

## **H.289, An Act Related to the Renewable Energy Standard**

The changes to the RES contained in amendment **draft 1.2** are consistent with the framework presented by members of the [RES Working Group](#) (in particular the accompanying addendum offered by many working group members, starting on page 28 of the final report).

There is one provision in draft 1.2 that is not consistent with the framework of the working group consensus agreement. 8002(17)(B)(ii) on page 5 defines 2 MW of Hydro Quebec power under an existing contract with WEC as a new renewable. The framework clearly stated hydro over 200 MW would not be considered new renewable, and as such 8002(17)(B)(ii) is omitted from this summary.

The updates to the Renewable Energy Standard as outlined in draft 1.2 are intended to bring Vermont's policy in line with other states' commitments to deploying far more clean, renewable generation, as well as recognize and respond to the unique differences among Vermont's distribution utilities and craft a path forward for each utility that carefully balances cost, reliability, and climate goals.

### **Sec. 1 - 30 V.S.A. § 218d - Alternative Regulation of Electric and Natural Gas Companies**

- Current law allows for municipal utilities to raise rates up to two percent during a 12 month period without having to expend the time and cost involved in a full litigated rate case. The revised language changes that threshold from two percent to three percent to account for inflation.
- Current law also allows the Department of Public Service to request a full rate case if they choose, and also allows the Commission to initiate one of its own accord (218d(n)(2)). The draft language does not change that.

### **Sec. 2 - 30 V.S.A. § 8002 - Definitions**

- The definitions of "Existing renewable energy" and "new renewable energy" are updated to now include renewable energy plants to qualify as "new" from the beginning of 2010 instead of mid-2015. This change will allow renewable energy from older plants built under Vermont's Standard Offer and SPEED programs (mostly some larger solar farms and the wind farms built in Vermont in recent history) to count towards these requirements if utilities choose to retire the RECs from those plants. Note, this change does not reduce the amount of "additionality" (i.e. new renewables) the bill would result in, but it does provide additional flexibility to the utilities which may help reduce the cost of compliance with the RES.
- The definition of "Net metering system" is updated to limit it to systems that generate energy that "will be used on the same parcel as, or a parcel adjacent to, the parcel where the plant is located." This provision eliminates what's known as "offsite group net metering" or "virtual net metering."
- "Low income" is defined as households with "income of up to 60 percent of the area or statewide median income."
- "Load" and "load growth" have not previously been defined in statute but are now defined here. The RES currently only requires a percentage of each utility's retail sales to be renewable. This language, and a shift from requirements based on retail sales to load throughout the bill, updates that requirement to be a percentage of total load, which is defined here as retail sales plus line losses and any electricity used by the utility itself (roughly 5% more electricity than retail sales alone). This change ensures that as utilities

achieve 100% renewable energy as defined by the RES, they are not still using some small amount of non-renewable power.

- “Load growth” is simply how much a utility’s load has grown beyond a baseline year’s load, and is relevant to the load growth requirements in 8005(a)(5).

### **Sec. 3 - 30 V.S.A. § 8003. Renewable Energy Pricing**

- The stakeholders are proposing that Sec. 3 of the draft be struck. It was initially included as part of the language to allow utilities to sell net metering RECs, but upon further review the stakeholders agree that 8003(d) does not need to be deleted to allow those sales. 8003 is a separate program from net metering and does not need to be amended in this bill.

### **Sec. 4 - 30 V.S.A. § 8004. Sales of Electric Energy; Renewable Energy Standard (RES)**

- This section changes current law on where dollars paid by utilities under the alternative compliance payment (ACP) should be directed.
- Under current law, any payments made go into the Clean Energy Development Fund (CEDF), which in turn can direct where and how funding should be used in accordance with the guidelines for the CEDF.
- The suggested change here says that any payment made under the ACP shall stay within the utility’s service territory to help develop renewable energy projects for income-eligible customers.
- It is important to note that the goal is not to use the ACP, and this new language would only be triggered if there were not sufficient renewables coming online in an affordable way, in which case a utility would then elect to pay the lower ACP vs a higher purchase price for energy.

### **Sec. 5 - 30 V.S.A. § 8005. RES Categories**

- This section includes the core of what the Renewable Energy Standard is: What percentage of what type of renewable energy and by what date.
- Under current law, there are three tiers:
  - Tier 1 requires DUs to procure an amount of renewable energy equivalent to 55% of their annual retail electric sales during the year beginning January 1, 2017. This amount increases by 4% every third January 1 thereafter, eventually reaching 75% in 2032.
  - Tier 2 requires DUs to procure an amount of renewable energy equivalent to 1% of their annual retail sales from distributed generation resources (new renewables 5 MW or smaller) connected to the Vermont grid starting in 2017. This amount increases by three-fifths of a percent each year, eventually reaching 10% in 2032. Tier II resources are also counted as part of a DU’s Tier I requirement.
  - Tier 3 requires that DUs either procure additional renewable distributed generation eligible for Tier II or acquire fossil fuel savings from energy transformation projects which reduce fossil fuel consumed by DU customers. For Tier III, the RES establishes a required amount of 2% of a DU’s annual retail electric sales during the year beginning January 1, 2017, increasing by two-thirds of a percent each year until reaching 12% in 2032.
- This section updates the requirements for Tiers 1 and 2 and creates new Tiers 4 (new regional renewable energy) and 5 (load growth).
- Note: all requirements would now be based on a percentage of load (as defined in 8002 - see “Definitions” above) instead of retail sales, which would ensure all electricity

purchases by utilities are captured. Load is typically approximately 5% greater than retail sales.

- **Tier 1:** This bill would increase the Tier 1 requirement for Green Mountain Power and Vermont Electric COOP from 75% by 2032 to 100% by 2030. GlobalFoundries and municipal electric departments (VPPSA, Hyde Park, Stowe) would have until 2035 to reach 100%. The types of resources eligible for Tier 1 are not modified.
- **Tier 2:** This bill would increase the Tier 2 requirement from 10% by 2032 to 20%. GMP and VEC would be required to reach 20% Tier 2 by 2032, while municipal utilities and GlobalFoundries would have until 2035. WEC, BED and Swanton are exempt under current law from Tier 2, and this bill retains that exemption (8005(b)(1) in draft 1.2).
  - The draft would make several changes to Tier 2 resource eligibility:
    - Municipally owned hydro facilities 5 MW or smaller in size would be eligible Tier 2 resources.
    - For non-municipal DUs this would include DU-owned hydro 5 MW and under that are Low Impact Hydroelectric Institute (LIHI) certified and facilities that become LIHI certified in the future.
    - Any new or updated biomass plants would be required to meet a 60% efficiency standard in addition to a lifecycle greenhouse gas standard to be eligible (8005(d)(3)).
  - The draft also would allow GlobalFoundries to petition the PUC to count new renewables larger than 5 MW in size towards its Tier 2 requirement.
- **Tier 3** requirements are not changed. However, new language is included here that would explicitly allow, but not require, DUs to engage in more Tier 3 activity than is required under statute.
- **Tier 4** is a newly created tier, referred to as the new regional renewable tier. Eligible resources for Tier 4 would include renewables of any size capable of being delivered to the New England grid (ISO-NE), commissioned after 2010, excluding new large hydro (over 200 MW) and new biomass unless it meets a specific performance standard (60% efficiency and lifecycle GHG standard). It would also not include the expansion of existing biomass or large hydroelectric plants. Each type of utility would have a different Tier 4 requirement, both in overall percentage and timeline to meet that requirement.
  - Green Mountain Power would need to provide 20% of its load with new regional renewables by 2035, unless the PUC determines that it could do so earlier, based on what resources are available at a price below the ACP. If those resources are available earlier at a price below the ACP, the PUC could move that date up to 2032, 2033, or 2034 under 8005(4)(B)(i)(III).
  - Municipal utilities, Vermont Electric COOP, and GlobalFoundries would be required to meet 10% of their load with new regional renewables by 2035.
    - If GlobalFoundries is unable to meet its Tier 2 requirement with renewables built on its campus below the Tier 2 ACP (or if meeting that requirement with renewables built on its campus is otherwise “economically infeasible”), it would be allowed to retire additional regional renewables eligible under Tier 4 (above its Tier 4 requirement) to satisfy its Tier 2 requirement.
  - The three 100% renewable utilities covered by 8005(b)(1) are exempt from this tier as well.

- Any new or updated biomass plants would be required to meet a 60% efficiency standard in addition to a lifecycle greenhouse gas standard to be eligible (8005(d)(3)).
- **Tier 5** is the second, newly created tier and would require the three 100% renewable utilities covered by 8005(b)(1) (WEC, BED, and Swanton) to meet load growth with new renewables as defined in the newly created Tier 4 starting in 2025, and would also require GMP and VPPSA to meet load growth with new renewables starting in 2035.
  - The three 100% renewable utilities covered by 8005(b)(1) would be required to begin meeting load growth with new renewables starting in 2025, ramping up to 100% of load growth from new renewables by 2028 until the utility's annual load exceeds 135 percent of its 2022 annual load (the load growth the Climate Council's modeling projected will be necessary to achieve Vermont's 2030 climate requirements under the Global Warming Solutions Act).
    - From there, until 2035, these utilities would need to meet 50% of load growth with new renewables.
    - Finally, beginning in 2035 these utilities would need to meet 75% of load growth with new renewables.
    - If these utilities are unable to meet load growth with new renewables below the ACP, they would be allowed to petition the PUC to meet load growth with existing renewables instead (8005(a)(5)(C)).
  - Green Mountain Power would be required to meet 100% of its load growth with new renewables after 2035, or earlier if the PUC determines that the date should be moved up from 2035 to 2032, 2033, or 2034 under 8005(4)(B)(i)(III).
- 30 V.S.A. § 8005(c)(2): This language ensures any use of the McNeil biomass plant for the district heat project continues to be eligible for Tier 3 credits if any future changes to renewable definitions or standards are made.

#### **Sec. 6 - 30 V.S.A. § 8005b. Renewable Energy Program; Reports**

- Under current law, the Department of Public Service (DPS) is required to file an Annual Energy Report with the Vermont Legislature.
- This section requires the 2029 Annual Energy Report to be prepared in consultation with and jointly issued with the PUC after a stakeholder process.
- It also expands the scope of the 2029 report to include a determination of whether there will likely be enough new renewable energy available to GMP at or below the Alternative Compliance Payment (ACP) before 2035 for it to achieve 20% new regional renewables ("Tier 4" - 8005(a)(4)) in an earlier year.
- Separately, 8005(a)(4)(B)(i)(III) requires the PUC to utilize this report in determining whether to move GMP's 20% new regional renewables requirement up to an earlier year (see above).

#### **Sec. 7 - 30 V.S.A. § 8006a. Greenhouse Gas Reduction Credits.**

- This section expands the greenhouse gas reduction credit program currently available to Global Foundries to reduce its obligation under the Standard Offer to also be available to it in complying with Tier 3.
- Tier 3 of the RES requires utilities to help their ratepayers reduce their fossil fuel usage. This section allows GlobalFoundries to also count other reductions in greenhouse gas

emissions towards its Tier 3 requirements, in addition to any reduction in fossil fuel use it may engage in. It does not change GlobalFoundries' Tier 3 requirements; it expands the universe of greenhouse gas emission reductions that it can utilize to meet those requirements.

- This section also expands and clarifies the measurement and verification requirements under this program, in particular requiring them to use US EPA greenhouse gas emissions factors and global warming potential figures.

#### **Sec. 8 - 30 V.S.A. § 8010. Self-Generation and New Metering**

- Current law requires that all Renewable Energy Credits (RECs) generated by net metering projects after Jan 1, 2017 be retired by the utility in the service territory it is located in. This section ((c)(1)(H)(ii))) gives all utilities except Green Mountain Power the option to sell net metering RECs instead of retiring them. This change is to give rural and municipal utilities a new source of revenue to lower the cost to ratepayers of purchasing additional new renewables.
- If utilities that were already 100% as of 2015 (WEC, Swanton and BED) chose to sell net metering RECs under this section, (c)(1)(H)(iii) lays out that they must replace them with RECs from other Tier 2 renewables. Without this language, these utilities could sell net metered RECs and backfill their renewable requirements with RECs that are not from new renewables, reducing the “additionality” (new renewables) achieved by the bill.
- Subsection (c)(2)(F)(i) of this section repeals an old provision of the net metering program that gives the PUC the option of having different versions of the net metering program that gives customers different compensation rates depending on the length of time they opt to get credit for. The PUC has never utilized this provision and is not considered relevant in the current net metering program.
- The draft language in this section also makes RECs from older net metering systems (authorized under “net metering 1.0,” prior to 2017) accessible to utilities smaller than GMP. Current statute does not allow RECs from these older net metering systems to be transferred to a utility. The owner of one of these older systems has the option to “retire” these RECs and claim their power as renewable or sell them into the ISO-NE REC marketplace.
- This change allows all utilities except GMP to claim RECs from pre-2017 net metering systems towards meeting their renewable requirements except for RECs that are sold or otherwise retired by the system owner. It is important that no RECs currently being sold or retired be counted towards a utility’s renewable requirement because this would be double counting of the REC which is illegal. By claiming these RECs towards their Tier 2 requirements, rural and municipal utilities would now be able to sell on the ISO NE marketplace RECs they are currently retiring which will generate additional revenue to help lower the cost to ratepayers of purchasing new renewables.

#### **Sec. 9 - Effective Date**

- The bill would go into effect on July 1, 2024.