

Senate Energy and Natural Resources Committee

Max Taylor 271-1403

SB 111-FN, authorizing a reliability indexing credit pilot program.

Hearing Date: February 11, 2025

Time Opened: 9:00 a.m.

Time Closed: 9:24 a.m.

Members of the Committee Present: Senators Avard, Pearl, McConkey, Watters and Rosenwald

Members of the Committee Absent : None

Bill Analysis: This bill establishes a reliability indexing credit pilot program for the procurement of reliability indexing credits from qualified energy storage resources, defines related terms, and authorizes the public utilities commission to approve multi-year agreements and cost recovery mechanisms.

Sponsors:

Sen. Watters

Sen. Fenton

Sen. Rosenwald

Sen. Perkins Kwoka

Rep. McGhee

Rep. Caplan

Rep. Cormen

Who supports the bill: Senator David Watters (District 4), James Andrews (Granite Short Power), Lindsay Bourgoine (Revision Energy)

Who opposes the bill: None.

Who is neutral on the bill: Chris Ellms (NH Department of Energy), Daniel Phelan (NH Department of Energy)

Summary of testimony presented in support:

Senator David Watters

Prime Sponsor, Senate District 4

- SB 111-FN proposes a reliability indexing credit pilot program aimed at improving grid reliability and resilience in New Hampshire.
- The primary purpose of the bill is to enhance battery storage capabilities for peak shaving and stabilize the grid as energy consumption shifts due to renewable energy sources.

- Senator Watters emphasized this bill aligns with broader legislative efforts in both the Senate and House to increase grid resilience and reduce costs for consumers.
- The bill would support the development of large-scale battery storage projects, such as 100-200 megawatt projects, with the potential for larger projects.
- The bill would establish credits for developers of battery storage based on cost savings generated for consumers. Additionally, it would create cost recovery mechanisms for investments in the pilot program if savings are made.
- The bill outlines a strike price to measure consumer savings from battery services.
- The bill authorizes the Public Utilities Commission to enter into multi-year agreements for up to 200 megawatts.
- Senator Watters stated he anticipates further input from industry stakeholders on the practical implementation of battery storage incentives.

James Andrews

CEO, Granite Shore Power

- Granite Shore Power operates over one gigawatt of diverse energy generation in New Hampshire and plays a key role in grid infrastructure.
- Reliability is a growing concern due to increasing intermittent resources, aging infrastructure, and load growth.
- Scarcity events in ISO region of New England last summer highlight the need for dispatchable energy storage solutions.
- Battery storage is essential for grid stability by providing real-time balancing, peak shaving, and cost savings for ratepayers.
- SB 111-FN would create a competitive framework where energy storage developers bid for contracts with utilities.
- New Hampshire's electric distribution companies would enter into long-term agreements with selected projects.
- Storage projects would participate in ISO New England's wholesale markets, generating revenue through capacity, energy, and ancillary services. Revenues from wholesale markets would offset costs for ratepayers under the reliability credit program.
- Mr. Andrews highlighted that if revenues are insufficient, ratepayers help cover the gap.
- Senator Avard asked if the credit program is designed to create competitive interest and ensure the best deal for consumers.
 - Mr. Andrews responded yes, project developers compete by submitting bids to utilities, which then select the most cost-effective projects for reliability services.

- Senator Watters asked how battery storage projects would help avoid price spikes and provide savings.
 - Mr. Andrews stated storage shaves peak demand by charging during low-cost periods and discharging during peak times, reducing reliance on expensive spot market energy.
 - Mr. Andrews clarified that this is a generation issue, not a transmission reliability issue, and having the right energy supply is key to stability.
- Senator McConkey asked how long energy could be stored in the proposed battery projects and if it would have to be discharged with a specific timeframe.
 - Mr. Andrews stated that different projects use different technologies, but Granite Shore Power's proposed project uses lithium-ion batteries with a two-hour discharge duration, potentially expandable to four hours.
 - Mr. Andres explained the batteries used would charge during off-peak hours and discharge during peak demand to stabilize the grid.
- Senator McConkey asked if the storage facilities would be charged from the power grid or another source.
 - Mr. Andrews explained some projects would pair storage rely on solar, but Granite Shore Power's project will be grid-connected only.
 - Mr. Andrews added that this approach would support grid reliability by keeping other resources online when demand is lower.

Summary of testimony presented in opposition: None.

Neutral Information Presented:

Chris Elms (Deputy Commissioner, Department of Energy) & Dan Phelan (Regional Policy Director, Department of Energy)

- The New Hampshire Department of Energy remains neutral on SB 111-FN, but has concerns about costs, ratepayer impact, and implementation feasibility.
- Mr. Elms expressed his concern that the bill may not effectively encourage battery storage operators to discharge at peak demand times, potentially leading to inefficiencies.
- Mr. Elms stated the contract-for-differences model used in SB 111-FN raises legal concerns, as a similar model was found to violate the Federal Power Act (Hughes v. Talon).
- Mr. Elms stated the bill lacks regulatory guardrails to ensure that storage projects are used in ways that maximize reliability and cost savings.

- Mr. Elms explained that a 200-megawatt pilot program with multi-year contracts represents a significant financial commitment, potentially leading to stranded costs for ratepayers.
- Mr. Elms emphasized a more comprehensive approach to grid reliability and storage policy might be preferable rather than a piecemeal approach.
- Senator Rosenwald asked if any other states have implemented similar programs.
 - Mr. Elms explained that New York has a Zero Emissions Credit program that does not violate the Federal Power Act. However, SB 111-FN's proposed structure resembles a Maryland program that was ruled against by the Supreme Court, which raises concerns about its legal standing.
- Senator Watters asked if because the bill designed as a pilot program to gather data and refine policy, would it allow concerns to be addressed before full implementation.
 - Mr. Elms responded that pilot programs can be useful. However, a 200-megawatt multi-year commitment is substantial, and due to concerns about flaws in the incentive mechanism, it would be better to address the issues upfront.
- Senator Watters asked if the state has time to create a more gradual approach, given the urgency of grid reliability and storage needs.
 - Mr. Elms stated there is significant momentum for energy regulatory reform in both the Senate and House, with discussions on ISO New England alternatives and utility-owned storage. Mr. Elms advocated for a holistic strategy.

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Date Hearing Report completed: February 14, 2025