

DOER is also committed to the removal of existing impediments to fully competitive electricity markets in Massachusetts, and thus to ensuring that DG has the opportunity to compete fairly with other resources in serving the needs of customers in a deregulated electricity marketplace. Maximizing the choices available to end-users associated with electric industry restructuring will only be achieved if all variable factors in the market equation, including DG, are allowed to function without inappropriate barriers.

The substantial progress the State has made on interconnection standards in the initial Model Tariff and the revisions proposed in the most recent Collaborative filing go a long way to removing barriers to the installation and interconnection of DG. DOER supports the revisions contained in the May 31, 2005 submittal. The future work of the Collaborative, as outlined in the Report, will continue to be ever more challenging as we address the economic and more complex operational constraints. DOER urges the Department to give the Collaborative strong guidance and directive in tackling these challenges, particularly the cost and benefit assessments and the corresponding rate design issues related to the services provided to DG customers by the distribution companies. Absent significant change in standby and back-up service rates, the hard work reflected in the interconnection standards will be for naught.

We strongly support the initiatives outlined in the EPRI DER Public Private Partnership presented in Attachment C. The goal of this effort should be to create “Win-Win” strategies so that all parties benefit from DG. As will be discussed more below, in this context DOER supports examination of the current distribution rate structure of the utilities. These structures and rate levels are integral to solving the problem of properly designed standby rates and an accurate reflection of the costs and benefits of DG installations.

II. Procedural Background

On June 13, 2002 the Department issued an *Order Opening an Investigation into Distributed Generation* (“NOI”). DTE 02-38 (2002). The Department did not place

specific limits on the scope of the proceeding. However, it did focus the scope in terms of the following three specific issues:

- The development of appropriate interconnection standards and practices;
- The development of appropriate methodology for the calculation of standby/back-up rates and other relevant charges related to the installation of DG;
- The role of DG in distribution company resource planning.

After receiving two rounds of comments, on October 3, 2002, the Department issued an *Order Establishing a Distributed Generation Collaborative Forum*.¹ DTE-02-38-A (2002). On March 3, 2003, the newly created DG Collaborative filed "Proposed Uniform Standards for Interconnecting Distributed Generation in Massachusetts" and on May 15, 2003, the DG Collaborative filed a Tariff to Accompany Proposed Uniform Standards for Interconnecting Distributed Generation in Massachusetts (the "Model Interconnection Tariff").

On February 24, 2004, the Department issued an *Order on Model Distributed Generation Interconnection Standards and Procedures Tariff*, in which it approved, with some modifications, the Model Interconnection Tariff. D.T.E. 02-38-B (2004). With that Order, the Department authorized a two-year continuation of the DG Collaborative, to allow the DG Collaborative to refine the Model Interconnection Tariff and, among other things,² to discuss the role of DG in distribution company planning. Id. at 35, 41. As noted above, the Department is now seeking comments on the DG Collaborative's 2005 Report.

III. The DG Collaborative's 2005 Annual Report

The 2005 Report is an accurate portrayal of what transpired at the meetings. The Collaborative had several successes in the past year and has also identified several challenging tasks for the coming year.

¹ The Order highlighted that "a number of commenters stated that a collaborative initiative was not likely to be effective with respect to: (1) distribution company standby service tariffs." DTE 02-38-A, at 3.

² The Department also asked the DG Collaborative to address interconnection to networks and meter ownership.

The DG Collaborative tracked and analyzed interconnection data and implemented several changes to facilitate the interconnection process. The DG Collaborative has also clearly identified a number of technical engineering and operational challenges in connecting to spot and area networks and is now working on identifying potential solutions to these challenges. The distribution companies provided the DG Collaborative with general information about the location of their area networks. They have agreed to present a standardized letter in response to inquiries by potential DG customers when the proposed location is on an area network, as opposed to a spot or radial network. Additionally, the Massachusetts Technology Collaborative and DOER jointly created an online DG Interconnection Guide to provide more detailed information to potential customers.³

In the coming year, the DG Collaborative will endeavor to continue tracking new interconnections to assess costs and time frames. The Collaborative will also assess potential solutions to the identified technical engineering and operational challenges in connecting to spot and area networks. Finally, the Collaborative will analyze eight identified distribution planning opportunities which it has already identified, and will create 2-4 pilot projects and assess this data. Based on these assessments and data, the Collaborative may recommend additional changes to the Model Interconnection Tariff.

IV. Remaining Issues to be Addressed by the Department

The primary issues left before the Collaborative concern the role of DG in distribution planning. The Report outlines the work to be done in the coming year. DOER supports those efforts and sees them as an important precursor to the establishment of appropriate standby rates. The Department has acknowledged the need for an "appropriate method for the calculation of standby or backup rates and other charges associated with the installation of Distributed Generation." DTE 02-38, at 2. DOER continues to believe that the creation of a consistent and uniform benefit/cost analysis methodology for the establishment of such rates is vital to enable an open and transparent market for DG projects. The NStar filing in Docket DTE 03-121 almost usurped the efforts in this regard

³ <http://www.mtpc.org/cleanenergy/howto/interconnection/index.htm>

by raising many of the issues being addressed and developed by the Collaborative before the Collaborative was ready to present them to the Department. Because that case was resolved by settlement, the Collaborative will be able to move forward unhampered by precedent that might be detrimental to the opportunity posed by exploring new and innovative approaches to the problem. We urge the Department to expressly state in its response to this Report that it will not accept any further standby rate filings unless they clearly present the kind of documentation and support needed to develop a uniform approach consistent with the work laid out by the Collaborative.

As noted above, DOER supports the statements in Attachment C of the Annual Report that the focus of the Collaborative needs to be expanded in order to properly and effectively address the standby rate and other barriers to DG development. (*Attachment C: A Framework for Developing Win-Win Strategies for Distributed Energy Resources in Massachusetts*; Annual Report at 346). As was apparent in the NStar standby rate proceeding, existing rate design and rate levels are not a good starting point for determining appropriate standby rates. DOER believes that in order to determine the appropriate standby rates, the parties, and ultimately the Department, must first examine the financial disincentives to distribution companies to facilitate the development of DG on their systems. Specifically, the report in Attachment C, suggests that Massachusetts, among other things, examine decoupling of utility revenues to remove the financial impact of lost kWh sales and provide greater assurance of revenue recovery from fixed charges. DOER acknowledges that this suggestion raises other general rate issues that are broader than simply looking at standby rates for distributed generation. We note, however, that this approach provides the additional benefit of providing a rate design platform for other complementary energy programs such as energy efficiency, retail competition, and the impacts of environmental regulations that result in public set asides or allowances. Further, DOER also supports the development of financial incentives for DG in the context of performance based rates.

We support further development of these concepts and request that the Department signal the parties as to their willingness to consider such approaches.

V. Conclusion

By opening this proceeding in 2002, the Department has recognized that there are important benefits to be gained by encouraging the development and deployment of distributed generation. The Report and Revised Model Interconnection Tariff are another significant step toward reaching that goal. There are a number of remaining economic and policy issues that must be fully considered before the Department can set final rules and guidelines concerning how distributed generation should be handled from a ratemaking perspective. The great benefit of the Collaborative is that the parties can develop ideas as the information and thinking evolves rather than on litigated positions.

DOER looks forward to working closely with the Department and interested parties on these issues as this proceeding continues to progress.

Respectfully submitted,

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