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October 7, 2011

Luly E. Massaro,
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Dear Ms. Massaro and Commissioners:

Thank you for considering the following comments on National Grid's proposed Distributed Generation Enrollment Process Rules, Docket No. 4277.

For background, I manage operations for the largest owner of rooftop solar projects in Massachusetts, with over fifty interconnected systems in operation, I also managed the federal NEPA permitting for a 3.3 MW wind project now operating in Massachusetts.

Having been involved in the initial small group of renewable energy professionals who conceived of this legislation and worked on it for well over a year, it has been disheartening to see the intent so distorted in the National Grid document you are considering. The intent all along was to create an efficient market based mechanism to encourage the development of small and moderate scale renewable energy projects. The rules and form proposed by National Grid do the opposite and discourage any kind of rational market oriented project developers from participating.

I would encourage you to do everything possible to radically simplify this unnecessarily and inappropriately complex document. In general, the vast majority of the matters covered in the rules and proposed application form should not have any place at all in evaluating projects for these DG contracts. Most of the information requested in the application is completely unnecessary. Financing, tax matters and similar considerations are frankly none of the business of National Grid, The Office of Energy Resources, the PUC, the public or anyone else.

These applications should require a project description, location, some evidence of basic site control, cover very basic technical matters, overview general interconnection issues, provide production estimates, construction schedule and price. That is really it.

Project developers are applying to enter contracts to sell commodity products on a fixed price basis with a performance bond. It should be a very simple transaction. Low price wins and winning bidders either meet the contract obligations or they lose the bond. It is not appropriate to include subjective evaluation of the likelihood of projects coming on line by anyone other than those submitting the bid. That is what the performance bond is for.

All projects at all sizes should be selected primarily on a price basis. Bidders proposing to enter contracts for lower than the ceiling prices on even the smallest projects should be favored over higher priced proposals. There should really be no rating of these awards based on anything other than price. If the performance bond is not adequate to discourage inappropriate proposals then the value of those bonds should be reconsidered. An actual market mechanism is not based on filling out paperwork, but on fulfilling commitments to produce power on schedule - or sacrificing the performance bond if those commitments are not made.

As to some of the details under consideration:

1) Interconnection applications and feasibility studies should be allowed to come in at any point appropriate in the eighteen month bid window that allows for timely project completion. For a 100 kW solar project on an industrial facility with a high voltage service to the facility, it would be appropriate to submit a bid without doing any formal interconnection communication with the utility in advance. For a remote 1.5 MW wind generator with no three phase service in the area, anyone submitting a bonded bid without an interconnection feasibility study would be likely to lose their bond. But it is not the responsibility of the state or National Grid's to prevent people from losing their bond because they don't know what they were doing. In fact it would be a real service to the renewable energy industry if people that don't know what they are doing lost their bonds and thus discouraged all the other folks who don't know what they are doing from screwing up the market.

2) Language referencing interconnection in the Rhode Island or Rhode Island economic development should be stricken. Such language could be an invitation to a legal challenge based on constitutional considerations, as has happened in other states.

3) The language suggesting that distributed generation owners submit projects into the ISO-NE Forward Capacity Market and act as lead participant in the administration of the project in the FCM is really completely outrageous. There is no way any project of the scale covered by this legislation can afford to participate directly in that market. Our fifty plus Massachusetts facilities are entered in the FCM through an aggregation with multiple much larger conventional generators. That aggregator does all of our participation and administration. With several megawatts under operation, we would not bother to participate in the FCM directly. The administrative cost of doing so is too high. It is fine for National Grid to require distributed generation owners to provide basic qualifying information on the facilities so that National Grid can itself get those facilities qualified for the market. It is fine for National Grid to require very minimal energy production reporting or permission to utilize meter data in their own reporting to the FCM. But it is completely unacceptable for National Grid to require facility owners to be FCM market participants directly. That would make these projects economically unfeasible.

4) Similarly in REC markets, distributed generation owners should be required to provide minimal necessary information for National Grid to participate itself in the REC markets as an aggregator. Distributed generation owners should have no requirement for direct involvement themselves.

5) Language of this document implies an obligation for distributed generation owners to participate in future undefined and unknowable attribute markets as administrators on behalf of National Grid. How could anyone anticipate what such markets might evolve over fifteen years or price the cost of such participation. Again it is fine for National Grid to receive those benefits and use the meter data and other minimal project data to participate itself as an aggregator, but entering such undefined obligations a contract condition, as proposed by National Grid, would be crazy for any distributed generation owner to consider.

I hope you will reject the proposed submission by National Grid in its entirety and instruct them to come back with a very short simple application and a participation process that enables distributed generation owners to easily enter these contracts. Distributed generation owners should be able to bid with a very simple form and if selected connect their projects to the grid and be paid a monthly by National Grid based solely on meter readings of the power produced. There should be no requirement of ongoing paperwork or administrative obligations and no ongoing obligations at all other than generating electricity.

Thank you for considering this feedback

Fred Unger
President
Heartwood Group, Inc.