

Request for Comments on Proposed Modifications to MassCEC Ground-Source Heat Pump Programs (July 2018)

Background

MassCEC's Clean Heating & Cooling (CH&C) programs support the deployment of cold-climate air-source heat pumps, central biomass heating systems, and ground-source heat pumps (GSHP). In July 2015, the CH&C Programs were authorized to spend \$30 million and, as of June 30, 2018, MassCEC had spent approximately \$27 million of that amount. In June 2018, the MassCEC Board of Directors approved an additional \$18 million to support ongoing program operations.

Program Budget & Goals

MassCEC anticipates budgeting approximately \$2.5 to \$3 million on GSHP, which is intended to support operation of both the residential and commercial programs through June 2021. ***To help ensure the budget lasts through June 2021, MassCEC needs to reduce its current rate of spending.***

We are reaching out to stakeholders to provide notification and solicit feedback on draft program modifications, detailed below. In making these changes, CH&C Program Staff are prioritizing the following goals:

- Grow industry: Attract new participating companies, expand manufacturer participation, and grow the workforce.
- Maintain value of recent market development investments: Minimize actions that will adversely affect the market and compromise existing industry assets, including workforce, product availability, knowhow, marketing efforts, project pipelines, infrastructure, and reputation.
- Motivate industry to better support state goals: State goals include GHG reductions, high-quality performance, supporting low- and moderate-income populations, and establishing a trajectory for wide-scale deployment in the coming decades.
- Continue to deliver deployment benefits: Optimize benefits per dollar spent, focusing on GHG reductions and cost-savings, particularly for low- and moderate-income populations.

Request to Stakeholders

MassCEC requests feedback on the proposed modifications by July 26, if possible. This feedback can include industry impacts, alternative approaches, timing, etc. MassCEC has shared this program planning information with only a limited number of industry partners. Please do not share outside of the recipient's organization.

Proposed Program Modifications

The primary goals of this program are to facilitate market growth, project cost reduction, customer awareness, improved design and installation quality, and overall industry maturity. The budget reduction will primarily be accommodated through moderately lower per-project incentives as well as the prohibition of certain commercial customer classes.

Funding Blocks

Because rebates for the Residential program were reduced in May 2018, no immediate changes will be made. Changes to the Commercial program will take effect in November, as described below.

Future incentive reductions will be tied to the rate of program spend. This means that once the programs have awarded a specified amount of funds (a "funding block"), MassCEC will announce incentive reductions. These funding amounts are detailed in the table below, starting July 1, 2018.

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Estimated Funding Block Amounts

	<u>Residential</u>	<u>Commercial</u>
Block #1 (Current incentives)	\$600,000	\$600,000
Block #2	\$600,000	\$600,000
Block #3	Amount TBD, depending on spend rate and available funding	Amount TBD, depending on spend rate and available funding

Funding blocks are not exact amounts but targets. Once MassCEC expects a block will be expended within a 60 to 90 day period, we will announce the final day of that funding block, which will be in 60 days for Residential applications and 90 days for Commercial applications. Applicants will have this window to submit additional applications under the current levels. The Residential and Commercial blocks are independent of each other (for example, if MassCEC makes \$600,000 in Residential awards, it will not affect the Commercial program).

No additional incentive reductions are planned beyond Block #3. MassCEC anticipates that the Block #3 incentive levels will remain in place through June 2021, provided there is sufficient funding in the CH&C budget.

Incentive Levels (Residential)

After Block #1 has been filled, Residential rebates will be reduced from \$2,000 per 12,000 BTU/hr of heating capacity (“heating ton”) to \$1,500/ton. After Block #2, rebates will be reduced to \$1,200/ton for Block #3. Block #3 has no specified funding amount, and this funding level is expected to remain until June 2021 or the full CH&C funding authorization has been exhausted.

Incentive Levels (Commercial)

Commercial incentive levels will be reduced as described in the table below (in dollars per ton).

	Block #1 (Current)	Block #2	Block #3
Base	\$2,000	\$1,250	\$1,000
Efficiency Adder (per 1.0 COP above min.)	\$1,000	\$750	\$500
Public/Non-Profit Adder	\$750	\$500	\$300
Affordable Housing Adder	\$1,000	\$1,000	\$1,000

In addition, as of November 1, 2018:

- Applications from State and federal agencies will no longer be accepted
- Applicants will no longer be able to combine the Affordable Housing and Public/Non-Profit adders. (This would primarily apply to public housing projects.)

If necessary to conserve budget, MassCEC will consider additional modifications such as reducing the funding cap from \$250,000 per project to \$150,000. All program modifications are potentially subject to future change.

How to Submit Your Comments

Please submit written comments via email to gshp@masscec.com and cc: Josh Kessler (jkessler@masscec.com). Feel free to contact Josh with questions by email or phone at (617) 315-9319.