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April 19, 2010

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

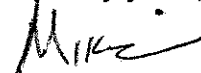
Re: Docket No. 4041 – Narragansett Electric Company d/b/a National Grid's Standard Offer
Procurement Plan and Renewable Energy Procurement Plan

Dear Luly:

At the request of legal counsel Cindy Wilson, I am re-submitting the comments of Constellation Energy. The re-submission consists of a new signature page (page 6) to the comments. You will note that I have added my signature to the signature page on behalf of Constellation Energy. Please file this in Docket No. 4150.

I apologize for any inconvenience.

Very truly yours,



Michael R. McElroy

MRMc/tmg
cc: Service List

ConstellationEnergy/Massaro7

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: LONG TERM CONTRACTS FOR :
RENEWABLE ENERGY PROJECTS : **Docket No. 4150**
PURSUANT TO R.I.G.L. § 39-26.1 et seq. :

**COMMENTS OF
CONSTELLATION ENERGY COMMODITIES GROUP, INC.
AND CONSTELLATION NEWENERGY, INC.**

I. INTRODUCTION

Pursuant to the Rhode Island Public Utilities Commission's ("Commission") procedural schedule in the above captioned proceeding, Constellation Energy Commodities Group, Inc. ("CCG") and Constellation NewEnergy, Inc. ("CNE"), both collectively referred to herein as "Constellation," respectfully submit these comments in regards to the Narragansett Electric Company d/b/a National Grid's ("National Grid" or "Company") March 1, 2010 filing of: (1) a proposed timetable and method for solicitation and execution of long-term contracts filed pursuant to R.I.G.L. Section 39-26.1-3 (the "Long-Term Contracting Standard") and the Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (collectively, the "Regulations") promulgated by the Commission; and (2) a Request for Proposals for Long-Term Contracts for Renewable Energy Projects ("RFP"). In support of these comments, Constellation states as follows:

II. COMMENTS

- A. National Grid should allow behind-the-meter solar installations to bid Renewable Energy Certificates ("RECs") into the RFP, without having to bid energy and capacity as well.**

Constellation suggests that National Grid allow the option for customers to install solar photovoltaic ("Solar PV") systems on a customer's side of the utility meter, and have the output

of such installations be eligible to bid into the RFP. While some larger wholesale grid-connected systems have been developed in the Southwestern United States, the prevailing commercial standard for a Solar PV installation configuration in the Eastern United States has been one in which the Solar PV system is co-located with/on a building and is interconnected on the customer's side of the meter. This installation model is designed to take advantage of Solar PV's somewhat unique ability to serve electric demand at the source, unlike large, remote renewable technologies that must contend with limitations in the transmission and distribution system as well as line losses. Additionally, the State of Rhode Island has already established a policy of supporting these types of systems through the creation of the current net-metering rules.

When Solar PV installations are installed behind the utility meter, the most common contracting structure involves a sale of RECs to a third party to meet compliance obligations. When the solar system is owned by an entity other than the on-site customer, the energy and capacity are typically used by the customer or sold to the customer under a long-term contract. Requiring the energy from the solar system to be sold to National Grid, and then re-sold by National Grid into the market, creates unnecessary complexity; this results in inefficiencies in the contracting process. It also eliminates significant incentives for potential host sites in that they are left only with the ability to "host" a Solar PV site, and are not provided with the additional benefit of being allowed to contract for and use the power over a long-term.

The Regulations provide a fair amount of latitude to National Grid and the Commission in the creation of a methodology for determining commercial reasonableness.¹ For instance, the Regulations state explicitly that long-term contracts must include a provision dealing with the

¹ See "Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy," State of Rhode Island and Providence Plantations Public Utilities Commission (effective Jan. 28, 2010) ("Regulations").

“purchase and sale of energy, capacity *and/or* [RECs].”² Similarly, the Regulations at Paragraph 5.3 imply that National Grid’s “Long-Term Contracts” may be for RECs alone.³ Importantly, Section 7, which deals with the “Use of Energy and RECs Obtained Through Long-Term Contracts,” *specifically* separates the use of energy/capacity from the use of RECs; while Paragraph 7.1 requires energy and capacity to be sold into the wholesale spot market, Paragraph 7.2 on the other hand requires “any attributes including [RECs] purchased” to be “sold through a competitive bidding process.” In this way, the Regulations provide a broad framework that permits the Commission to allow National Grid to seek through its RFP “REC-only” bids such as those proposed by Constellation.

As such, Constellation believes that allowing behind-the-meter Solar PV installations to bid into the RFP their RECs (and not energy and capacity) is permitted under the “commercially reasonable” test, and would be consistent with and promote the goals of the Regulations.

B. National Grid through the RFP should evaluate Solar PV bids only against other Solar PV bids

In footnote 345 of the Commission’s Report and Order No. 19941 issued to National Grid in connection with the Company’s proposed Town of New Shoreham Project Pursuant to RIGL Section 39-26.1-7, the Commission explains that the test for “commercial reasonableness” used by National Grid to evaluate Solar PV should be different than the one used to analyze other types of renewable resources.⁴ Constellation agrees with the Commission’s direction given the fact that Solar PV was explicitly identified in the authorizing legislation and was assigned a separate procurement mandate.

² Regulations at P5.1 (*emph. added*).

³ See Regulations at P5.3 (stating that National Grid must “enter into additional Long-Term Contracts in order to replace the energy, capacity *and/or* NEEPOOL GIS Certificates lost as a result of the termination”) (*emph. added*).

⁴ See *Report and Order No. 19941*, at pp. 70-71 and fn. 345, Docket No. 4111, issued on April 2, 2010.

C. National Grid should allow non-unit contingent bids.⁵

Under the draft RFP, bidders are required to provide very detailed information about the location, technology, and interconnection of the resource that is being bid into the procurement. While these types of proposed requirements are typical of solicitations for larger grid-connected generation resources, they are not as common for Solar PV solicitations. These proposed requirements would limit the pool of potential bidders for Solar PV projects by requiring developers to expend valuable capital on site selection and evaluation activities *before* a bid is submitted or awarded.

Unlike larger generation resources that may be constrained by site conditions, Solar PV is easily sited in most cases, and may be located on any number of building roofs, parking lots or under-utilized land. It is because of these characteristics unique to Solar PV that solicitations for Solar PV often simply require bidders to provide a REC commitment (based on the installed capacity of the unit) and a price for such RECs. The winning bidder is then given a deadline for identifying sites for the installations and supplying RECs to the purchaser. To ensure compliance with the REC commitments, National Grid could require appropriate security posting or choose to impose penalties for non-compliance.

D. Miscellaneous recommendations for RFP improvements.

In addition to the broader issues of importance discussed above, Constellation recommends that the Commission and National Grid consider and implement the following improvements to the RFP:

- 1. Minimum Contract Size⁶** - In order to deploy Solar PV behind-the-meter, while including a large portion of the commercial customer segment, thereby encouraging participation from a broader array of resources, Constellation

⁵ National Grid Request for Proposals (“RFP”) submitted on March 1, 2010 in Docket No. 4150, at p.7.

⁶ RFP at Section 2.2.2.5.

suggests that the minimum size for Solar PV projects be decreased from 1,000 kW to 500 kW.

2. **Reasonable Project Schedule**⁷ - Because the RFP process envisions multiple solicitations over time, Constellation suggests that the RFP include specific requirements for construction completion dates and operational dates. Based on our experience with Solar PV development in the Northeast, Constellation recommends an in-service requirement of 1.5 years from execution of the contract/agreement between National Grid and a winning bidder.
3. **Security Requirements**⁸ - For behind-the-meter Solar PV systems that will only be selling RECs to National Grid, security requirements should be appropriately structured to reflect a more limited transaction. In particular, there should be no security requirements related to the sale of energy and capacity.
4. **Appendix B, Section 8, 11 and 13** - Sections 8, 11 and 13 are systems and host-specific (*i.e.* unit-contingent) and are outside the scope of the behind-the-meter REC-only model that Constellation recommends. Further, the RFP calls for newly developed resources which have not yet been financed to provide a number of project documents (*e.g.*, site studies, interconnection agreements, etc.). In most cases with Solar PV sites of this kind, many of the items requested in these Sections of Appendix B would not be able to be obtained *without* financing and contractual agreements. The RFP should be reviewed and revised appropriately.
5. **Appendix B, Section 9 and 10** – Constellation notes that these sections are not relevant to the deployment of behind-the-meter Solar PV. These sections are not necessary for bidders proposing a long-term REC-only sale to National Grid.

III. CONCLUSION

Constellation appreciates this opportunity to submit its comments on the RFP, and avers that allowing for a broad potential pool of behind-the-meter resources to bid into and compete in National Grid's RFP to supply RECs on a long-term basis, will further promote Rhode Island's goals for a clean energy future. Constellation looks forward to continued discussion of the issues presented herein and in other parties' comments, as well as participation in Rhode Island's and National Grid's other efforts to encourage development of new Solar PV resources in the region.

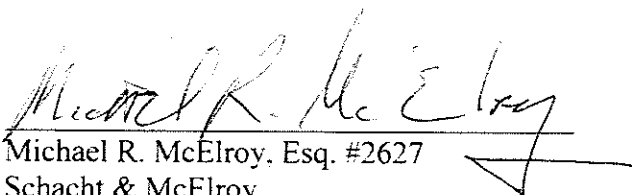
⁷ RFP at Section 2.3.2.2.

⁸ RFP at Section 2.2.3.7.

Respectfully Submitted.



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*On Behalf of
Constellation Energy Commodities Group, Inc. and
Constellation NewEnergy, Inc.*

Dated: April 15, 2010

Docket No. 4150 National Grid – Long-Term Contracting for Renewable Energy
 Projects Pursuant to R.I.G.L. Section 39-26.1 et seq.
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