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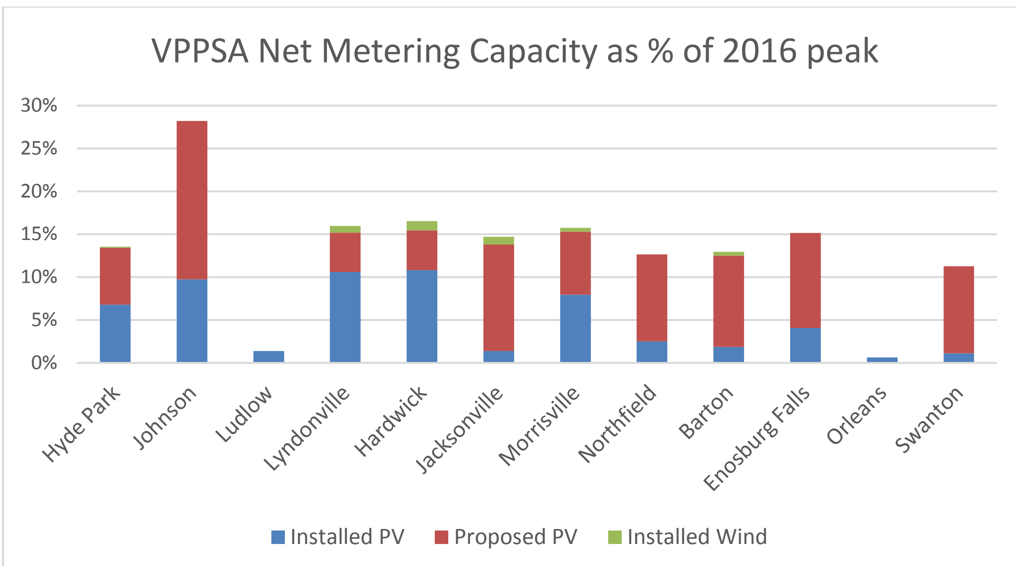
Vermont Public Power Supply Authority (VPPSA)
Testimony on H. 396

- VPPSA is a joint action agency that provides Power Supply, Regulatory, and Financial services to its 12 municipal electric utility members: Barton, Enosburg Falls, Hardwick, Hyde Park, Jacksonville, Johnson, Lyndonville, Ludlow, Morrisville, Northfield, Orleans, and Swanton.
  - In aggregate, the VPPSA members serve approximately 31,327 customers and constitute 6% of Vermont's electric load.

- The VPPSA utilities have varying levels of net metering penetration, but in total they host 2.8 MW of installed net metering systems, with an additional 4 MW of capacity proposed.
  - Since January 1, 2017, there have been more than 40 applications filed for new net metering systems in VPPSA members' territories. Eleven customers have elected to retain the RECs.



- For energy resources that qualify to meet a Renewable Portfolio Standard, each MWh of electricity creates on Renewable Energy Certificate (REC) reflecting the renewable attribute of the MWh. In theory, a REC represents the incremental cost of constructing a renewable generation project above a non-renewable project.

- The party that finds value in the REC typically pays for and ultimately retains the REC.
  - H. 396 raises the question of who pays for "renewability."
  - Under the current net metering program, the customer determines whether it retains the REC or transfers ownership of the REC to the utility. The owner of the REC is entitled to claim any benefits associated with it. The cost of the REC is borne by the owner through compensation to the net metering system owner as directed by REC "adjusters".
  - This bill would require utilities to essential pay for RECs generated by net metering systems without being able to claim the renewable benefit.

- In VPPSA's view, should a customer choose to retain and retire RECs in furtherance of environmental goals, that is an individual choice for which the customer, and not neighboring customers, should bear

the cost. There is an incremental cost to obtaining electricity from small-scale renewables, and customers making the choice to consume specific types of renewable power at a higher proportion than their utility's portfolio should bear that cost.
  - This is similar to how customers participating in "green pricing" programs pay a premium above retail rates.

- VPPSA is concerned that having utilities pay for RECs that net metering customers would otherwise have paid for will increase the cost to ratepayers of reaching the State's renewable energy goals.
  - Under Tier 2 of Vermont's RES, utilities must acquire 1% of the previous year's retail sales from small, renewable generators connected to the distribution grid; the requirement increases to 10% by 2032. Net metering is the most expensive way to comply with the RES.
  - This bill removes the incentive for a customer to transfer net metering RECs to the utility.
  - The utility will be paying $.06/kWh for the renewable attributes of each kWh, and in turn, the utility's RES requirement for the following year will be reduced.
  - Under the current net metering program, if the customer retains the RECs, the utility is not required to pay for them. The utility will thus look for lower cost ways to meet Tier 2 of the RES, reducing the cost to other ratepayers.

- This bill has the potential to *reduce* the amount of distributed generation developed in the State. Some customers will elect to retain the RECs from their net metering system regardless of the outcome of this legislation.
  - Under the current structure, these customers will be compensated at a lower rate for their generation because the utility is purchasing the energy but not the RECs.
    - The utility will then need to purchase RECs or develop renewable distributed generation projects to reach its RES requirement.
    - The customer will retain and retire their RECs, increasing the amount of renewable energy above what is required under the RES.
  - Under H. 396, the utility will compensate the customer as if it were purchasing the REC from the customer but the customer will retain and retire the RECs.
    - The utility's RES requirement for the next year will be reduced, so the utility won't need to build or purchase additional renewable generation.

- This bill has the potential to raise "double counting" concerns because it allows two parties to claim value from one REC.
  - Part of the rationale for implementing a Renewable Energy Standard (RES) was to structure Vermont's renewable energy requirements similarly to other states in the region. Under the SPEED program, other states raised concerns that Vermont was "double-counting" by using them to meet the State's SPEED goal while also allowing the RECs to be sold for compliance with other states' renewable portfolio standards (RPS.)

- This legislation will likely require complex and cumbersome tracking.
  - It is unclear, for example, what would happen if a customer didn't file the annual affidavit.
  - Utilities would be required to pay for RECs the year before receiving any benefit.