ML STRATEGIES

Massachusetts Legislature Passes Clean Energy Legislation

August 02, 2016 | Alert | By

VIEWPOINT TOPICS

- State & Local Government Relations
- Energy & Sustainability

SERVICE AREAS

- State & Local Government Relations
- Energy & Sustainability

Overview

Late Sunday night, the Massachusetts Legislature passed a compromise energy bill that will significantly increase electricity produced by offshore wind, hydropower and other renewable energy sources. The state's utilities will be required to enter into long-term contracts to purchase power from on and offshore wind farms, as well as power from hydroelectric dams located largely in Canada. Governor Baker is expected sign the bill in short order, as he has strongly advocated for purchasing imports of clean energy.

In a compromise between the House proposal and a more aggressive Senate provision, the bill will guarantee contracts for 1,600 megawatts of offshore wind energy and 1,200 megawatts of hydroelectricity from Canada and onshore wind energy. Taken together, these contracts will eventually provide about one-third of electricity consumed in Massachusetts annually for up to 20 years.

Bill Provisions

The bill, H.4568, includes several provisions that directly affect the operations of utility and energy companies in the state:

- Offshore wind contract solicitations must begin by June 2017, with procurements every two years of at least 400 MWs each, until the total 1,600 MWs has been contracted. Contracts sufficient to achieve delivery of the specified amount of power must be executed by 2027.
- Hydropower and land-based wind power contract solicitations must begin prior to April 2017 and be executed before December 2022. They must be a "cost effective mechanism for procuring low cost renewable energy on a long-term basis," as determined by the Massachusetts Department of Public Utilities.
- The bill requires utilities to develop a plan to repair leaks in natural gas pipelines.
- If practical, state utilities must procure large-scale energy storage systems by 2020.
- Small-scale Massachusetts hydropower facilities (up to 2 MW) will benefit from the guaranteed revenue from "net metering."
- The bill enables waste-to-energy plants and fuel cells to earn "alternative energy credits" worth about $20 per MW hour for their energy production.

Tabled Senate Initiatives

The compromise bill that eventually passed in both chambers of the legislature rejected several, farther-reaching Senate initiatives:

- The bill did not increase the state utilities' renewable portfolio standards—the amount of energy the companies must purchase from renewable sources.
- Also rejected from the final bill was the Senate's proposal to prevent utilities from increasing customer rates to finance new natural gas pipelines.
- Cape Wind will be barred from bidding on the offshore wind contracts.

Reaction

Nevertheless, the energy bill has many supporters across the legislature and among state environmental advocacy groups. Donald Jessome, CEO of Transmission Developers, Inc., said in a statement distributed by the Massachusetts Clean Electricity Partnership, a group of hydropower and onshore wind generation developers: "With today's vote, Massachusetts has taken an extraordinary step toward diversifying the Commonwealth's energy portfolio with clean, affordable and reliable hydropower and wind resources while providing electricity customers with ongoing electricity rate predictability and affordability." More broadly, New England Clean Energy Council Executive Vice President Janet Gail Besser commented that the legislation creates political stability for renewable energy companies and investors in Massachusetts.

Implications

While it is difficult to make predictions about a bill with such ambitious goals and untested initiatives, most observers and participants agree on the likely impacts of this bill.

First, it will increase significantly the amount of carbon-free electricity consumed in the Commonwealth and sizably contribute to meeting the state's goals for reducing greenhouse gas emissions from energy consumption.

Second, it will reduce the amount of natural gas used to generate electricity for Massachusetts consumers, particularly in the winter months when gas demand is high. This in turn will most likely lower winter-time gas prices and reduce the dangers of winter-time electricity shortages or price spikes.

Third, several studies have predicted that savings from reduced gas consumption and lower gas prices in the winter will be substantial. They could well offset the cost associated with the construction of offshore wind farms and new transmission lines needed to import hydropower from Canada.

In any case, as a result of this legislation Massachusetts will have a cleaner supply of electricity, and will likely see less volatility in the cost to generate it.

* * *

If you have any questions about these matters
please contact your ML Strategies government relations professional.

View ML Strategies professionals.

Authors