

(4) Creating and Demonstrating Incentives for Electricity Providers to Integrate DER.

To create, through stakeholder collaboration, business models and regulatory approaches that reward electricity providers for integrating DER where there are societal benefits as well as customer and non-participant benefits. To demonstrate in pilot/demonstration projects the effectiveness of those business and regulatory approaches towards stimulating DER markets.

Total project cost: \$1,832,000

Funding request: \$350,000

Project Lead: Massachusetts Division of Energy Resources

Project Participants: Massachusetts Technology Collaborative, California Energy Commission, EPRI, San Diego Gas & Electric, Southern California Edison, National Grid, Real Energy New Jersey Board of Public Utilities, Solar Turbines

Start Date: February 26, 2006

End Date: February 26, 2008

Patents: No patents have been applied for nor are any anticipated to result from this award.

Publications/Presentations:

The final report was drafted and delivered for review during this period.

Progress in Past Quarter and Current Status:

A Massachusetts pilot project was defined and agreed to by National Grid and the Massachusetts Working Group.

Identifying a pilot project in California was a major challenge. Utilities expressed concerns about a number of issues, including the liability of being responsible for dispatching customer-owned resources, or for providing steam from a utility-owned CHP system to a mission critical process. Furthermore, without funding as was available in Massachusetts, there was no interest in initiating new hardware projects. Consequently, the utilities were not ready to engage in the demonstration of new business models in a DER pilot project. Due to lack of progress on identifying a pilot opportunity in California in the timeframe of the project, the project could not continue in California. Then, due to lack of multiple state involvement, a requirement of this State Technologies Advancement Collaborative (STAC) project, the entire project was terminated.

During this period, the task 1 report was converted to a final project report and the draft was delivered to funders for review.

Accomplishments during the Reporting Period

- A draft of the final project was completed for review by project team.
- The Massachusetts working group developed a pilot project plan and gained commitment by National Grid to conduct the project. Under the pilot, the following was agreed to:
 - National Grid committed to serve as the host utility for the STAC DER Partnership pilot project in association with an MTC-funded Congestion Relief Partnership program. National Grid would aggressively market

CCHP, renewable generation and other customer sited distributed technologies to customers within a region of Everett where the utility is addressing high levels of congestion.

- Business models and regulatory approaches developed by the DER Partnership would be tested and alternative financial arrangements would be explored that might stimulate increased DER acceptance by customers and the utility.
 - The MTC Congestion Relief Partnership Program will continue, but testing business models and regulatory approaches under the DER Partnership/STAC project will not continue.
- Completed modification to California Energy Commission's agreement to finalize the project.

How we are doing compared to our plan

The project developed business models, regulatory approaches, and a set of economic calculators that will be available for pilot testing in states that are interested. However, they will not be tested further under this project due to request by CEC, Massachusetts DOER and STAC to terminate the work ahead of schedule.

Significant problems or changes

The project has terminated; pilot projects will not go forward.

Plans for Next Quarter (4Q2007):

- Finalize project agreement with Massachusetts DOER.
- Accumulate reviewer comments on the final report and publish.