



**Testimony of RENEW Northeast before the
Energy and Technology Committee concerning**

LCO 3920

***An Act Concerning Emergency Response by Electric Distribution Companies and Revising the
Regulation of Other Public Utilities***

September 8, 2020

Chairmen Needleman and Arconti, Ranking Members Formica and Ferraro, and members of the Energy and Technology Committee, my name is Francis Pullaro and I am here on behalf of RENEW Northeast (RENEW),¹ its Executive Director, to comment on LCO 3920, *An Act Concerning Emergency Response by Electric Distribution Companies and Revising the Regulation of Other Public Utilities*. RENEW appreciates the committee drafting this important legislation concerning regulation of the Electric Distribution Companies (EDCs) and increasing the resiliency of Connecticut's grid.

1. A Deployment Target and Long-Term Contracting Opportunities for Large-Sized Battery Energy Storage Projects Are Essential for Increasing Grid Resiliency and Lowering Peak Energy Costs

Battery storage, whose costs have fallen significantly in recent years, can serve to moderate peak demand costs and harmful air emissions by displacing fossil fueled resources especially natural gas resources whose dependence on constrained pipelines could leave the region vulnerable on peak winter days.²

¹ The comments expressed herein represent the views of RENEW and not necessarily those of any particular member of RENEW. RENEW is a non-profit association uniting environmental advocates and the renewable energy industry whose mission involves coordinating the ideas and resources of its members with the goal of increasing environmentally sustainable energy generation in the Northeast from the region's abundant, indigenous renewable resources. RENEW members own and/or are developing large-scale renewable energy projects, energy storage resources and high-voltage transmission facilities across the Northeast. They are supported by members providing engineering, procurement and construction services in the development of these projects and members that supply them with multi-megawatt class wind turbines. RENEW seeks to promote policies that will increase energy diversity, promote economic development, and achieve the Commonwealth's policy goals including those found in the Renewable Portfolio Standard (RPS) and the Global Warming Solutions Act (GWSA).

² The state's 2018 Comprehensive Energy Strategy acknowledges energy storage's ability to contribute to meeting Connecticut's greenhouse gas emissions reduction target (12), reduce peak demand and associated costs from high energy rates, and integrate renewable energy resources (63).

Transmission-level energy storage should be prioritized as it is the least-cost storage resource. According to a Massachusetts study, the larger transmission level projects have significantly better benefit to cost ratios compared to smaller distribution level projects.³

RENEW strongly supports creating a state requirement to secure a significant component of energy storage capacity by the end of 2030 using competitive solicitations and setting annual procurement targets to encourage developers to have projects ready to compete. As of January 2020, over 2,000 megawatts of transmission-level energy storage projects (generally those over 20 megawatts in size), including several located in Connecticut, were already seeking connection to the grid.

2. To Lower Rates, the Process for Distribution-Level Energy Storage Deployment Should Require Competition Based on EDC Contracting with Independent Developers

RENEW recognizes that energy storage may also provide benefits at the distribution level. To help compensate for its higher costs, any distribution level program should ensure consumers benefit from the power of competition to produce lower prices by using solicitations for proposals from independent developers of energy storage systems. During the 2020 Regular Session, House Bill 5352 proposed that the Public Utilities Regulatory Authority (PURA) implement an energy storage program based on distribution level-only projects that are customer-sited or built and rate-based by the EDCs. RENEW supports inclusion of that provision in this bill with changes to inject competition.

To protect ratepayers, the EDCs should not be insulated from competition as that would preclude Connecticut consumers from benefiting from the power of competition to produce the lowest costs. An EDC should only be able to rate-base an energy storage project that attains distribution level system benefits if the EDC solicits proposals from providers of energy storage systems for the purpose of entering into build-transfer or other contractual agreements for energy and other attributes. In addition, unlike the pure utility rate-based model, a developer under contract to the EDC must adhere to the price and other terms of the contract and cannot assess ratepayers for cost overruns.

For these large-scale resources, the state should leverage its existing competitive energy procurement programs to enable financing of energy storage resources at the least cost. Using existing mechanisms will ease the administrative burdens on both state agencies and developers. As these approaches are proven to developers and financiers, they will lower project risk which lowers finance costs.

³ Massachusetts Department of Energy Resources et. al., *State of Charge Massachusetts Energy Storage Initiative* (2016) (“*State of Charge*”).

3. To Lower Rates and Increase Reliability, the ISO New England's Approach to Reliability Must Be Reformed

RENEW supports this bill's requirement that alternatives to the current ISO New England market structures be investigated. While the original idea for the ISO New England capacity market was to ensure reliability by providing additional revenue for generators in place of price spikes in the energy market, it has evolved into a project financing system for natural gas-fired generators. It is a discriminatory system as it favors the existing generation mix over resources that are needed to fulfill state legal requirements for clean energy. The markets must evolve to meet state policies for (1) increasing new renewable energy resources, (2) retention of legacy non-emitting resources like small hydropower and nuclear and (3) deployment of new clean technologies like energy storage needed for reliability.

Conclusion

Thank you for the opportunity to testify before you today. RENEW welcomes the opportunity to work with you to find ways to lower the cost of renewable energy, decrease the region's dependence on fossil fuels and ensure a significant role for locally sited renewable energy and energy storage resources that will boost Connecticut's economy.

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