

VERMONT PUBLIC POWER SUPPLY AUTHORITY

PO Box 126 5195 Waterbury-Stowe Road • Waterbury Ctr., VT 05677
(802) 244-7678 Fax (802) 244-6889 www.vppsa.com

BY ELECTRONIC MAIL

January 13, 2016

Judith Whitney, Acting Clerk
Vermont Public Service Board
112 State Street, 4th floor
Montpelier, VT 05620-2701

Re: Draft Net Metering Rule 5.100

Dear Ms. Whitney:

Vermont Public Power Supply Authority (“VPPSA”) offers the following comments in response to the Public Service Board’s (“Board”) December 8th memo regarding the Draft Net Metering Rule.

VPPSA supports the Board’s decision to use the Vermont utilities’ retail rates as the main compensation mechanism for net metering production. This approach recognizes that the primary purpose of net metering is to provide a mechanism for electric utility customers to offset their consumption through their own investment in generation. The use of retail rates acknowledges the vast reduction in the cost of solar technology that continues to occur, while providing ongoing support and predictability for customers and installers. The use of retail rates also includes the benefit of the protections of least cost planning. The significant ratepayer protections contained in the draft rule, including the flexibility to introduce charges to recover utilities’ fixed costs as may be appropriate, will help minimize cost shifting among customers.

VPPSA’s comments on the specific components of the draft rule are as follows:

5.102 Definitions

In the proposed draft rule, “Party” is defined as the applicant, the Department of Public Service, the Agency of Natural Resources, and any person who has obtained permission from the Board to intervene. The host utility should also be afforded automatic party status in net metering proceedings.

5.104 Energy Measurement for Net Metering Systems

VPPSA believes that the installation of a production meter should be required for all net metering systems. This will provide utilities and customers with accurate information regarding generation from these systems, which will inform distribution planning efforts. A production meter will ensure accurate accounting for net metering Renewable Energy Credits (“RECs”) that are being retired for Renewable Energy Standard (“RES”) compliance. VPPSA's understanding is that the requirement for a net metering production meter is not cost prohibitive.

5.105 Billing Standards and Procedures

Siting Incentive Credits-Net Metering System Size Subsidy

As expressed in VPPSA’s previous comments regarding the Net Metering Program, installation costs have declined to the point that compensating customers at the retail rate for net metered generation is expected to allow electric customers who install net metered generation to be able to realize a return on their investment. VPPSA recognizes that individual customer sized (<15kW) systems are less likely to take advantage of economies of scale, possibly leading to higher installation costs. An incentive for these small systems reflects the costs of the systems, and may be appropriate if accompanied by safeguards such as regular review of the incentive to ensure it remains necessary. This credit, if applied, should be provided exclusively to systems smaller than 15 kW.

The proposed “Siting” incentive credits are not necessary for systems larger than 15kW given an expected rate of return on investment that will continue deployment within the state of Vermont. Moreover, the Net Metering Rule does not appear to be the most appropriate policy mechanism for addressing concerns around siting net metering projects. The current Solar Siting Task Force has not yet completed its work, and the legislature is currently considering several bills that would address project siting in a comprehensive manner; it would be premature for the Board to set financial incentives for a specific group of net metering projects in advance of legislative action.

Renewable Credits for Excess Generation

VPPSA recognizes that Act 56 requires differentiated credits for customers depending on whether they retain RECs or transfer them to the utility. However, rather than offering a \$.03/kWh credit for excess generation when the customers assign the RECs to the utility, VPPSA believes it would be appropriate to instead reduce the retail rate by \$.03/kWh for excess generation when the RECs are retained by the customer. When customers elect to transfer the RECs from their net metering system to their utility, those RECs are required by statute to be retired for compliance with Vermont's Renewable Energy Standard ("RES"). Should the customer instead choose to retain RECs to sell (especially in the case of larger group systems) or retire, the utility will incur additional costs to purchase replacement RECs (or develop alternative distributed generation projects while retaining the environmental attributes) in order to meet its RES obligation; those additional costs will be incorporated into the utility's retail rate and passed on to all customers. Because, over time, the cost of replacement RECs is included in the retail rate, when a utility credits the customer for generation at the retail rate it is already paying for the REC as well. Any REC adjustment to the retail rate should be reviewed regularly and adjusted as appropriate.

5.107 Electric Company Requirements

VPPSA supports the provision in the draft Net Metering Rule that allows utilities to establish reasonable charges on net metering customers to cover the utility's fixed administrative and infrastructure costs. As noted in VPPSA's initial net metering comments, the ability for utilities to recover fixed costs from all of their customers is a critical component of a fair and sustainable program.

5.111 Certificates of Public Good

The proposed rule establishes three categories of net metering systems, with differing requirements depending on system size and whether the system is installed on an existing structure. For rooftop systems with capacities of less than 100kW, the proposed rule gives the utility 10 days to raise interconnection concerns. VPPSA is concerned that while this timeframe may be adequate for small systems (<15kW), it does not provide enough time for a utility to evaluate the impacts of larger systems. This is especially true of the state's smaller utilities, where a 99 kW net metering system could have a significant impact on the distribution system. It would be more appropriate for a host utility to have 30 days to review all registrations for systems with capacities greater than 15 kW.

5.119 Tracking of Net-Metered Systems

While utilities bear the responsibility for maintaining records of installed net metering systems under both the current and proposed Net Metering Rules, there would be significant value in the

creation and maintenance of a statewide database of net metering installations. This would allow grid operators and others an efficient method for understanding the quantity of distributed resources deployed throughout Vermont without having to gather information from 17 utilities. As discussed in VPPSA's initial comments, an important element of such a system would be a requirement that net metering customers (likely via their developer) provide an "as built" certification providing details about the system that was installed to the state and their utility prior to receiving net metering credits. This would help ensure that utilities and state and regional system planners have accurate information regarding the generation resources installed in Vermont and ratepayers do not bear the cost of securing unnecessary capacity at the regional level.

Net Metering Cap

A steady, measured deployment of distributed resources, including net metered systems, will continue to bring benefits to Vermont's ratepayers. Frequent changes in Vermont's Net Metering Program, specifically the program cap or the rates, create instability and uncertainty for customers, developers, and utilities. However, establishing a net metering program with no limit on the amount of capacity that can be installed introduces a different type of uncertainty regarding the physical constraints of the distribution and transmission systems. Net metering is expected to continue to grow and it is likely that this will lead to some VPPSA member systems becoming net-exporters of energy during a significant number of hours each year. The implications of this scenario have not yet been fully analyzed, necessitating a measured review on the pace of development in the state.

VPPSA proposes that a cap be established on the *rate* of net metering deployment, rather than on the overall capacity to be installed. Upon consultation with stakeholders, the Board could set a percentage of each utility's peak that could be accepted as new net metering resources each year. Once that amount had been granted in CPGs, the utility would not be obligated to continue accepting new applications that year. This would provide utilities with time to evaluate the impacts on the distribution system as more distributed resources are deployed, while not automatically eliminating the option to net meter once a certain cap is reached.

VPPSA appreciates this opportunity to comment on the Board's proposed Net Metering Rule.



Melissa Bailey
Legislative and Regulatory Affairs Representative
Vermont Public Power Supply Authority