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Contracts for Regulatory and Market Certainty and Transparency

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Overview

- Why are contracts necessary?
- What to consider during the contacting process.
- Contracts in the West African context

Some Goals of Contracting

- Provide incentive for public goods when the market is not working (externalities)
- Assist development of renewable energy
 - Certainty for developers
 - Price of energy
 - Price of Renewable Energy Credits (RECs)
 - Ability to get financing
- Reduces price volatility
- Provide regulatory clarity
- Reduce up-front capital costs, and allow widespread aggregation

What to consider during the contract process?

- Balancing improved certainty for renewable energy developers and protecting ratepayers from high costs;
 - Managing risk
- Clear objectives;
- Technology neutral v. technology favoring
- Transparency;
- Competitive bidding v. negotiated agreements;
- Role of the regulator
 - Oversight to assure meeting certain criteria
 - Cost-effectiveness (Avoided Cost of Generation PLUS avoided public costs PLUS other benefits (jobs, volatility, etc.)
- What other rules/regulations do PPAs interact with
 - Siting, permitting, interconnection, etc.

In Massachusetts

Long Term Contracts/PPAs for Large-Scale Renewables

- Each utility is required to procure a certain percentage of load with qualified renewables (clear goals and certainty)
- All utilities are required to work together on one bid (economies of scale)
- Department of Energy Resources (DOER) works with utilities to develop RFP and model contract (oversight so state's goals are met)
- DPU approves RFP and model contract (oversight so state's goals are met)
- Open RFP process (transparency and competitive)
- Contracts developed by each utility based on model (specific to each utility)
- DPU reviews contracts for approval/denial using clear criteria including cost-effectiveness, protection of ratepayers, etc. (oversight so state's goals are met)

In Massachusetts

Aggregated PPAs for small-scale solar

- By community – 100s of possible customers
- One RFP for all customers
- Reduces cost significantly
- Provides range of options for customers