Energy Innovation Program

The proposed Energy Innovation Program (EIP) would replace the current SPEED program. The EIP would run from 2017-2032.

It is designed to grow the share of Vermont's electricity consumption that comes from renewable energy sources, to support new community-scale distributed generation, and to promote innovative projects that reduce fossil fuel use and save Vermonters money.

The proposal includes three tiers:

- ***Total Renewable Electric Requirement[1]*** – 55% of sales in 2017 rising to 75% by 2032. These numbers are already in law, but the EIP would make clear that the law requires renewable energy credit (tracking on NEPOOL GIS or equivalent) retention. All existing or new renewable electric sources qualify to meet this target.

- ***Distributed Generation*** – 1% of sales in 2017 rising to 10% by 2032. The proposal will include a distinct subset target for new community-scale distributed generation projects. Projects in-service starting mid-2015 would be eligible, and new net metering and Standard Offer projects would count if renewable energy credits are retired by the Vermont utility. As part of the Act 99 net metering redesign process, customers would have option of receiving incentive and providing renewable credits to meet DG tier, or keeping credits with incentive reduced by appropriate value.

- ***Energy Innovation Projects*** – 2% of sales (BTU equivalency) in 2017 rising to 12% in 2032. This tier sets targets for utility-led or utility-partnership projects that reduce customer fossil fuel consumption and save money, such as weatherization, biomass heat, cold-climate heat pumps, etc. Projects in-service in 2015 or later would count, and measurement and verification of the various measures would be done through a Public Service Board process. Projects only count in this tier if they are "additional" to those already happening through existing regulatory programs or state funding. Utilities would have four primary tools to meet this tier: Leasing programs; On-bill financing; marketing partnerships; and direct investments.

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[1] The EIP also includes a Renewable Energy Achievement provision to recognize that some utilities have gone above and beyond in procuring renewable generation under the SPEED program. For eligible utilities, the provision would require 100% renewable electricity to be provided each year through Tier 1, and except for accepting new net metering would not require additional power procurement through the DG Tier.

Importantly, Public Service Department modeling shows that through smart and coordinated program design, the EIP as a policy over its lifetime would offer a net benefit for ratepayers. This is accomplished through flexible program design, by retaining Vermont's ability to sell renewable energy credits into regional markets to benefit ratepayers, and through strategic electrification initiatives from Energy Innovation Projects such as cold-climate heat pumps. The positive economic benefits of the EIP contrasts with a potential rate risk from maintaining the status quo amidst concerns about Vermont's ability to continue to sell renewable energy credits into the regional market under the current SPEED program.

	Rate Impact		
	2017	2024	2032
Current policy risk	+6.0%		
Renewable Portfolio Std.	+1.0%	+2.5%	+3.9%
Energy Innovation Program	+0.4%	+0.5%	-0.6%

Public Service Department modeling also projects the EIP could:

- Create over 1,000 new jobs;
- Add over 400 megawatts of new distributed generation;
- Provide weatherization or cold-climate heat pumps to over 85,000 homes and businesses;
- Support thousands of new biomass or bioheat systems;
- Save Vermonters a net of $275 million on energy bills; and
- Cut greenhouse gas emissions by approximately 15 million metric tons by 2032, on track to achieve a quarter of the emission reduction needed for Vermont's 2050 goal;

The Department is very pleased to be able to present this policy proposal to legislators and the public, and looks forward to its consideration during the legislative session.