

Memorandum



To: Natick Select Board
CC: Melissa Malone, Town Administrator
William Chenard, Deputy Town Administrator, Operations
From: Jillian Wilson Martin, Sustainability Coordinator
Date: March 11, 2020
Subject: Draft Electricity Aggregation Policy

The Town of Natick has operated an electricity aggregation program since 2015. Through this program, the Town partners with a competitive supplier to provide electricity to Natick customers based on certain contract terms.

One of these contract terms is the amount of renewable energy in the aggregation. In 2017, Natick increased the aggregation's renewable content to 5% above the State's minimum and to 10% in 2019.

Each aggregation contract cycle offers an opportunity to evaluate Natick's renewable energy content, and to consider the role the aggregation should play in pursuing the Town's long-term sustainability priorities. The Select Board is responsible for defining the aggregation's contract terms, and it would benefit the Town to adopt a policy regarding renewable content that is in line with both the Town's net zero greenhouse gas emissions goal and the Board's values of transparency and financial predictability.

Renewable Energy and Aggregations in Massachusetts

Like Natick, more than 30 towns in the Boston metro area are working to reduce their greenhouse gas emissions. Greening our electricity supply is core to achieving these goals, and, increasingly, communities are using aggregation as a tool to facilitate this transition.

In the past 18 months, Brookline, Newton, Lowell, Watertown, and Worcester have signed "first in the state" aggregation contracts that include 20-46% renewable energy over and above the State's minimum requirements. Other communities, including Boston, Lexington, Wayland, Sudbury, Dedham, Weston, and others are expected to sign aggregation contracts with similarly high levels of renewable content in the near term. While such bold actions are commendable, we propose Natick pursue an approach that offers greater predictability and stability for customers over time.

Proposed Policy: A Gradual Approach

The Natick Sustainability Office, with input from the Sustainability Committee, proposes a gradual, ten-year transition to 100% renewable electricity in tandem with the State's efforts. This proposal is outlined in detail in the enclosed policy for the Board's consideration.

Statewide mandates already require suppliers to source 55% of Massachusetts' electric needs from zero-emission generators by 2030, and more aggressive mandates have been proposed. As a champion for sustainability, Natick should consider increasing the renewable energy content in its standard aggregation product in stages to achieve the balance (45%) for a total of 100% clean electricity by 2030 (see Table 1).

In practice, this approach would result in small, annual increases in the level of additional clean electricity in Natick's aggregation. From 2021 to 2025, we recommend Natick increase its additional clean electricity by 3% per year and by 4% per year from 2026 to 2030.

Table 1, Total Clean Electricity Requirements

Year	Total Clean Electricity as Required by the State Minimum	Proposed Additional Clean Electricity Requirements by the Town of Natick	Total
2020	35%	10%	45%
2021	37%	13%	50%
2022	39%	16%	55%
2023	41%	19%	60%
2024	43%	22%	65%
2025	45%	25%	70%
2026	47%	29%	76%
2027	49%	33%	82%
2028	51%	37%	88%
2029	53%	41%	94%
2030	55%	45%	100%

Cost Considerations

Ultimately, the corresponding cost of the proposed policy to Natick electricity customers will depend on the price of renewable energy content during each contract period.

There are two ways to think about the cost to Natick residents. The first is to compare the cost of the aggregation (including the additional renewable content) to the cost of Eversource Basic Service. From this perspective, while requiring additional renewable energy could cost residents more money, there is a possibility it will not. Natick's aggregation, which requires 10% additional renewable energy content, is currently saving residents money relative to Basic Service. Indeed, all of the communities that have adopted higher requirements for renewable energy (Brookline, Newton, Lowell, Watertown and Worcester) are currently able to provide savings versus Basic Service. As an example, Newton's current contract, which includes 46% additional renewable energy (approximately the same amount proposed for Natick 10 years from now), is nearly 10% cheaper than Basic Service.

The other approach is to look solely at the cost of the additional renewable energy. This cost is directly related to the price of Renewable Energy Certificates (RECs), which are sold on the open market as an energy commodity. Based on the forecasted average price of RECs through 2023 (\$35.38), a 3% increase in renewable content could cost the average Natick household an additional 60¢ (cents) per month. Following this methodology, in 2030, the average Natick household may pay an additional \$9.15 per month to receive 100% clean electricity (55% as mandated by the State and 45% by Natick), should the Board adopt the proposed approach (see Table 2, on next page).

It is also worth noting that Natick customers have and will continue to have the ability to opt "out" or "down" to avoid paying for the cost of additional renewable energy. As required by the Department of Public Utilities, customers can leave the aggregation program at any time with no penalty. They can also choose between three aggregation products: the default Standard Green (which includes a set amount of additional renewable energy content, per contract, as determined by the Select Board), the Brown Option (which does not include additional renewable energy content), and the 100% Green Option (which includes 100% renewable energy).

Table 2, Estimated Cost to Natick Customers

Year	Proposed Additional Clean Electricity Requirements by the Town of Natick	¢/kWh	\$/month for typical resident
2020	10%	0.355	2.04
2021	13%	0.462	2.65
2022	16%	0.568	3.27
2023	19%	0.675	3.88
2024	22%	0.781	4.49
2025	25%	0.888	5.10
2026	29%	1.030	5.92
2027	33%	1.172	6.74
2028	37%	1.314	7.55
2029	41%	1.456	8.37
2030	45%	1.598	9.19

Next Steps

Enclosed is a draft policy that reflects the proposed transition to a 100% clean electricity aggregation program. The Office of Sustainability welcomes the Board's questions and comments on this draft. Should the Board support this approach, the Office of Sustainability will work with members to refine the policy this spring and propose its formal adoption ahead of the aggregation program's next procurement (September 2020).

The Office of Sustainability is also reviewing this draft with members of the public on March 18 at 12:30 pm at the Community Senior Center, as advertised in the Spring 2020 Common Guide. At the Board's pleasure, the Office of Sustainability will prepare a summary of the feedback provided at this meeting and will seek to incorporate it into the next draft of the policy.

Thank you for your consideration.