

To: Rhode Island Division of Public Utilities and Carriers
From: Al Pereira & Dick Hahn – La Capra Associates, Inc.
Re: Distributed Generation Enrollment Application and Enrollment Process Rules
Docket 4277
Date: October 7, 2011

The Rhode Island Division of Public Utilities and Carriers (“Division”) has requested that La Capra Associates, Inc. review National Grid’s proposed Distributed Generation (“DG”) Enrollment Application and Enrollment Process Rules, submitted on August 31, 2011. We (a) examined whether the filing complies with the requirements of the Rhode Island Distributed Generation Standard Contracts Act (“the Act”) and (b) identify any elements that are inappropriate or that may be improved. This memorandum provides the results of our review. Generally, we find that the proposed process rules are in compliance with the Act. We also identify a few areas where minor modifications will enhance the benefits to Rhode Island electricity consumers.

Compliance with Act

The Act has numerous requirements placed on electric distribution companies (“EDCs”)¹, but here we only discuss those directly related to the enrollment application and the process rules. For example, the Act requires the National Grid to contract for at least 40 megawatts by 2014. These requirements are spelled out in the process rules, but obviously cannot yet be evaluated for compliance.

The first set of requirements relate to the content of the short-form applications. Required data items include project owner’s identity, project location, nameplate capacity, renewable energy class, and information regarding permitting, financial feasibility, ability to build and timing for deployment of the project. There are also required data depending on whether the application is for small DG projects or large DG projects. For small projects, an affidavit stating that the project is not part of a larger project is required, while for large DG projects, a bundled price for energy, capacity, and renewable energy certificates (“RECs”) is required. We find that all of these data elements are included in the submitted application and enrollment process rules.

The submitted application and rules also comply with other provisions of the Act including (a) the two-week enrollment period, (b) eligibility requirements, and (c) net metering provisions.

¹ The Act exempts the Block Island Power Company and the Pascoag Utility District, leaving it applicable only to National Grid.

Though the Act's metering requirements (at 39-26.2-7(2)(vi)) are not specifically addressed in the enrollment process rules, the requirement related to NEPOOL GIS (Section 2.9) carries an implicit metering requirement based on ISO-NE rules and regulations.

In addition, though the Act did not mention threshold conditions specifically, we find that the two conditions regarding (a) the submittal of a performance guarantee and (b) submittal of an interconnection application to be reasonable.

Finally, sections 5 through 12 are used to collect information that will enable National Grid to assess the viability of the project and the applicant to meet the obligations that would eventually be described in a contract. The format and type of data requested is similar to that used by the Massachusetts utilities in their recent long-term renewable contract RFP process and provides a comprehensive set of data to enable an effective assessment of project success. However, that process was to be utilized for larger projects and projects certainly larger than small DG projects, as defined by the Act. As a result, not all sections may be applicable to smaller projects, which is a point that is mentioned on page 5 of the filed package. Though we have not recommended changes at the current time, the complexity of the application is something that should be monitored to see if it becomes a barrier to small DG projects and whether the application requirements need to be changed for projects of certain size.

Elements That Can Be Improved or Should Be Changed:

In general, we find that the application and enrollment process rules are relatively complete. Many elements of the application (Appendix A) are not specifically addressed by the Act but we have reviewed them and provide suggestions to applicable sections below:

Project Evaluation: The Act specifies that for small DG projects, National Grid will enter into contracts on a first-come, first-served basis (at 39-26.2.6(b)). If one interprets that as when an application is received, then it is unclear why the submitted rules (Schedule 3 of the application and enrollment process rules) weighs non-price scoring equally with the completion date score. The Act seems to specify that "completion date" or, more specifically, how close a project is to completion, is relevant only in cases of oversubscription (at 39-26.2-6(d)). Moreover, at the time the application is submitted, it is difficult to determine with any certainty the eventual completion date of a project. Removal of completion date as scoring criteria may be warranted.

Performance guarantee: The application and enrollment package does mention the performance guarantee in a footnote, but there is no mention of the caps on these guarantees. Though these funds are only due at contract execution, the cap figures should be mentioned in the package.

Metering requirements: The Act's requirement of installation of an output meter on each DG facility is not explicitly mentioned in the application or rules, though it is an implicit requirement

for participation in NEPOOL GIS. This requirement could be made explicit in a footnote, but this is not absolutely necessary.

Direct Economic Benefits to Rhode Island: Though one of the Act's purposes is to "stimulate economic development," there is no explicit requirement that direct economic benefits be quantified as part of the application process. Section 13 of the application, which does require such quantification, may be too onerous for smaller projects and should not be required for small DG project applications. Also, it may be better to conduct an economic analysis for the entire project pool *ex post* rather than collect estimates (likely based on differing assumptions and methodologies) from each applicant.

Gathering of Data for Future Ceiling Price Calculations: In a parallel proceeding, the statute directed the Rhode Island Office of Energy Resources ("OER") to embark upon a process to determine ceiling prices for certain DG technologies. OER retained consultants to develop the ceiling prices from available data sources regarding capital costs, interconnection costs, O&M costs, debt interest rates, financial capitalization structure, and loan terms. Whenever a DG project receives a contract from National Grid, that project should be required to provide such data at the completion of the project. The compilation of such data could be used to enhance the ability to develop ceiling prices in the future. We do not suggest changing the contract rate, which would be determined according to ceiling prices in effect at the time of the application. These prices should be set for the term of the agreement. Rather, the gathering of data during each year's application process could be used to periodically revise future ceiling price determinations that would be applicable to future application processes.