

Net Metering Legislative Proposal

The Department appreciates the opportunity to present this proposal to update the net metering law for legislative consideration in 2014. Net metering is one of our most successful renewable energy programs. We have seen net metering capacity increase from approximately 12 megawatts installed at the start of 2011 to over 39 megawatts pending or installed today. This growth occurred even as Clean Energy Development Fund incentives declined significantly.

We have more than 3,600 net metering projects, and solar energy is the most popular option, representing over 90 percent of the program. Thanks to net metering and other renewable programs, Vermont was recently ranked 5th in per capita solar installations during the third quarter of 2013, the most current quarter for which data is available. In combination with energy efficiency and strong advocacy at the regional level by VELCO, Vermont's distributed generation programs have helped to avoid \$400 million in costly transmission projects, saving ratepayers approximately \$16 million in Vermont. In addition, net metering has contributed to economic development and job creation in Vermont.

Vermont Electric Cooperative, Washington Electric Cooperative, Hardwick, and Morrisville have all reached the 4% of peak cap on participation. In response, the Department worked intensively with stakeholders over the last six months to reach a strong consensus on how to move forward. The following represents our best ideas from those discussions:

Update the current statute to ensure the program is effective for the next three years, coincident with the current term for the federal investment tax credit

- Increase cap on participation from 4% to 15%.
- Keep solar adder at 20 cents for smaller projects 15 kW or less.
- Raise 10 day registration eligibility from 10 kW to 15 kW.
- Achieve cost savings by reducing net metering payments by 5%, to 19 cents, for projects over 15 kW (effective immediately for utilities that hit the cap by December 31, 2013, and effective for CPG's filed after December 31, 2014 for all the other utilities).



- Achieve cost savings by using blended rates, instead of high residential rates, for purposes of calculating net metering payments.
- Fix inconsistency in capacity rating for solar net metering projects, and use AC inverter rating for projects to be consistent with solar standard offer criteria.
- Provide option for net metering customers to keep environmental attributes/renewable energy credits produced by system, or alternatively, provide those credits to the utility for regulatory compliance purposes.
- Encourage innovation by providing for an electric cooperative pilot project to provide 5 megawatts of solar net metering to customers under alternative structure.
- Recognize renewable energy achievement by providing that if a utility reaches 90% renewable portfolio (as evidenced by ownership and retirement of environmental attributes/renewable energy credits), and 10% net metering (as measured by peak), it may design its own alternative net metering program that reflects its advanced power portfolio.

Establish a Public Service Board process to review the net metering program and alternatives, and redesign the program for 2017 implementation

- The Department will provide the Board a report by October 1, 2014, examining the current net metering program and best practices from other states.
- The Board will conduct a stakeholder workshop process beginning in October 2014 to examine the program and alternative ideas.
- Under broad parameters (net metering available to all customers, advance state energy goals, account for all costs and benefits, address any cross-subsidization between net metering customers and other customers, etc.) the Board shall issue a new net metering program rule by the end of 2015. The Board would report to the legislature by January 1, 2016 on the new program. The legislature would review the program during 2016 session.
- The Board's new program would take effect on January 1, 2017.