness, and produce substantial reductions in climate pollution. Since 2014, the Reforming the Energy Vision process in New York has taken initial steps to change how the electric system is designed, how utilities are compensated, and how distributed generation is credited. New York is pursuing plans for further changes, intended to create a cleaner, more resilient, and more affordable electricity system. Meanwhile in 2017, Rhode Island began the Power Sector Transformation process, and will consider a wide range of reforms this year. Acadia Center and numerous other partners have supported these efforts, which, if executed well, will make the grid and utility system more modern and usher in an exciting future of local clean energy resources and increased consumer control.

Massachusetts had initiated grid modernization and utility reform efforts, even before New York, but has lagged in advancing them. Six years ago, in 2012, the Department of Public Utilities (DPU) opened a proceeding on the subject, and it issued three key orders in 2014. This progress stalled in 2015 following the 2014 gubernatorial election and the change in administrations.

In response to the 2014 orders, the Commonwealth's two major utilities, Eversource and National Grid, proposed vastly different grid modernization plans in August 2015. From the outset, Eversource's plans failed to meet key requirements of the orders, such as a robust benefit-cost analysis. National Grid's plans, while not perfect, did present the possibility of significant progress towards a more modern grid and smarter electricity rates. Action was necessary to ensure that both of these plans were reviewed and either approved, rejected, or revised to meet the DPU's criteria. However, once the utility proposals were filed, the DPU took no significant action until March 2016 – a six-month delay. In August 2016, two days after the end of the legislative session, the DPU again delayed the proceedings indefinitely. In October 2016, the DPU finally issued a notice that the proceedings would restart four months later, in February 2017. Hearings on the proposals took place in May 2017, and briefing concluded in August 2017, a full two years after the plans were originally filed.

As 2018 proceeds, orders from the DPU have not been issued in these dockets. Regardless of whether the DPU begins to act on these issues, the delay has prevented near-term progress. The utility plans, filed in August 2015 and modestly updated in the middle of 2016, are based on projections of energy prices from early 2015. At a minimum, significant new analysis is necessary.

As states like Rhode Island and New York have recognized, updating the rules that govern utilities and modernizing the grid is an urgent opportunity that can offer consumers and the environment large benefits. Delays in action damage consumer, economic and environmental gains. The Commonwealth can advance grid modernization through both legislative and regulatory approaches. Legislative action this session could create a productive path forward by restarting the process on a significantly improved timeline.

At the beginning of the current legislative session, Representative Jennifer Benson and Senator Marc Pacheco filed "An Act relative to Local Energy Investment and Infrastructure Modernization," H.1725/S.1875, co-sponsored by 31 additional representatives and senators. These bills would establish numerous improvements to the

[acadiacenter.org](http://acadiacenter.org) • [admin@acadiacenter.org](mailto:admin@acadiacenter.org) • 617.742.0054 ext. 001

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Commonwealth’s grid modernization process. The legislation sets concrete deadlines for the DPU, creates a stakeholder advisory board, and includes important protections for low-income consumers. In addition, this bill would require two critically important measures to accelerate the transition to clean distributed resources: (1) utilities must procure cheaper and cleaner local resources when those resources are viable alternatives to traditional infrastructure options, and (2) utilities must offer optional on-peak/off-peak rates that provide consumers better incentives for managing peak demand and work hand in hand with the Commonwealth’s efforts to advance energy storage, electric vehicles, and targeted energy efficiency investments.

The concepts in these bills, advanced by Acadia Center and other allies, are [supported](#) by a wide range of clean energy and public interest organizations and align with Acadia Center’s principles outlined in [UtilityVision](#). These provisions have also been included in the omnibus energy bill from the Senate Committee on Global Warming and Climate Change, “An Act to Promote a Clean Energy Future.” Acadia Center’s recently completed “[Clean Energy Progress Report for Massachusetts](#)” shows the next steps that the Commonwealth needs to take to expand these clean energy markets and provides examples of best practices from around the region. As demonstrated by the chart below, each concept in H.1725/S.1875 has either been implemented in another state, or in another context in Massachusetts.



**Progress toward Grid Modernization in MA, NY, RI, and CT**

Policy	MA	NY	RI	CT
Regulatory Proceeding Underway to Modernize Grid	Delayed	Yes	Yes	Limited Pilots
Regulatory Proceeding or Other Process Underway to Align Utility Business Models	No	Yes	Yes	No
System Planning to Consider Clean Local Alternatives to Infrastructure	No	Yes	Yes	No
Easy to Understand Time-Varying Rates for Energy Supply & Delivery	No	Yes	No	Yes

Recent actions by the DPU have punctuated the need for legislative oversight. In November 2017 and January 2018, the DPU issued two orders in the Eversource rate case. Worse than delays, these orders move Massachusetts backwards on key elements of grid modernization and utility reform – adding complex new charges for new residential solar customers, adopting automatic annual rate hikes without links to prudent investments or quantification of consumer and environmental benefits, and providing high utility profit margins on traditional infrastructure investments. Those orders will be the subject of Parts Two and Three of this series.

*This piece was published in Commonwealth Magazine as “[Mass. Dragging Its Feet on Grid Modernization: Compensation Model for Utilities Needs to Change](#),” by Mark LeBel on February 26, 2018.*