STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of
Public Utilities and Carriers
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February 3, 2015

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

In Re: Narragansett Electric Company D/B/A National Grid's Tariff Advice Filing
For Renewable Energy Growth Program and Solicitation and Enrollment Rules
Docket No. 4536-A

Dear Luly,

On November 14, 2014, National Grid[1] made a Tariff Advice Filing for the Renewable Energy Growth Program and Solicitation and Enrollment Rules pursuant to the mandates set-forth in R.I. Gen. Laws §§ 39-26.6-1 et seq. The Division of Public Utilities and Carriers, (the "Division") submits the attached comments for consideration by the Commission in its review of the proposals of National Grid in the above captioned docket.

I appreciate your anticipated cooperation in this matter.

Very truly yours,

Jon G. Hagopian
Senior Legal Counsel

cc: Thomas F. Ahern, Administrator
Stephen Scialabba, Chief Accountant

[1] The Narragansett Electric Company d/b/a National Grid.

MEMORANDUM

To: Rhode Island Division of Public Utilities and Carriers

From: Alvaro Pereira & Richard Hahn, La Capra Associates

Re: National Grid's Tariff's Advice Filing for Renewable Energy Growth (REG) Program and Solicitation & Enrollment Process Rules – Docket No. 4536-A

Date: February 3, 2015

In this memo, we summarize the results of our review of the proposal by National Grid (or "the Company") to implement the requirements of R.I. Gen. Laws §§ 39-26.6-1 et seq. entitled Rhode Island Renewable Energy Growth Program ("RE Growth Program"). The November 14, 2014 filing is the first proposal by the Company in response to the requirements of the Clean Energy Jobs Program Act ("the Act"). Overall, we believe that the proposed Enrollment Application and Process Rules and Tariffs filed by the Company are responsive to the requirements found in the Act and reasonable, except for the issues we discuss below. At the time we developed our recommendations, we had not received a complete set of responses to discovery to the Company, and we reserve the right to amend this memo based on responses to those questions.

Summary of Filing

The Act sets out program targets (total and annual) for new renewable energy distributed generation ("DG") projects, including the requirement that National Grid administer the program (subject to the PUC's review and approval). In support of that effort, National Grid submitted proposed terms and conditions for participating in the program. Unlike the recently expired DG Standards Contract Program, the RE Growth program is tariff-based rather than utilizing contracts between project developers and National Grid; though this change should not have a material impact on the ability of projects to obtain financing, it is expected to reduce the balance-sheet related impacts of the Program on the Company.

These tariffs, which also cover the cost-recovery requirements of the program, along with enrollment applications and rules form the core of the Company's filing and are the focus of our discussion. In general, the Act is quite prescriptive in terms of what needs to be (and can be) included in the tariffs and other filed materials, thus the Company has limited latitude in interpreting many of the requirements. Issues regarding the actual target levels and related ceiling prices, which are to be included in the proposed tariffs when available, will be covered in a separate analysis filed under Docket No. 4536-B.

Company Ownership of Meters

The Company proposes to require a Company-owned meter on each DG project (see discussion on p. 25 of the Companies' testimony and Section 4 and Section 6 of the proposed residential and non-residential tariffs, respectively). The Act[1] requires projects to provide (at their own cost) a revenue-quality meter without mention of Company ownership. The Company also mentions that for all projects other than small-scale solar, the applicant will be responsible for the cost of the meter (p. 26 of the Companies' testimony), thus it is unclear whether the Company is proposing that only small-scale solar projects, presumably only where the meter is not supplied by the owner, will require a Company-owned meter. Costs of the meters installed on small-scale solar projects will be collected through the proposed RE Growth Factor.

We recommend that project developers be allowed to purchase, install, and own their own meter, assuming of course that the meters meet the required accuracy, nameplate capacity, and other required standards. We do not see the need for a second, Company-owned meter to read the project's output if a qualified meter has been provided by the project owner. The availability of a fixed, standard PBI may cause small-scale solar project owners to forgo installing their own meter in order to reduce their costs, but the Company has not explained why installation of Company-owned meters is the preferred option.

Project Terminations

The Company indicates that it would "very likely" consent to termination of a DG project due to events that are beyond the "reasonable control" of the Applicant. Otherwise, termination would not be allowed so that customers are not harmed. In response to Division 1-6, the Company provides two examples of how customers may be harmed if project developers or owners sought to terminate their project applications: (1) A project seeks to terminate during the term proscribed in the tariff and after receiving incentive payments over some time, and (2) A project seeks to withdraw its application during the construction phase with the anticipation that a higher price is available through a future RE Growth solicitation.

In the first case, we agree that termination after the term has started should not be allowed. The Act discusses the "permanence of tariffs once set[2]" in terms of impacts on obtaining financing for projects, but customers should also be assured of receiving the long-term benefits of renewable projects—notably their avoidance (for most technologies) of volatility in fuel costs—over the entire term of the tariff. Once projects begin receiving PBIs according to the tariff, they should meet the obligations set out in the tariff subject to the "reasonable control" standard described by the Company in its filing.

[1] R.I. Gen. Laws Section 39-26.6-18
[2] R.I. Gen. Laws Section 39-26.6-6

In the second case, it is unclear what harm would be suffered by customers from project termination, assuming that performance guarantee deposits have been collected from applicants. The forfeiture of performance guarantee deposits should provide incentives for project developers to follow through with the development of their projects as described in their applications. If Applicants understand that termination results in forfeiture of deposits, and these deposits are credited to customers in the event of termination, then it is unclear what harm—beyond the possible delay involved in selecting and constructing another project—occurs. Except for small scale and medium scale solar projects, all applicants must bid in a competitive price, thus there would be risk to the Applicant in seeking to terminate the agreement due to the lack of guarantee that the project would receive a higher price in a future solicitation; in the case of small scale and medium scale solar projects, developers would also be taking risks if megawatt targets become oversubscribed. It should be noted that projects can effectively "terminate" their application by failing to achieve output certification. This issue could be revisited during the review of the next filing by the Company if there is evidence that deposit amounts are not providing enough incentive for projects to meet their construction or completion targets and are seeking termination to pursue higher prices.

Sale of Capacity

The Company's cost recovery proposal includes use of "net" proceeds from sale of the products assigned to the Company to offset the costs of the RE Growth Program (see Schedule NG-5). Though Applicants will assign to the Company title to energy, capacity, and renewable energy certificates ("RECs"), the Company appears to propose to only use proceeds from the sale of energy and RECs to offset program costs. It is not clear why the Company cannot seek to sell capacity and thus credit these proceeds to customers in the same fashion as the proceeds from energy and RECs. Capacity market prices are expected to clear at higher levels than experienced recently, thus these revenue streams could be a significant credit that could be returned to ratepayers to help offset the costs of the RE Growth program. We understand that there may be costs in registering and administering capacity sales from RE Growth projects, but we expect these costs to be manageable, especially since residential small-scale solar programs (which are expected to be the most numerous of projects among the classes) would not be included. We also understand that capacity produced by energy efficiency programs administered by the Company have been sold in the past, but the Company has not explained why capacity produced by RE Growth facilities cannot similarly be sold and credited to ratepayers.