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A non-profit Association of Industrial, Commercial, Institutional and Governmental Large Energy Users

Mary L. Cottrell
Secretary of the Department
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

September 6, 2006

Re: D.T.E. 02-38, Investigation by the Department on its own Motion into Distributed Generation
Comments on 2006 DG Collaborative Report filed June 30, 2006

Dear Ms. Cottrell:

The Energy Consortium, TEC, is a non-profit association of commercial, industrial, institutional and governmental large energy users in Massachusetts and has been concerned with energy regulatory matters for over 33 years. It advocates positions that promote fair cost-based energy rates, diversified supplies and reliable service for both its members and all Massachusetts ratepayers. Several members have existing on-site generation are planning new on-site generation. TEC is a participant on electrical regulatory matters and its members are affected by the outcome of this investigation and Model Tariff.

TEC listed as a “other stakeholder” in the DG Collaborative Report and participated in 10 meetings. The DG Collaborative has held over 40 formal meetings over the last two years of which TEC representatives attended 25% of these. Reviewing the participation chart, the predominant participants were utility representatives that had a major input into the technical details of Model Tariff. TEC, like of many stakeholders, found it difficult to participate in as many meetings as the distribution companies. As noted in the report, “the DG customer and public interest clusters, fewer than 25% of the organizations attended more than 25% of the meetings.” TEC representatives found that the content of the meetings was focussed on distribution company issues and companies had all the information. Specifically, information on load pockets and application tracking dominated the discussions leaving the non-utility parties with little input.

Based on limited participation, TEC submits the following observations and comments:

- The DG Collaborative did make progress on updating Tariff technical elements.
- Limited progress was made, about 50%, towards the goals set forth by the Department. Customer energy needs, load response and transmission constraints had minimal discussion.
- The distribution system deferral has a marginal benefit. As noted in attachment G, Navigant states, “this analysis confirms that distribution deferral benefits, though significant, generally represent a small share of the overall value of DG. Other benefits that provide the largest values for the electric system and other stakeholders include fuel savings, avoided central plant capacity, emissions and avoided electric system losses. Distribution deferral was not the largest benefit/cost. The largest benefits are fuel savings, avoided central plant capacity, emissions and avoided electric system losses. The largest cost is DG installed costs.” TEC notes that there are no incentive programs available to customers beyond renewables. There will be incentive opportunities via the Forward Capacity Market; however, these may be washed out by new standby rates.
- Massachusetts has no regulatory policy that would adequately compensate a distribution company for revenue loss due to new DG sources and be fair and reasonable to customers. TEC would support the DTE in opening a docket to address a Standby Rate Policy that reduces entry barriers for DG.
- Transmission constraints were not addressed adequately. As noted in the report, “DG may provide relief capacity to constrained transmission load pockets (SW Connecticut, NEMA/Boston in particular), by reducing transmission and distribution (T&D) losses and potentially reducing reserve capacity needs.” The eight pilot areas noted deal with distribution constraints only. The distribution companies only addressed their immediate delivery and capacity constraints thus avoiding the transmission issue entirely.
- TEC opposes the opening a docket to investigate if utilities can install and own DG as part of a targeted distribution constraint relief project, or as part of distribution improvement. The notion that distribution companies can develop DG in load pockets is anti-competitive. We would encourage utilities to solicit generator proposals in areas that have sufficient capacity deficiencies.
- The initial DTE 02-38 DG goals detailing customer energy needs, load response and transmission constraints were not addressed adequately at the meetings or in the 2006 Report. Customers would take advantage of demand response or peak shaving opportunities when the ISO capacity market is implemented. These demand payments provide economic incentives to supplement power demand with efficient on-site generation. Again, the report notes that reductions in regional energy demand should result in lower market clearing prices that benefit all customers.

- TEC supports the DG Collaborative recommendation for a northeast regional-level effort to address opportunities and mechanisms for deployment of distributed generation that provide benefits to the ratepayers of the region. Specifically, it should address the appropriate application of economic incentives for customers to install or expand on-site DG. Attachment G, The Navigant Report. Section 2, Context and Limitations, provides an initial framework for a regional-level effort.

TEC recommends that the DTE continue to investigate DG and Standby Rates to insure this aspect of resource adequacy that meets distribution company and customer needs across the state.

TEC is concerned about its members and other large customers that are far from fully utilizing the capacity of their Massachusetts facilities due, in part, to high energy cost and they are moving production and services away. An innovative Massachusetts DG policy may provide the needed incentive for existing and new large customers to stay in the state.

I thank you for the opportunity to comment on behalf of TEC.

Respectfully submitted,

Roger Borghesani

Roger Borghesani, Chairman

The Energy Consortium

cc: Jesse S. Reyes, Hearing Officer