



New law will make renewable energy heating cheaper

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Easthampton 12/29/11, Staff Photo by John Suchocki - Jerry Burt chips away at his wood splitting chores. Burt heats his East St. home with six cords of wood and he's working on next years stack. *(John Suchocki)*

Shira Schoenberg | sschoenberg@repub.com By Shira Schoenberg | sschoenberg@repub.com

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A new law that goes into effect in January will make it cheaper to use renewable energy to heat a home – and could provide a boost to the wood industry in rural parts of Western Massachusetts.

"This is going to help (renewable) technologies compete with and replace oil-fired furnaces and other fossil fuels for use for heating ... and cooling," said David O'Connor, a former Massachusetts Commissioner of Energy Resources who is now senior vice president for energy and clean technology at ML Strategies and who lobbied for the law on behalf of the Massachusetts Forest Alliance.

The new law builds on an existing law that requires electricity suppliers to buy a certain amount of electricity from renewable energy sources. The electricity suppliers can fulfill this requirement by buying "renewable energy credits" from companies that produce electricity through renewable means. The new law creates renewable energy credits for the production of thermal energy – energy used for heating and cooling. This could include the use of solar panels, wood pellet stoves and boilers, geothermal heat pumps, and a range of technology that uses hot water, solar, biomass or other renewable energy forms to generate heat.

Under the new law, the Massachusetts Department of Energy Resources will calculate the amount of energy generated over a 10-year period and award those credits up front. Those credits can then be sold to electricity suppliers, a sale that would most likely be brokered by suppliers of renewable energy technology. The home or business owner who buys the wood stove or heat pump would then receive the money from the sale of the credits up front, to help defray the cost of installing the technology.

O'Connor said this is important because while renewable energy can be competitive with oil or coal in the long term, there can be significant start-up costs for installing the technology. "That up-front cost is a real barrier," O'Connor said. "So what these regulations will do is allow the Commonwealth to come up with ways that the customer can see some of the benefits of these technologies, give them help handling those first costs, and make that payback quicker."

The Massachusetts Forest Alliance, which represents forest landowners and sawmill owners, was a major backer of the bill because of its impact on the forest industry – an important industry in Western Massachusetts.

According to Jeffrey Hutchins, executive director of the alliance, the markets for low-grade wood in

typically buy credits at a slightly lower cost than they must pay to the state, so in the long term, Breger said creating more credits could save ratepayers money.

A spokeswoman for WMECo and NSTAR said energy suppliers, rather than the delivery companies, would have a better sense of how the law will affect prices. A spokeswoman for ISO New England, which administers wholesale electricity markets, referred questions about retail pricing to the utility companies.

Dan Dolan, president of the New England Power Generators Association, said he does not anticipate that the law will have a major impact on rates because the technologies currently do not produce the kind of capacity to significantly affect supply or demand. "It's unlikely to really move the needle dramatically one way or another," Dolan said.

State Sen. Barry Finegold, an Andover Democrat who sponsored the bill, said 15 other states have similar laws. He said Massachusetts is working to meet its goals for the use of renewable energy, while remaining competitive. "In the end, it's a long term investment in trying to diversify our energy sources," Finegold said.

The bill was passed by the state legislature on July 31, the last day of formal legislative sessions. It was signed into law by Gov. Deval Patrick Aug. 6.

It goes into effect Jan. 1. But Breger said while the state hopes to draft regulations by the end of the year, the formal rulemaking process is not likely to be completed before the summer of 2015. The rules, however, could retroactively award certificates for thermal energy systems installed this winter.

"We see this as being a real opportunity to move the market forward in a substantial way," Breger said.

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