

**MEMORANDUM**

Date: October 7, 2011

To: Rhode Island Public Utilities Commission

From: Julian Dash, Director – Rhode Island Renewable Energy Fund 

Re: Docket No. 4277 – Distributed Generation Contracts Application and Enrollment Process

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With respect to Docket # 4277, on National Grid's proposed Distributed Generation Enrollment Process Rules, I would like to submit the following comments. Given the timeframe associated with this docket, we are filing our submission by the deadline, but would like to reserve, to any extent possible, any ability to clarify and/or amend these comments as needed or requested by the Commission.

1. General:

For purposes of describing where energy shall be delivered, the proposed application makes several references to the "Rhode Island Zone." This language should be revised in all instances to reflect the "electric distribution company's load zone."

2. Section 2.2: Interconnection Progress Prior to Enrollment (Page 4)

The requirement to have the applicant have submitted an interconnection application and have a completed feasibility study is one that is overly burdensome and commercially impractical with respect to fulfilling the goals of this program. Because this program will be awarded on a "first-come, first-serve" basis, it is reasonable to assume that during any open enrollment process there will be more applicants than available contracts. These applicants would have the expended administrative and financial resources for a program in which they will not be able to participate, simply due to oversubscription rather than any deficiency of the project.

Furthermore, given the nature and intent of this legislation, and with classes that support "Small Distributed Generation", it is reasonable to assume that applications within these contract classes will come from smaller entities, primarily made up of small and medium sized businesses, municipalities, public and private educational institutions, non-profit organization, etc. This Interconnection and Feasibility requirement is especially over burdensome for this class of applicants and is not aligned with the goals and intent of this process.

Added, there are already sufficient provisions in the DGC as well as other legislative requirements that are in place to ensure successful development of projects, which includes the interconnection process. These measures include:

- The DGC requirement for the project to be completed within 18 months;

- The new statutory requirement which requires the electric distribution company to provide an impact study within ninety (90) days of applicant submission.

It would be reasonable, practical and in alignment with the goals of this program to impose the requirement to have the applicant *submit* their interconnection and feasibility applications within a specified timeframe of being noticed their award to enter into a Distributed Generation Contract. Awarded applicants who do not file for Interconnection and Feasibility studies within this timeframe shall lose their award. Awarded applicants who do not enter into DGC within the specified timeframe shall also lose their award. After this default date, National Grid will use the capacity made available by applicants who have lost their awards to issue Distributed Generation Contracts to the next highest ranked project (or projects), up until National Grid reaches its enrollment period target. It would be reasonable to require Projects selected in this secondary manner to have submitted an interconnection application and have a completed feasibility study.

3. Section 2.3: Minimum Threshold Requirements

Under the evaluation and selection process, projects that are identified as failing to meet any the minimum threshold requirement shall be provided an explanation as to applicants' deficiencies. Such explanation shall be in a form that provides enough information for the applicant to fully understand all actions needed to take in order to remedy the deficiencies.

4. Section 2.4: Project Scoring

The electric distribution company shall make available the final project scoring for all applications submitted in each solicitation round.

5. Section 2.8: Participation in ISO-NE Forward Capacity Market (FCM) ( Page 7)

The requirement for the DGC holders to act as ISO-NE lead market participants in administration of the project in the FCM is overly burdensome. The administrative expense incurred by a project owner selling into the FCM far exceeds the value received for such sales.

In addition, because the DGC between the project and the electric distribution company is for the procurement of "...capacity, energy, and attributes..." the requirement to bid into the FCM for the acquired capacity is, as it should be, transferred to the electric distribution company upon contract execution.

If for some reason the aforementioned must remain as a component of the application and subsequent contract, we would offer the following comment:

One of the underlying goals of the Distributed Generation Contracts legislation is to effectively create a clear stream of project revenues which a developer and/or distributed generation system owner may use in order to facilitate project financing. As such it is imperative that the DGC is not unduly subject to potential deviations in DGC revenues that are based factors that are either not directly related to project performance or are outside the control of the DGC holder.

As such, it should be made clear in this section that DGC payments will only be reduced by the amount of FCM capacity revenues actually received by the project owner. The statement “or should have received” should be eliminated as it opens the project owner up to non-performance factors that are outside of the project owners control and subject to an unclear interpretation. Such a provision will not only bear an undue risk for the project owner, but will also impose unintended and negative impact on the project owners’ ability to secure project financing arrangements.

6. Section 2.8: Participation in ISO-NE Forward Capacity Market (FCM) ( Page 7)

For purposes of meeting “commercially reasonable actions to qualify the project in the FCM ...” it should be made clear that project owners may enlist the services of an entity which will “aggregate” the FCM qualification and sales process. Such entities shall be identified and jointly agreed upon by the Project Owner and National Grid as an “eligible” (or other effective term) entity. Finally, a project owner who enters into an agreement with an Eligible entity to aggregate FCM activities shall be deemed as meeting the requirement of haven taken “commercially reasonable actions to qualify the project in the FCM ...”

7. Renewable Energy Credits:

While the handling of Renewable Energy Credits (“REC”) are not specifically addressed in the application, it would be important to note that RECs should be handled in a similar manner as FCM payments – the obligation and responsibility to sell RECs, as needed, to fulfill any electric distribution company requirements, should be the responsibility of the electric distribution company. In addition, the same provision and opportunity regarding “aggregation” services shall also be afforded to REC transactions, as necessary and appropriate.

8. Appendix A: Application -General

The Requirements in the following sections are overly burdensome, particular for projects within the “Small” category. While information in these categories is relevant to the overall application assessment, the level of detail required in this current application is far beyond what is reasonable. The following sections should be revised and reduced

in scope in order to a) retain the base information to make informed decisions on applications and b) ensure a simple and effective application process.

- Section 6: Financial/Legal
- Section 7: Siting and Interconnection
- Section 8: Environmental Assessment and Permit Acquisition Plan
- Section 9: Engineering and Technology; Commercial Access to Equipment
- Section 10: Operations and Maintenance

9. Appendix A: Application –Section 13: Direct Economic Benefits to Rhode Island

This section, while an important evaluative tool, does not appear to provide a means to evaluate a project based on scale. Under this review, a Small project will have to directly compete with much larger projects directly. This will automatically result in higher rankings for larger projects, simply due to size, and not necessarily their respective economic development benefits. This section needs to be revised in order to accommodate a review of projects based on their respective sizes/scale.