

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: R.I. OFFICE OF ENERGY RESOURCES' 2014
REPORT AND RECOMMENDATIONS REGARDING
DISTRIBUTED GENERATION CEILING PRICES,
CLASSES and TARGETS; NARRAGANSETT ELECTRIC
COMPANY d/b/a/ NATIONAL GRID'S 2014 PROPOSED
DISTRIBUTED GENERATION ENROLLMENT
APPLICATION AND PROCESS RULES

DOCKET NO. 4288, 4277

ORDER

I. Introduction

The Distributed Generation Standard Contract Board's (Board) proposed Ceiling Prices, Classes, and Targets are governed by the Distributed Generation Standard Contracts Act (Act).¹ The Act requires the Public Utilities Commission (PUC or commission) to "give due consideration to the recommendations and report of the board and the standards set forth in subsection (a)." These are the standards for setting the ceiling prices:

The ceiling price for each technology should be a price that would allow a private owner to invest in a given project at a reasonable rate of return, based on recent reported and forecast information on the cost of capital and the cost of generation equipment. The calculation of the reasonable rate of return for a project shall include where applicable any state or federal incentives including but not limited to tax incentives. In setting ceiling prices, the board also may consider: (1) Transactions for newly developed renewable energy resources, by technology and size, in the ISO-NE region and the northeast corridor (2) Pricing for standard contracts received during the previous program year (3) Environmental benefits, including, but not limited to, reducing carbon emissions, and system benefits; and (4) Cost-effectiveness.²

Despite argument to the contrary, the Act establishes no order of priority for the above factors to be considered by the Board in developing its recommendations. The purpose of the Act is,

¹ R.I. Gen. Laws §§39-26.2-1 to 39-26.2-14.

² R.I. Gen. Laws §39-26.2-5(a).

to facilitate and promote installation of grid-connected generation of renewable energy; support and encourage development of distributed renewable energy generation systems; reduce environmental impacts; reduce carbon emissions that contribute to climate change by encouraging the local siting of renewable energy projects; diversify the state's energy generation sources; stimulate economic development; improve distribution system resilience and reliability; and reduce distribution system costs.³

During the 2013 legislative session, the Rhode Island General Assembly passed several revisions to the Act. It changed the size limits of small and large distributed generation projects and expanded the range of projects eligible for participating in annual distributed generation enrollments.⁴ It required distributed generation projects to submit quarterly progress reports to National Grid (Company) and the Office of Energy Resources (OER). It repealed the "first-come, first-served" enrollment rule previously established for small projects and mandated that distributed generation contracts be awarded to small projects based on the lowest competitive bid and other non-price scoring criteria, similar to the solicitation process already established for large distributed generation projects. The General Assembly also revised the output demonstration provision to require distributed generation projects to demonstrate ninety percent (90%) of the output proposed in its application within eighteen (18) months of contract execution.⁵

II. The Board's Proposed 2014 Ceiling Prices, Classes, and Targets

On December 16, 2013, the Board filed with the Commission its Report and Recommendations Regarding the 2014 Distributed Generation Ceiling Prices, Classes and Targets (Report). The Board retained Sustainable Energy Advantage (Sustainable Energy or

³ R.I. Gen. Laws §39-26.2-2

⁴ Large projects decreased from 5 MW to 3 MW. Small projects now range from 50 kW to 500 kW (solar) and 50 kW to 1.5 MW (wind). Small solar was formerly defined as 500 kW. Small wind was formerly defined as 1.5 MW. P.L. 2013, Ch. 167 §2.

⁵ Eligible small-scale hydropower distributed generation facilities have forty-eight (48) months after contract execution to demonstrate 90% of proposed output. *Id.*

SEA) to assist the Board in developing the 2014 ceiling prices. Sustainable Energy developed the CREST Model, under contract with the National Renewable Energy Laboratory (NREL), to assist public policy makers in developing renewable energy incentives.⁶ Sustainable Energy has been involved in the development of Rhode Island's distributed generation ceiling prices since the onset of the distributed generation program in 2011. This is the fourth year that Sustainable Energy has assisted the Board in the development of Rhode Island's distributed generation ceiling prices.⁷ The Board proposed the following ceiling prices for 2014:⁸

	Class	ITC, PTC, bonus dep. ⁹	ITC, PTC, NO bonus dep.	NO Incentives
Sm Solar	50-200 kW	25.75	27.10	N/A
Med Solar	201-500 kW	25.90	27.30	N/A
Lg Solar	501-3000 kW	22.25	23.50	N/A
Wind	50-999 kW	15.55	16.20	19.95
Wind	1000-1500 kW	16.35	17.50	20.55
AD ¹⁰	50-500 kW	17.70	18.55	19.55
Sm. Hydro	50-500kW	17.25	17.90	18.85

The Board proposed multiple ceiling prices for each technology since most of the federal incentives were scheduled to expire on December 31, 2013, and it was not known what, if any, incentives would be re-instated in 2014. During development of the ceiling prices, the Board held seven public meetings between July and December of 2013, in order to solicit stakeholder input regarding the proposed ceiling prices, classes and targets.¹¹ With the exception of Wind Energy Development, LLC., the Board received no objection to the proposed ceiling prices,

⁶ BOARD 4, Direct Testimony of Jason Gifford at 2. CREST stands for Cost of Renewable Energy Spreadsheet Tool.

⁷ The Board was appointed in June of 2013. Prior to the Board's appointment in 2013, the OER retained Sustainable Energy to assist in the development of the ceiling prices in 2011 and 2012. This is consistent with the Act which states that prior to the Board's appointment, OER shall serve as the Board with the same power and duties. R.I. Gen. Laws §39-26.2-3(3).

⁸ Board 1 at 7 and Exhibit 2.

⁹ ITC is investment tax credit. PTC is production tax credit. Bonus dep. is bonus depreciation.

¹⁰ Anaerobic Digestion.

¹¹ Board 1 at 1.

classes, and targets and voted to approve the same at its final meeting on December 2, 2013. The proposed 2014 ceiling prices are lower, relative to 2013, for solar but higher for wind.¹²

The Board proposed to allocate 16.352 MW of nameplate capacity toward distributed generation projects in 2014.¹³ This is a slight diversion from the 10 MW prescribed in the Act.¹⁴ The reason for the discrepancy was a terminated solar contract in 2013 and additional megawatt capacity from 2013 resulting from non-enrollments in certain technologies and classes.¹⁵ In determining the classes and targets to be awarded the 16.352 MW, the Board considered variances in ceiling prices from 2013 for each of the technologies and class sizes. It considered the awarded contract prices in 2013, as well as market response and competition during the first three years of the distributed generation program. It also considered the availability of federal renewable energy incentives and the statutory addition of small scale hydropower. The Board attempted to weigh all of these factors and allocate a fair portion of megawatt capacity to support each of the renewable technologies.¹⁶ The Board proposed the following distributed generation classes and targets for 2014:¹⁷

Sm Solar	50-200 kW	500 kW DC
Med Solar	201-500 kW	4100 kW DC
Lg Solar	501-1250 kW	3752 kW DC

¹² The 2013 Solar ceiling prices were \$24.95 (500+ kW), \$28.40 (251-499 kW), \$28.80 (101-250 kW), and \$29.95 (50-100 kW). The 2013 wind ceiling prices were \$14.80 (1,000-1,500kW), \$16.20 (400-999 kW), and \$24.65 (90-100 kW). Board 1 at 8.

¹³ Board 2 at 1.

¹⁴ The Act requires the electric distribution company to contract for 40 MW of distributed generation by December 30, 2014. The 40 MW are dispersed over four years with 5 MW to be contracted in 2011, 15 MW in 2012, 10 MW in 2013 and 10 MW in 2014. R.I. Gen Laws §39-26.2-4(a).

¹⁵ Board 1 at 9.

¹⁶ Board 1 at 9-10. In its original filing, the Board stated that it intended to award 13.352 MW of nameplate capacity to be divided by awarding 9.6 MW to small distributed generation classes and 3.752 MW to large distributed generation classes. On December 23, 2013, the Board updated the 2014 nameplate capacity amount to 16.352 MW but did not provide a breakdown of this capacity between small and large distributed generation classes. Board 2, p.1. Ultimately, the Board recommended an allocation plan that included mostly small distributed generation class sizes.

¹⁷ Board 1 at 10-11.

Wind	50-1500 kW	3000 kW
AD ¹⁸	50-500 kW	1000 kW
Sm Scale Hydro	50-500 kW	1000 kW

The Board set annual targets as in 2011 and 2012, as opposed to enrollment targets, as in 2013, in order to accommodate projects with longer lead times.¹⁹ To achieve the above annual targets, the Board proposed to continue the rollover practice followed in 2013. The rollover practice allows the Board to wait for the final results of an enrollment period before setting classes and targets for future enrollments. In keeping with this practice, the Board set specific classes and targets for the first enrollment and proposed deferring the establishment of specific classes and targets for the second and third enrollments until after the Board had an opportunity to review the results of the first enrollment. The Board stated that it would hold a public meeting before determining the final enrollment allocation.²⁰ The Board established the following classes and targets for the first enrollment:²¹

Sm Solar	50-200 kW	500 kW DC
Med Solar	201-500 kW	1,400 kW DC
Lg Solar	501-1250 kW	1,250 kW DC
Wind	50-1,500 kW	1,500 kW DC
AD	50-500 kW	500 kW
Sm Scale Hydro	50-500 kW	500 kW

A. Objection of Wind Energy Development, LLC.

On January 2, 2014, Wind Energy Development, LLC. (WED) filed an objection to the Board's 2014 distributed generation ceiling prices and to the proposed target for large wind projects. Counsel for WED, Seth Handy, alleged that when the Board reduced the large wind target to 1500kW for two enrollments rather than for all three enrollments, it "eliminate[ed]"

¹⁸ Anaerobic Digestion.

¹⁹ Board 1 at 10.

²⁰ Id. at 11.

²¹ Id.

contract availability for one wind project in 2014.”²² In response, Christopher Kearns, Chief of Program Development for OER, stated that while Mr. Handy’s representation is factually correct, it contains a faulty assumption that one wind project will be eliminated in 2014. Mr. Kearns explained that setting an annual target would allow the Board flexibility in determining how to allocate the remaining targets during the final enrollment. Specifically, this process would allow wind to receive additional megawatt capacity in the final enrollment in 2014 depending on competition among different technologies and the price per kWh contracted for by National Grid in the first two enrollments.²³

Mr. Handy took issue with the CREST model inputs used by SEA. He claimed 1) that the Board did not have access to the inputs and 2) that the inputs were inaccurate to the extent that they reflected data from southeastern MA and not RI projects.²⁴ Mr. Handy’s first claim was contradicted by the testimony of Jason Gifford, Director of SEA, who testified that the CREST model drafts, including inputs, were produced at several meetings.²⁵ Regarding the specific inputs into the CREST model, the Commission heard testimony concerning both modeling in general and the CREST model. Mr. Gifford testified that any type of modeling will have inputs that are considered aggressive or conservative relative to a specific project.²⁶ The CREST model was designed specifically for policy makers, and not developers, and as such, one would naturally expect certain inputs to be objectionable by certain developers.²⁷ Mr. Gifford justified the CREST model inputs saying, “While stakeholder input is extremely important, it would be difficult to explain and defend a contract price based solely on the reported assumptions of the

²² WED 1, Brief of Wind Energy Development at 4.

²³ Board 4, Testimony of Christopher Kearns at 4.

²⁴ WED 1 at 4-6.

²⁵ Board 4, Testimony of Jason Gifford at 4; Board 1, Exhibit 4.

²⁶ Transcript at 96 (Testimony of Jason Gifford).

²⁷ Board 4, Testimony of Jason Gifford at 2.

entities seeking such contracts.” Mr. Gifford stated that the proposed “ceiling prices take other recent data sources into account and are intended to encourage projects in RI that can be demonstrated to be competitive with similar projects in the region.”²⁸ The Division’s witness defended the CREST model, stating that modeling of any kind necessarily entails the omission of certain specific data, and there is no way to capture every single developer’s specific project costs.²⁹

Mr. Handy argued that the Board violated R.I. Gen. Laws §39-26.2-3(11) in “approving a wind target” without 60 days notice.³⁰ In response to this argument, Daniel Majcher, counsel for the Board, stated that the specific reference to the General Laws cited by Mr. Handy applies to classes, not targets. The Board also stated that neither the ceiling prices nor the targets are effective until approved by the Commission, and therefore, the Board’s vote to “approve” the wind target on December 2, 2013 was merely a vote to recommend the target to the Commission.³¹

Mr. Handy argued the Board did not weigh the proper statutory factors prescribed in §39-26.2-5 in approving the 2014 ceiling prices for wind because the Board did not mention the rate of return provision within a list of factors considered by the Board’s consultant.³² Mr. Handy argued that since the Board cited these statutory factors, without reference to the rate of return provision, it must not have considered the rate of return provision. Mr. Handy also distinguished the rate of return provision from the other factors in the Act arguing that the Board is “required” to set the ceiling price based on a rate of return whereas it is merely “invited” to consider the

²⁸ Board 4, Testimony of Jason Gifford at 3.

²⁹ Transcript at 228 (Testimony of Al Pereira).

³⁰ WED 1 at 5-6.

³¹ Board 4, Response Brief of the DGSC Board and OER to the Objection of WED, p. 2-3.

³² WED 1 at 7. The rate of return provision states, “The ceiling price for each technology should be a price that would allow a private owner to invest in a given project at a reasonable rate of return, based on recent reported and forecast information on the cost of capital and the cost of generation equipment.” R.I. Gen. Laws §39-26.2-5(a).

other statutory factors.³³ The Board contradicted this testimony in a discovery response, stating that the proposed wind ceiling prices are consistent with a projected rate of return of 12% based on market participation and competitive forces.³⁴ The Board explained that realized returns will be higher or lower depending on the projects' actual installed cost, operation cost and lifetime performance.³⁵

Mr. Handy claimed that the Board did not have access to the backup for the CREST model assumptions.³⁶ This claim was based on alleged comments by unspecified Board members, at a December 2, 2013 Board meeting, that there was insufficient time to consider Mr. Handy's revenue and expense data from Rhode Island projects.³⁷ Additionally, based on the assumption that the Board had no access to the backup for CREST model assumptions, Mr. Handy argued that the Board could not have met its purpose of providing involvement from people knowledgeable about distributed generation, citing R.I. Gen. Laws §39-26.2-10. These arguments were successfully refuted by the Board, as more clearly set forth in Section V.

B. Memorandum of the Division of Public Utilities and Carriers

The Division, after reviewing the Board's recommendations for ceiling prices, classes, and targets, found them to be reasonable.³⁸ The Division's review included the inputs relied upon by Sustainable Energy in developing the ceiling prices for all technologies, including wind.³⁹ With regard to wind ceiling prices, the Division found after reviewing the supporting data and discussing it with Sustainable Energy, that the increased ceiling prices for wind were attributed to higher interconnection costs, increased cost of debt, and the expiration of federal tax

³³ WED 1 at 8.

³⁴ COMM 3 (Board's Response to Commission 1-10).

³⁵ Id.

³⁶ WED 1 at 9.

³⁷ Id.

³⁸ Division 1, Memorandum of Al Pereira and Richard Hahn.

³⁹ Id.

incentives.⁴⁰ The decline in solar ceiling prices, relative to 2013, resulted primarily from lower installed costs across the region and nationwide.⁴¹ The advent of competitive bidding this year among the small solar classes should further contribute to the declining solar costs.⁴² The Division supported the Board's plan to set class targets for the second enrollment following the first enrollment. The Division noted that the Board had reduced the number of classes but increased the size eligibility range. It supported a reduction in classes, noting that a small number of classes was administratively simpler, particularly where the cost differences among the 2013 classes were not significant enough to impact the bidding process.⁴³ The Division requested that developers be required to certify their non-eligibility for federal incentives prior to commercial operation to prevent the developer from monetizing the tax benefits and receiving the higher ceiling prices.⁴⁴ National Grid addressed this concern in an amended filing of its Enrollment Application and Process Rules, discussed in Section III below.

III. National Grid's Distributed Generation Enrollment Application and Process Rules

The enrollment application and process rules were originally approved by the Commission on November 20, 2011.⁴⁵ With the exception of minor changes to the enrollment rules to accommodate legislative amendments in 2013, the rules are substantially the same as in 2011. The enrollment application and rules have been revised to reflect the proposed ceiling prices, classes, and targets. In addition, the Company has incorporated the performance guarantee deposit, which is an approved provision from the standard contract and required by law, into the enrollment application and rules. The Company has also included a provision that

⁴⁰ Division 1 at 4.

⁴¹ Id. at 3.

⁴² Id.

⁴³ Division 1 at 2; Transcript at 228-229.

⁴⁴ Division 1 at 3.

⁴⁵ Order 20676 issued March 15, 2012 (Docket 4288/4277).

would achieve the following objectives: (1) allow developers to be eliminated if they do not respond to information requests; (2) postpone enrollment or change any provision in the rules without any liability to National Grid; and (3) designate the Commission as the entity providing sole recourse to an applicant regarding the enrollment.⁴⁶ This provision gives National Grid unfettered discretion to change the enrollment rules under any circumstances at any time. No objections were filed to the proposed enrollment rules. The Division reviewed the enrollment rules and found them to be reasonable.⁴⁷

IV. Hearing

On February 25, 2014, following public notice duly issued in accordance with R.I. General Laws, the Commission held a technical session in which the Office of Energy Resources gave a presentation on the background of the Rhode Island Distributed Generation program. The presentation was a general overview of the program since its inception in 2011. On February 27, 2014, the Commission held a contested hearing in this matter. At the hearing, the following appearances were entered: Thomas Teehan, Esq. and Raquel Webster, Esq. for National Grid; Jon Hagopian, Esq. and Karen Lyons, Esq. for the Division; Daniel Majcher, Esq., for Office of Energy Resources; Jerry Elmer, Esq. for Conservation Law Foundation; Seth Handy, Esq. for Wind Energy Development; and Amy D'Alessandro, Esq. for the Commission.

Kenneth Payne, Ph.D., Christopher Kearns, and Jason Gifford testified on behalf of the Board. Kenneth Payne served as Administrator of the OER in 2011 during the inception of the distributed generation program and is the current chairperson of the Board. In 2013, Dr. Payne was appointed to the Distributed Generation Standard Contracts Board (Board) and is currently the Chairperson of the Board. Christopher Kearns is the Program Development Chief for the

⁴⁶ National Grid 1, Proposed DG Application and Enrollment Process Rules (Red-lined version) at 9.

⁴⁷ Division 1, Memorandum of Al Pereira and Richard Hahn at 1.

OER and has been involved in the design and implementation of the distributed generation program, including development of the ceiling prices, since 2011.⁴⁸ Jason Gifford is the Director of Sustainable Energy, an independent consulting firm providing renewable energy policy analysis and program design.⁴⁹ The Board has retained SEA to assist in the development of the ceiling prices every year since the inception of the DG program in 2011.⁵⁰

The Board's witnesses testified in detail about the stakeholder process and the analysis followed by the Board in the development of the ceiling prices. Dr. Payne testified that the Board conducted an open and transparent stakeholder process, allowing for as many stakeholders as possible in the process.⁵¹ Mr. Payne was cross-examined about the statutory factors followed by the Board in setting the ceiling prices. Both he and Mr. Kearns were specifically asked about the statutory reference to cost-effectiveness and, more specifically, how the Board applied the concept of cost-effectiveness in setting the ceiling prices. Dr. Payne testified that the Board considered the cost-effectiveness of specific technologies relative to other renewable technologies.⁵² Mr. Kearns testified, on cross examination, that cost-effectiveness was but one of several factors the Board considered in setting the ceiling prices. In the context of other factors, such as regional transactions for newly developed renewable energy resources, cost-effectiveness ultimately was considered relative to projects that could be developed in other New England states.⁵³ Mr. Kearns added that the ceiling prices were intentionally based on the entire market, as opposed to just previous contract bids, even where those bids were lower than the approved ceiling price.⁵⁴ The ceiling prices were developed this way because past experience

⁴⁸ Board 4, Direct Testimony of Christopher Kearns, p.1; Transcript at 20.

⁴⁹ *Id.*, Direct Testimony of Jason Gifford at 1.

⁵⁰ Transcript at 15.

⁵¹ *Id.* at 14.

⁵² Transcript at 25-36.

⁵³ Transcript at 65-67.

⁵⁴ *Id.* at 162-163.

has shown that not all bids lead to fully developed projects, and it would be counterintuitive to base a ceiling price on an undeveloped or non-viable project.⁵⁵

Jason Gifford of Sustainable Energy was asked whether the final CREST model, populated with inputs, was provided to stakeholders. Mr. Gifford testified that he provided the CREST model to stakeholders in the beginning of the process and instructed stakeholders on how to use the CREST model.⁵⁶ He further testified that he gave several presentations at public meetings about the specific assumptions that went into the CREST model. Although he could not remember the exact date that he provided the final CREST model, populated with inputs, to stakeholders, he stated that he provided a model with revised inputs after each meeting.⁵⁷ Mr. Gifford also made the point that once the stakeholders had access to the CREST model and the inputs that went into the model, they had all of the information necessary to be fully informed about how the ceiling prices were developed.⁵⁸

The Commission heard a considerable amount of testimony about the specific inputs that Sustainable Energy used in the CREST model. The testimony concerned not only the specific CREST model inputs but also how they were derived and whether they accurately reflected costs related to projects developed in Rhode Island. Mr. Handy asked Mr. Gifford how the installed costs for wind were derived. Mr. Gifford said the installed costs came from several sources, including public data sources and stakeholders, but these sources did not provide information about the derivation of these costs.⁵⁹ Mr. Handy also asked whether the 26% capacity factor input for wind was based on projects developed in Rhode Island. Mr. Gifford testified that the capacity factor for wind was based on data from wind projects developed in Rhode Island,

⁵⁵ Id.

⁵⁶ Id. at 84.

⁵⁷ Id. at 81,85.

⁵⁸ Id. at 82,85.

⁵⁹ Id. at 90.

Massachusetts; however, data from projects in operation were weighted more heavily than data from proposed projects.⁶⁰ Mr. Gifford also testified that he revised the inputs for interest rate on debt and monetization of federal tax incentives, based on data submitted by Mr. Handy, which increased the proposed ceiling price for wind.⁶¹

Mr. Handy asked Mr. Kearns to explain why it reduced the annual wind target from 4.5 MW to 3.0 MW in 2014, particularly given that the ceiling prices for wind were lower than the solar ceiling prices. Mr. Kearns explained that the decision to reduce the annual wind target was based on a review of the market over the past three years which revealed more competition and lower contractor prices for solar as compared with wind.⁶² Dr. Payne also indicated that the siting of wind projects, particularly larger ones, can be difficult both in terms of land available to accommodate the turbines and also from a public acceptance standpoint.⁶³ According to Dr. Payne, while coastal areas are the most conducive to the development and operation of wind turbines, it is the most difficult to get public approval of wind projects there because they are premier residential areas.⁶⁴ This presents a considerable challenge to siting wind projects in this state. The difficulty in siting local wind projects was corroborated by Mr. Gifford who stated, “the landscape for developing wind has not gotten easier in our region.”⁶⁵ When asked to clarify what type of wind projects were difficult to build, Mr. Gifford replied, “...siting and permitting wind projects has gotten more difficult whether it’s one turbine or seventy-five.”⁶⁶ Dr. Payne also explained that the higher wind ceiling prices, relative to solar, are somewhat anomalous in light of the many factors that went into the development of the ceiling prices. In support of the

⁶⁰ *Id.* at 98-99, 104-105.

⁶¹ *Id.* at 102.

⁶² *Id.* at 73.

⁶³ *Id.* at 123, 125.

⁶⁴ *Id.* at 32-33.

⁶⁵ *Id.* at 134.

⁶⁶ *Id.* at 136.

reduced wind allocation, Dr. Payne emphasized positive trends in the marketplace for solar, namely higher competition and declining installation costs for solar, rather than the higher ceiling prices for solar relative to wind.⁶⁷ He also pointed out that the 2014 solar prices, although higher than wind, are lower than 2013 solar ceiling prices, whereas the 2014 wind ceiling prices were higher than in 2013.⁶⁸

Mark Depasquale, principal of Wind Energy Development, LLC, and Larry Stone of Bostonia Partners, testified on behalf of Wind Energy Development. Both witnesses testified that the 2014 ceiling price for 1.5 MW wind projects would not allow a private owner to invest in a project at a reasonable rate of return.⁶⁹ They testified that if the distributed generation program allowed for the development of larger wind projects totaling 6 MW, it would drive down the costs of building these projects and enable higher capacity factors that are more in line with the CREST model assumptions used in the development of the ceiling prices.⁷⁰ Mr. Depasquale indicated the capacity factor associated with wind projects likely to be developed in Rhode Island, due to the size parameters associated with the ceiling prices, was approximately 22% to 23%.⁷¹ This testimony was offered to highlight a discrepancy between actual capacity factors likely to occur in Rhode Island and what he perceived as an unrealistically high capacity factor of 26% assumed in the CREST model.⁷² Mr. Stone agreed that lower capacity factors in Rhode Island, relative to other states, contributed to investors' unwillingness to finance local wind projects.⁷³ Both witnesses testified that investors were not inclined to finance a project of

⁶⁷ "...you can have a nominally higher ceiling price, great market competition and things coming down."

Testimony of Kenneth Payne. *Id.* at 76.

⁶⁸ Transcript at 42-43.

⁶⁹ *Id.* at 170-171, 198.

⁷⁰ *Id.* at 184, 187, 200-201.

⁷¹ *Id.* at 189.

⁷² Board 1, Exhibit 4; WED 1 at 8.

⁷³ *Id.* at 199.

1.5MW, and multiple projects would need to be aggregated in order to get financed.⁷⁴ Mr. Depasquale testified in favor of increasing the project size for wind to 6 MW, but he conceded that larger wind projects were more difficult to site.⁷⁵ Mr. Stone testified that a ceiling price of at least \$0.25/kWh was necessary for a 1.5 MW wind project to be developed in Rhode Island.⁷⁶ Similarly, Mr. Depasquale testified in favor of a ceiling price of \$0.21/kWh with a tax incentive and \$0.24/kWh without a tax incentive.⁷⁷ On cross-examination, however, Mr. Depasquale conceded to submitting bids in 2013 at the lower 2013 ceiling price of \$0.1480/kWh.⁷⁸ On re-direct, Mr. Depasquale added that although he had previously bid on projects at prices that were lower than the 2014 ceiling price, he has since learned, with the assistance of a new accountant, that “true” project costs are higher than he had originally projected.⁷⁹ He also added that one of his projects, the North Kingstown project, is currently not performing economically.⁸⁰

Albert Pereira testified on behalf of the Division regarding the Board’s proposed 2014 ceiling prices, classes, and targets.⁸¹ He also confirmed his approval of National Grid’s proposed Distributed Generation Enrollment Application and Process Rules.⁸² Mr. Pereira testified that he reviewed the ceiling prices, including the inputs assumed in the CREST model, and found them to be reasonable within the objectives of the distributed generation program.⁸³ In Mr. Pereira’s view, the objective of the distributed generation program is not to build all renewables at any cost, but rather to find a middle ground to promote renewable energy while mitigating the

⁷⁴ Transcript at 187-188, 200-201. Mr. Depasquale’s testimony regarding investors was based on weekly meetings he claimed to have with investors, none of whom were identified on the record. *Id.* at 187.

⁷⁵ *Id.* at 203, 207-208, 214-215.

⁷⁶ *Id.* at 198.

⁷⁷ *Id.* at 189, 196-197. See also WED 3, Direct Testimony of Mark Depasquale at 6.

⁷⁸ *Id.* at 191.

⁷⁹ *Id.* at 195.

⁸⁰ *Id.* at 193.

⁸¹ Albert Pereira is Managing Consultant for LaCapra Associates. *Id.* at 225.

⁸² *Id.* at 234-235.

⁸³ *Id.* at 238.

potential for ratepayer impact.⁸⁴ As Mr. Pereira pointed out, the higher the ceiling prices, the greater the potential for above market costs that are passed on to ratepayers.⁸⁵ Mr. Pereira testified that he spent considerable time reviewing the wind ceiling prices, noting that they were higher than the previous year. He reviewed the assumptions used by SEA in considerable detail and found the wind ceiling prices to be reasonable despite their inconsistency, in some cases, with wind projects located in Rhode Island.⁸⁶ He justified the assumptions supporting the wind ceiling prices by saying they were not supposed to reflect a specific site or specific state, but rather a summary of data from different sources that, in total, reflect the potential of what a developer could achieve.⁸⁷

Mr. Pereira reiterated his support for the fewer number of renewable energy classes proposed for 2014, characterizing it as administratively simpler.⁸⁸ On cross examination, he did not agree that a distributed generation program relying principally on solar could lead to a shortage of potential sites for solar. On the contrary, he stated that given the availability of rooftop solar, the state is not even close to reaching its solar potential.⁸⁹ Mr. Pereira was not concerned about the reduced wind target. In response to whether the wind target would result in the state's failure to meet the objectives of the distributed generation program, Mr. Pereira stated that the objectives of the distributed generation program can be met with solar, hydro, and other renewable technologies.⁹⁰ Finally, Mr. Pereira was asked his opinion on the process followed by the Board in developing the ceiling prices, classes, and targets. Mr. Pereira stated that he did not

⁸⁴ Id. at 238-239.

⁸⁵ Id. at 230.

⁸⁶ Id. at 227, 239-241.

⁸⁷ Id. at 239-241.

⁸⁸ Id. at 229.

⁸⁹ Id. at 244.

⁹⁰ Id. at 244.

find any flaws in the process followed by the Board and that it was identical to the process followed in prior years.⁹¹

Corinne DiDomenico of National Grid briefly reviewed the revisions to the 2014 Distributed Generation Enrollment Application and Process Rules and responded to questioning.⁹² Most of the questioning focused on the tax incentive eligibility certification requested by the Division; however, she was also asked for clarification on some of the revisions. When asked why the enrollment rules did not fully reflect the Board's proposed ceiling prices, with and without the tax incentive, Ms. DiDomenico stated that the Company would update the pricing once the ceiling prices were approved.⁹³ She was asked to explain why the performance guarantee provision in the enrollment rules was not identical to the performance guarantee provision in the R.I. General Laws. National Grid is required by law to refund the performance guarantee to the developer on a pro-rated basis of RECs delivered in the first year of operation, paid quarterly.⁹⁴ The enrollment rules describe the performance guarantee but omit the requirement that the refund is paid quarterly.⁹⁵ Ms. DiDomenico explained the discrepancy by saying that the Company did not want to overcomplicate the enrollment rules but it placed the entire performance guarantee language in the standard contract.⁹⁶

Ms. DiDomenico addressed the Division's concern that a developer should not be allowed to take advantage of the higher ceiling price by claiming ineligibility of tax incentive

⁹¹ Id. at 248.

⁹² Corinne DiDomenico is Manager of Environmental Transactions for National Grid. Id. at 249.

⁹³ Id. at 259.

⁹⁴ R.I. Gen. Laws §39-26.2-7(2)(iii).

⁹⁵ National Grid 1 at 5 of 13 (footnote 4).

⁹⁶ Id. at 258-259.

and then later monetizing federal tax benefits.⁹⁷ She confirmed that the Company was agreeable to requiring such a certification at the time the developer submits the enrollment application.⁹⁸ Ms. DiDomenico was asked whether the contract price would be adjusted if it were based on a price reflecting an ineligibility for tax incentives if the tax incentives were reinstated following execution of the contract. Ms. DiDomenico stated there would be no change to the contract price in the event of a change in tax eligibility status following execution of the contract.⁹⁹ She noted that the eligibility of tax incentives should be well known before contracts from the first enrollment are executed in the end of May.¹⁰⁰ She added that, in most cases, the tax incentive eligibility would be of little concern since all contracts are awarded competitively, based on the lowest bid.¹⁰¹

Addressing the legislative purposes of the Act, Commissioner Roberti asked the Company to explain how the connection of distributed generation projects to the grid reduces the need for upgrades, increases resiliency, or the expectation of reduced distribution rates.¹⁰² In record responses filed March 11, 2014, the Company stated that distributed generation resources do not enhance resiliency, defined as the ability of the grid to deliver power to customers during outage events or to avoid outages.¹⁰³ It also stated that while distributed generation can provide benefits in the form of avoided costs from reduced demand for generation capacity, the variable nature of these resources will increase demand for system reserves, thereby negating the benefits of avoided capacity.¹⁰⁴ The Company said there have been no distribution cost reductions

⁹⁷ Division 1, Memorandum of Al Pereira and Richard Hahn at 3.

⁹⁸ Transcript at 267-268, 274.

⁹⁹ Transcript at 260-261.

¹⁰⁰ *Id.* at 261.

¹⁰¹ *Id.* at 273-274, 278.

¹⁰² *Id.* at 263; R.I. Gen. Laws §39-26.2-2.

¹⁰³ National Grid's Response to Record Request 1; Record Request 2 at 1.

¹⁰⁴ National Grid's Response to Record Request 1.

resulting from distributed generation facilities, and none are anticipated.¹⁰⁵ The Company went on to address the environmental purposes of the Act.¹⁰⁶ It noted that non-monetary benefits from distributed generation may exist in the form of reduced pollution emissions, but the Company deferred the quantification of those benefits to the Office of Energy Resources which is currently studying the economic and environmental benefits of distributed generation.¹⁰⁷ Finally, the Company mentioned that ISO-New England is currently studying the impacts of distributed generation on system planning. The results of that study will likely lead to modification of distributed generation interconnection requirements and may add costs to both distributed generation systems and the bulk power system.¹⁰⁸

V. Decision

The record is sufficient to support a finding that the Board complied with the provisions of the Act in developing the 2014 ceiling prices, classes, and targets. The Division reviewed the ceiling prices, classes, and targets, including the assumptions and data used to develop the ceiling prices, and found them to be reasonable.¹⁰⁹ The legislature vests the Board with authority to set ceiling prices, classes, and targets for distributed generation projects. The legislature has somewhat refined the Board's authority to set ceiling prices by establishing certain criteria, noted above, for the Board to consider in developing those prices. The Commission finds that the Board considered not only the requisite statutory criteria in developing the ceiling prices, but also past experience with the distributed generation program, as well as stakeholder input.¹¹⁰

¹⁰⁵ National Grid's Response to Record Request 2.

¹⁰⁶ The environmental purposes of the Act are to reduce environmental impacts and reduce carbon emission that contribute to climate change by encouraging the local siting of renewable energy projects. R.I. Gen. Laws §39-26.2-2.

¹⁰⁷ National Grid's Response to Record Request 2.

¹⁰⁸ National Grid's Response to Record Request 1.

¹⁰⁹ Division 1, Memorandum of Al Pereira and Richard Hahn.

¹¹⁰ Board 4, Testimony of Dr. Kenneth Payne at 3; See also OER Response to Comm 1-10.

The Commission agrees with Dr. Payne that it is not the duty of the Board to enable specific projects to be viable.¹¹¹ Setting the ceiling prices in such a way as to favor or support a specific project would be inconsistent with the legislative purpose to “encourage the local siting of renewable energy projects.”¹¹² The Act does not favor one particular type of project or technology. Clearly, many of the factors to be considered by the Board are competing, and it was a difficult undertaking to set ceiling prices incorporating each of these factors. The Board took a reasonable approach in attempting to apply the statutory factors which at times seemed to be at odds with the legislative intent, particularly where it is required to consider regional costs in the development of local projects. The Board considered the cost-effectiveness of each technology and its cost-effectiveness relative to other technologies.¹¹³ The Board also considered ratepayer impacts.¹¹⁴

Reviewing the record as a whole, the Board took a balanced approach in setting the 2014 ceiling prices, incorporating the statutory factors to promote the primary purpose of the Act, to encourage the development of cost-effective distributed generation within the State of Rhode Island.¹¹⁵ Mr. Handy’s witnesses testified that the ceiling price for wind was not high enough to attract investors; however, this testimony was refuted by the Board and the Division witnesses who pointed out the existence of external impediments to the development of wind in Rhode Island, namely expense and siting. In light of these externalities, the Commission finds that the Board properly considered the cost and feasibility of developing wind in Rhode Island when it set the ceiling price for wind. The Commission agrees with the Division’s testimony that the

¹¹¹ *Id.*

¹¹² R.I. Gen. Laws §39-26.2-2.

¹¹³ Transcript at 26 (Testimony of Dr. Kenneth Payne).

¹¹⁴ Transcript at 65-66 (Testimony of Christopher Kearns).

¹¹⁵ The reference to cost-effectiveness distributed generation refers to the legislative intent of the Act. Legitimate questions have been raised in this docket about whether the Act, as currently drafted, promotes the development of cost-effective distributed generation. The answer to that question is beyond the scope of this memorandum.

higher the ceiling price is, the greater potential for above market costs and ratepayer impact.¹¹⁶ Considering that the ceiling prices for wind have increased from 2013, the Commission finds that a further increase would increase the potential for above market costs to be passed on to ratepayers. As the Division correctly noted, the distributed generation program is not a build all renewables at any cost type of program.¹¹⁷ The Commission finds the Board's approach in considering multiple factors in developing the ceiling prices, including cost, ratepayer impact and feasibility, was both reasonable and consistent with the Act. Furthermore, despite Mr. Handy's argument, the Commission finds that it was appropriate for the Board to consider wind project data from comparable, proximate locations, such as Southeastern Massachusetts, in developing the ceiling prices. This is consistent with the legislative purpose to promote cost-effective, distributed generation (not one specific type of renewable technology) and the legislative directive to "consider transactions for newly developed renewable energy resources by technology and size in the ISO-NE region and the northeast corridor."¹¹⁸

Mr. Handy's claim that the Board did not consider the rate of return in developing the ceiling prices is not supported by the record. A 12% internal rate of return was assumed in the CREST model which was disclosed to the public and stakeholders during the development of the ceiling prices. This is evident from SEA's presentation to the Board at the second public meeting on November 14, 2013.¹¹⁹ There are numerous CREST model assumptions that are not listed on the page referenced by Mr. Handy or anywhere in the Board's Report and Recommendation. It would be unreasonable to infer that any of these assumptions, which form the basis of the ceiling prices, were not factored into the Board's analysis in developing the ceiling prices.

¹¹⁶ Transcript at 229-231 (Testimony of Al Pereira).

¹¹⁷ Transcript at 238 (Testimony of Al Pereira).

¹¹⁸ R.I. Gen. Laws §39-26.2-5(a).

¹¹⁹ Board 1, Exhibit 4; see also Board Response to Comm 1-10.

WED's argument that the Board did not have access to backup data for the CREST model assumptions is not supported by the record. The notion that the Board's consultant withheld information from the Board concerning a project the consultant was hired by the Board to undertake is difficult to embrace. It is reasonable to expect the Board to rely on the expertise of its consultant in analyzing the CREST model inputs with a project of this magnitude and technical detail. To believe otherwise would call into question the purpose of a consultant. Mr. Kearns testified that the Board had sufficient time, before voting on the ceiling prices, to request information from SEA.¹²⁰ Mr. Kearns also testified that SEA was hired for its extensive knowledge and experience in the renewable energy market, for the specific purpose of collecting and reviewing stakeholder inputs in the development of the ceiling prices.¹²¹ The record reflects that the Board had access to any information it wanted from SEA.¹²² The Board trusted SEA to do the job it was hired to do and did not see the need to request every detail included in the development of the CREST model.¹²³

Contrary to WED's argument that the Board could not have met its purpose of providing involvement from people knowledgeable about distributed generation, the record reveals that the Board did in fact provide involvement from stakeholders, perhaps beyond what is required by law. Sustainable Energy Associates (SEA), acting on behalf of the Board, considered the input of stakeholders when developing the ceiling prices, including that of Wind Energy Development, and it adjusted the ceiling price for wind higher in response to WED's input.¹²⁴ SEA adjusted

¹²⁰ Transcript at 59-60 (Testimony of Christopher Kearns).

¹²¹ Board 4, Testimony of Christopher Kearns at 2.

¹²² Transcript at 57-58, 72-73.

¹²³ "If the Board intended to sort through and analyze all of the work product and information collected by SEA on its own, it would not have hired SEA as its agent to assist in the process." Board 4, Response Brief of the Board and OER to the Objection of WED at 4; Transcript at 58.

¹²⁴ Response Brief of the Board and OER to the Objection of Wind Energy Development at 1-2; Testimony of Christopher Kearns at 3,5. WED 1 at 3; Testimony of Christopher Kearns: "The Office of Energy Resources and

inputs to the CREST model, such as capacity factor, installation costs, interest rate on debt and monetization of tax incentives, all in response to data received from WED.¹²⁵ It is important to note that the Act does not require the Board to adopt the recommendations of a stakeholder. The Act vests the Board with sole discretion to set annual ceiling prices and targets for each renewable energy class consistent with the objectives of the Act.¹²⁶ Therefore, the Board's decision not to incorporate all of the suggested inputs of a stakeholder does not render the ceiling prices per se invalid or unlawful. The Board followed an open and transparent process in developing the ceiling prices, holding a series of meetings between July and December of 2013 with multiple notices provided to the public and interested parties.¹²⁷ In fact, a thorough reading of the Act would lead a reasonable person to conclude that the Board allowed more input than what is required in the Act. The Act requires the Board to hold one public meeting before recommending ceiling prices to the Commission.¹²⁸ The Board held four public review meetings, and the OER and its consultant met personally and exchanged emails and phone calls with WED's attorney.¹²⁹ All of the inputs to the CREST model were presented and discussed at the public meetings.¹³⁰ WED's arguments focused on the process followed by the Board in developing the ceiling prices; however, its objection is with the outcome of the process. The testimony of Mark Depasquale is instructive on this point: "we invested very substantial

Sustainable Energy Associates collected all the information and filtered through it to present the first, second and third drafts of the developed ceiling prices to the DG Board." Transcript at 48-49.

¹²⁵ WED 2, OER and Board Response to WED 1-12; WED 1, Brief of Wind Energy Development at 3; Transcript at 102 (Testimony of Jason Gifford).

¹²⁶ R.I. Gen. Laws §39-26.2-5.

¹²⁷ Board 1, Exhibit 4; Testimony of Christopher Kearns: "We hosted several meetings...posting these meetings on the Secretary of State website, but also...in addition to the Secretary of State posting, sending out notifications about upcoming meetings, but also sent out reminder email notifications when meetings were a day or two away from occurring." Transcript at 22.

¹²⁸ R.I. Gen. Laws §39-26.2-5(a) states, "The board shall hold, with at least ten (10) business days notice, a public community review meeting." (emphasis added).

¹²⁹ Board 1, Exhibit 4; Board 4, Testimony of Christopher Kearns at 3 and Testimony of Jason Gifford at 2,4; Testimony of Dr. Kenneth Payne at p. 4: "The Board holds more meetings and public input session than required by statute..."; Transcript at 22 (Testimony of Christopher Kearns).

¹³⁰ Testimony of Jason Gifford, Transcript at 104.

resources to participate actively in the stakeholder process and are not satisfied with the results of that participation.”¹³¹ The Commission’s role is to ensure the Board’s recommendations for ceiling prices, classes, and targets are consistent with the requirements of the Act. The Act requires the Board to take a balanced approach, incorporating factors that ultimately promote the primary purpose of the Act, to encourage the development of cost-effective distributed generation within the State of Rhode Island. The record supports such a finding.¹³²

The legislature has given the Board wide discretion to set distributed generation classes and targets. The Board must determine classes that are “reasonably feasible for use in meeting distributed generation objectives from renewable energy resources and are consistent with the goal of meeting the annual target for the program year.”¹³³ The Board may add, eliminate, or adjust renewable energy classes for each program year with public notice given at least sixty (60) days previous to any renewable energy class change becoming effective.¹³⁴ The Board proposed three solar classes and two wind classes this year compared to four solar and three wind classes in 2013. The record reflects that the number of classes proposed for 2014 is more consistent with the purposes of competitive bidding and administratively simpler.¹³⁵

Targets are referenced in the Act in terms of both annual goals that National Grid must meet by December 30, 2014 and also targets that the Board sets for each renewable energy class. According to the Act, National Grid is required to contract for 10 MW of capacity in 2014 in order to reach 40 MW of nameplate capacity by December 30, 2014.¹³⁶ The Board has adjusted

¹³¹ WED 1, Pre-Filed Testimony of Mark Depasquale at 7.

¹³² The reference to cost-effectiveness distributed generation refers only to whether or not the Board and/or its consultant incorporated cost-effectiveness into its analysis when developing the 2014 ceiling prices. Legitimate questions have been raised in this docket about whether the Act, as currently drafted, promotes the development of cost-effective distributed generation. That question is beyond the scope of this memorandum.

¹³³ R.I. Gen Laws §39-26.2-3(11).

¹³⁴ Id.

¹³⁵ Testimony of Al Pereira. Transcript at 229.

¹³⁶ R.I. Gen. Laws §39-26.2-4(a).

the annual goal for 2014 to 16.352 MW to account for capacity from a terminated solar contract and other capacity rolled over from 2013.¹³⁷ This capacity may change depending on the outcome of the first two enrollments. Additional capacity would be subject to Board approval, with stakeholder input, followed by notification to the Commission.¹³⁸ The Board's proposed annual target for 2014 is consistent with the Act which allows the Board to increase annual targets to cover shortfalls from prior enrollments.¹³⁹

The legislature has given the Board plenary authority to set individual targets for each renewable energy class. The Act provides no parameters on how the targets are developed. It merely states, "For each program year, the Board shall set renewable energy class targets for each class established."¹⁴⁰ The discussion about targets in this docket focused on the target reduction for wind from 4,500 kW to 3,000 kW.¹⁴¹ WED's claim that the Board approved the reduced contract target for large wind without the consideration required by law is not supported by the record. The Commission finds that the 60 day notice provision in Rhode Island General Laws 39-26.2-3(11) applies to classes not targets. This is clear from the plain language of the statute which reads, "The board may add, eliminate, or adjust renewable energy *classes* for each program year with public notice given at least sixty (60) days previous to any renewable energy class change becoming effective."¹⁴² The Commission agrees with the testimony of the Board that a vote by the Board to approve the targets is a vote to recommend the targets to the Commission, and the targets are not effective until approved by the Commission. Furthermore, the Commission's decision regarding the Board's proposed targets was scheduled, consistent

¹³⁷ Board 2.

¹³⁸ Commission 3 (Board Response to Comm 1-8).

¹³⁹ R.I. Gen. Laws §39-26.2-4(a).

¹⁴⁰ R.I. Gen. Laws §39-26.2-3(11).

¹⁴¹ OER Response to Comm 1-5; Board 4, Response Brief of the Distributed Generation Standard Contracts Board and the OER to the Objection of WED at 2-3.

¹⁴² R.I. Gen. Laws §39-26.2-3(11) (emphasis added).

with the Act, to allow 60 days from the date of filing, allowing WED ample opportunity to argue its case.¹⁴³

The Board explained that it reduced the wind target after reviewing the results of the past three years of the program which revealed more competition and lower prices for solar as opposed to wind.¹⁴⁴ The record also reveals that the Board was attempting to design a distributed generation program that would promote cost-effective projects, consistent with the legislature's express criteria.¹⁴⁵ The Commission also cannot agree with WED's argument that the reduced wind target will result in the elimination of one wind contract in 2014. The Board explained that it intends to review the results of the first two enrollments in order to determine how to allot any remaining megawatt capacity in the final enrollment. The Commission finds that the Board is acting well within its discretion in taking a wait-and-see approach before determining the allotment of remaining megawatt capacity in the final enrollment. Furthermore, the Commission agrees with the testimony of the Board that WED's argument assumes too much. It is not possible for anyone to predict at this point in time whether the Board, after reviewing the results of the first two enrollments, will dedicate any of the remaining megawatt capacity to wind by the end of 2014. In light of these considerations, as well as the cost and feasibility issues of developing wind in Rhode Island, the Commission finds the wind classes and targets to be consistent with the policies and provisions of the Act and well within the Board's discretion. The Commission also finds the classes and targets proposed for all other renewable technologies to be consistent with the provisions and policies of the Act.

¹⁴³ The OER initially filed on December 16, 2013, but the 60 day period commenced on January 14, 2014 when the Board formally notified the Commission there would be no change to the original recommendations filed on December 16.

¹⁴⁴ Transcript at 73 (Testimony of Dr. Kenneth Payne).

¹⁴⁵ Id.

Upon review of National Grid's proposed revisions to the Distributed Generation Enrollment Application and Process Rules, the Commission finds that they are consistent with the Board's proposed 2014 ceiling prices, classes, and targets and also with the recommendation of the Division to require developers to certify their non-eligibility for tax incentives at the time of enrollment. Accordingly, the Commission hereby approves the Distributed Generation Enrollment Application and Process Rules filed by National Grid on March 27, 2014.¹⁴⁶

Accordingly, it is

(21507) ORDERED:

1. The 2014 Distributed Generation Ceiling Prices, Classes, and Target proposed by the Distributed Generation Standard Contract Board on December 16, 2013 are hereby approved as filed and attached hereto as Appendix A.
2. The distributed generation target for 2014 is 16.352 MW. Accordingly, unless otherwise extended by the Board in accordance with R.I. Gen. Laws §39-26.2-4(c), National Grid is required to enter into contracts totaling 16.352 MW of distributed generation capacity by December 31, 2014. In the first enrollment, the 16.352 MW of capacity shall be as follows:

Wind (50-1,500 kW)	1,500 kW
Small Solar PV (50-200 kW)	500 kW
Medium Solar PV (201-500 kW)	1,400 kW
Large Solar PV (501-1,250 kW)	1,250 kW
Anaerobic Digestion (50-500 kW)	500 kW
Small Scale Hydropower (50-500 kW)	500 kW

¹⁴⁶ The Company filed the 2014 DG Enrollment Application and Process Rules on January 22, 2014. It filed a revised application and rules on March 14, 2014, incorporating the Tax Credit Eligibility Affidavit, references to all of the ceiling prices and other minor revisions. The Company filed a final version the 2014 DG Enrollment Application and Process Rules on March 27, 2014 to clarify that applicants are required to bid a price that does not exceed the ceiling prices. Appendix A.

Following the first enrollment, the Board shall establish the appropriate allocation for the remaining megawatts in order to achieve the annual targets set forth in Appendix A. If no applications are received in the final enrollment for a given technology class, then that capacity shall be committed to other technologies, with due consideration given to cost effectiveness and competitiveness. Allocation of megawatts in the final enrollment shall be determined by the Board, following a public meeting, based on market demand and ceiling prices resulting from the first two enrollments.

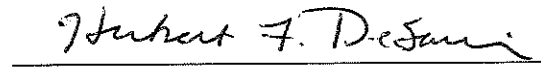
3. The Rhode Island Office of Energy Resources shall file with the Commission a copy of the Economic and Environmental Study of the Distributed Generation Standard Contract Program.
4. National Grid's 2014 Distributed Generation Enrollment Application and Process Rules are hereby approved and attached hereto as Appendix B.

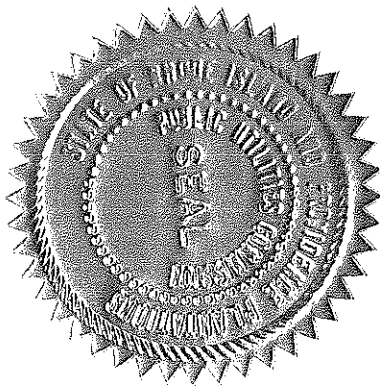
EFFECTIVE AT WARWICK, RHODE ISLAND ON MARCH 19, 2014 PURSUANT
TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED JULY 2, 2014.

PUBLIC UTILITIES COMMISSION


Margaret E. Curran, Chairperson


Paul J. Roberti, Commissioner


Herbert F. DeSimone, Commissioner



NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

APPENDIX A

2014 Ceiling Prices¹⁴⁷

<u>Class</u>	<u>ITC, PTC bonus dep</u>	<u>ITC, PTC, NO bonus dep</u>	<u>NO Incentives</u>
Sm Solar 50-200 kW	25.75	27.10	N/A
Med Solar 201-500 kW	25.90	27.30	N/A
Lg Solar 501-3000 kW	22.25	23.50	N/A
Wind 50-999 kW	15.55	16.20	19.95
Wind 1000-1500 kW	16.35	17.50	20.55
Anaerobic Digestion 50-500 kW	17.70	18.55	19.55
Sm Scale Hydro 50-500kW	17.25	17.90	18.85

2014 Classes and Targets¹⁴⁸

Sm Solar	50-200 kW	500 kW DC
Med Solar	201-500 kW	4100 kW DC
Lg Solar	501-1250 kW	3752 kW DC
Wind	50-1500 kW	3000 kW
AD	50-500 kW	1000 kW
Sm Scale Hydro	50-500 kW	1000 kW

¹⁴⁷ Board 1 at 7 and Exhibit 2.

¹⁴⁸ Id. at 10-11.

APPENDIX B

Rhode Island Renewable Distributed Generation Standard Contract Enrollment Application and Enrollment Process Rules

I. Introduction and Overview

1.1 Purpose of the Enrollment

The Narragansett Electric Company d/b/a National Grid (“National Grid”) or the “Company”, is seeking applications to enter into standard contracts for the supply of electric capacity and energy and Renewable Energy Certificates and related attributes (including Certificates issued in the New England Power Pool Generation Information System) (collectively, “RECs”) from eligible Distributed Generation projects pursuant to Chapter 26.2 of Title 39 of the Rhode Island General Laws, entitled Distributed Generation Standard Contracts Act (the “Act”), and the solicitation and enrollment process rules promulgated under the Act. In addition, National Grid is conducting this enrollment in accordance with the Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy (the “Regulations”) promulgated under Chapter 26.1 by the Rhode Island Public Utilities Commission (“Commission”), which became effective January 28, 2010.¹⁴⁹ In the enrollment periods for the current program year, National Grid is soliciting capacity, energy, RECs, and all other environmental attributes and market products that are available or may become available from Distributed Generation facilities pursuant to standard contracts for fifteen (15)-year terms.

1.2 Statutory Framework

Pursuant to the provisions of the Act, National Grid is required to procure 10% of the minimum long-term contract capacity under the long-term contracting standard for renewable energy in section 39-26.1-2, or 9 MW, based on annual class targets set by the Board¹⁵⁰ and approved by the Rhode Island Public Utilities Commission (“Commission”). National Grid shall enter standard contracts for an aggregate nameplate capacity of at least 40 MW of Distributed Generation projects by the end of 2014, as set forth in the following four (4) year schedule:

- By December 31, 2011: a minimum of five megawatts (5 MW) nameplate capacity
- By December 31, 2012: a minimum aggregate of twenty megawatts (20 MW) nameplate capacity
- By December 31, 2013: a minimum aggregate of thirty megawatts (30 MW) nameplate capacity

¹⁴⁹ Except as expressly differentiated in the Act, the standard contracts entered into shall be treated for all purposes as long-term contracts entered into under the provisions of the long-term contracting standards for renewable energy found in chapter 26.1 of Title 39 of the Rhode Island General Laws, and all such provisions shall apply to such contracts. R.I.G.L. § 39-26.2-9.

¹⁵⁰ The Distributed Generation Standard Contract Board, or if not yet constituted, the Rhode Island Office of Energy Resources.

- By December 31, 2014: a minimum aggregate of forty megawatts (40 MW) nameplate capacity

Thus, under a single enrollment in 2011, the initial program year, National Grid entered standard contracts for a minimum of 5 MW nameplate capacity. Thereafter, the Company must conduct three enrollments annually. Each enrollment will be open for a two-week period. National Grid is not required to enter into more than one-third of the annual target per enrollment, with the exception of the 2011 program year. The attached Schedule 1 sets out a schedule of anticipated dates for the 2014 Enrollment process. The classes and annual targets for the 2014 program year are listed in Schedule 2 of this application.

1.2.1 Applications

Applicants are required to complete and submit a short-form application (“Application”) which Application shall require the applicant to provide the project owner’s identity and the project’s proposed location, nameplate capacity, and renewable energy class and, as described in Section II below, allows for additional information including information relative to the permitting, financial feasibility, ability to build, and timing for deployment of the proposed projects. In addition, all applicants are required to bid a fixed bundled price, not to exceed the applicable standard contract ceiling price, for the sale of the energy, capacity, renewable energy certificates, and all other environmental attributes and market products that are available or may become available from the distributed generation facility on a fixed per kilowatt-hour basis for the output of the project. The Application to be used by facilities with a nameplate capacity greater than 500 kW is attached as Attachment A1. The Application to be used by facilities with a nameplate capacity of 500 kW or less is attached as Attachment A2.

Successful applicants will be selected in accordance with the process set forth in this application, which encompasses the solicitation and enrollment process rules. Standard contracts will be finalized between National Grid and successful applicants, based on bid prices and annual targets for each renewable energy technology class set by the Board and approved by the Commission. A blank Standard Contract, which has been approved by the Commission, is included in this application as Appendix B. The Standard Contract to be used by facilities with a nameplate capacity greater than 500 kW is attached as Attachment B1. The Standard Contract to be used by facilities with a nameplate capacity of 500 kW or less is attached as Attachment B2. Applicants are responsible for reading and understanding the Standard Contract to the extent necessary to submit an application, and to promptly execute this contract if selected in the enrollment. There will be no exceptions to the Standard Contract.

1.2.2 Eligibility Requirements

To be eligible under this enrollment, a distributed generation facility must be a “newly developed renewable energy resource” under the Long-Term Contracting Standard and the Regulations. A “newly developed renewable energy resource” is defined as an electric generation unit that uses exclusively an eligible renewable energy resource (as defined under R.I.G.L. § 39-26-5 and Section 5 of the Rules and Regulations governing the Implementation of a Renewable Energy Standard, effective July 25, 2007), that has neither begun operation, nor have the developers

completed financing for construction.¹⁵¹ The eligible technologies include biogas generated as a result of anaerobic digestion, but specifically exclude all other listed biomass fuels. Further, the unit must be located in the Narragansett Electric Company ISO-NE load zone, with a nameplate capacity no greater than three (3) MW, and be connected to the electric distribution company's power system.

a. Small Distributed Generation Projects

Small Distributed Generation projects must bid a fixed bundled price for the sale of energy, capacity, and renewable energy certificates ("RECs") and all other environmental attributes and market products that are available or may become available from the distributed generation facility on a per kilowatt-hour basis for the output of the project for a contract term of fifteen (15) years. If there are more projects than what is specified for a class target at the same price, the electric distribution company shall review the applications submitted and select first those projects that appear to be the furthest along in development and likely to be deployed in consultation with the Office of Energy Resources. Selection will be based on the lowest price received and on competitive non-price scoring, but not to exceed the applicable ceiling price, provided the applicants meet the minimum threshold requirements set forth in this application. Small Distributed Generation Projects must have a nameplate capacity within the following: Solar: fifty kilowatts (50 KW) to five hundred kilowatts (500 KW); Wind: fifty kilowatts (50 KW) to one and one-half megawatts (1.5 MW); Hydropower: fifty kilowatts (50 KW) to five hundred kilowatts (500 KW); Anaerobic Digestion: fifty kilowatts (50 KW) to five hundred kilowatts (500 KW); and Other Technologies: 1 MW. The applicant must submit an affidavit confirming that the project is not a segment of a larger project.

b. Large Distributed Generation Projects

Large Distributed Generation projects must bid a fixed bundled price for the sale of energy, capacity, and renewable energy certificates ("RECs") and all other environmental attributes and market products that are available or may become available from the distributed generation facility on a per kilowatt-hour basis for the output of the project for a contract term of fifteen (15) years. Alternative Pricing is allowed for a contract term different than fifteen (15) years, but the Applicant must demonstrate why the alternative term is appropriate, and if the Company agrees to the different term, it must be approved by the Commission. Selection will be based on the lowest price received and on competitive non-price scoring, but not to exceed the applicable ceiling price, provided the applicants meet the minimum threshold requirements set forth in this application. Large Distributed Generation Projects are larger than the Small Distributed Generation Project sizes set forth above, but are no greater than 3 MW.

II. Bid Evaluation and Selection Criteria and Process

2.1 Overview of Bid Evaluation and Selection Process

¹⁵¹ Under Section 3.16 of the Regulations, projects located within the State of Rhode Island which obtained financing on or after January 1, 2009, which have not begun operation, would also be considered a "newly developed renewable energy resource."

Applications received by National Grid will be subject to a consistent and defined review, evaluation, and selection process. All projects will be evaluated only against other projects submitted in the same approved class for that current enrollment. The first stage consists of a review of whether the bids satisfy specified eligibility and minimum threshold requirements. National Grid will conduct any additional evaluation as required, consistent with the requirements set forth above and select applicants for execution of Standard Contracts. Consultation with the Rhode Island Office of Energy Resources and/or the Rhode Island Division of Public Utilities and Carriers may also be utilized in this further assessment. Applicants selected by National Grid will be required to indicate in writing whether they intend to proceed with their proposals within five business days of being notified, and to execute contracts within two business days thereafter. Thus, the selected Applicant must pay the performance guarantee deposit and sign the contract within seven (7) business days after a contract offer has been made.

2.2 Interconnection Progress Prior to Enrollment

The Act requires that the distributed generation facility owner be liable for the cost of interconnection, and sufficient progress in the interconnection process must be made prior to the enrollment. Project owners must have submitted an Interconnection Application and have a completed Feasibility study as defined in the Rhode Island Distributed Generation Interconnection Act and The Narragansett Electric Company Standards for Connecting Distributed Generation. Project owners must provide copies of their Interconnection application and Feasibility Study with this application for enrollment. If the project has a completed Impact study, this would also be acceptable, since it is a more comprehensive study.

Information regarding Interconnection of Generators in Rhode Island can be found at the following link:

https://www.nationalgridus.com/narragansett/business/energyeff/4_standard_interconnection.asp

2.3 Minimum Threshold Requirements

The Distributed Generation Standard Contracts Act requires that Standard Contracts include a requirement that distributed generation facility owners make a performance guarantee deposit to National Grid¹⁵² paid at the time of contract execution. The performance guarantee deposit can be as little as \$500 or as much as \$75,000 depending on the output of the project (i.e., projected annual energy output). The deposit must be received and confirmed by National Grid within seven (7) business days after a project is awarded a contract. There are no exceptions to this requirement. Applicants should be prepared to make a deposit when submitting applications into

¹⁵² The performance guarantee deposit is fifteen dollars (\$15.00) for small distributed generation projects and twenty-five dollars (\$25.00) for large distributed generation projects for every renewable energy certificate (REC) estimated to be generated per year under the contract, but at least five hundred dollars (\$500) and not more than seventy-five thousand dollars (\$75,000), paid at the time of contract execution. Should this milestone be achieved, the deposit shall be refunded, without interest, on a prorated basis of renewable energy actually delivered over the course of the first year of the project's operation.

any enrollment. If payment of the required performance guarantee deposit is not received by the date required, the Company will withdraw the offer and not proceed with a Standard Contract with the Applicant in that enrollment. See Schedule 1 for the anticipated dates associated with this upcoming enrollment.

As a second threshold requirement, should the distributed generation facility not produce ninety percent (90%) of the output proposed in its enrollment application within eighteen (18) months of contract execution, the contract is automatically voided, and the performance guarantee deposit is forfeited (note: the same conditions apply to an eligible small-scale hydropower distributed generation facility that has not generated ninety percent (90%) of the output proposed in its enrollment application within forty-eight (48) months after contract execution). It is a threshold requirement, therefore, that the construction schedule for a project lead to accomplishment of this critical milestone within eighteen months of contract execution. The Proposed Hourly Output,¹⁵³ which is the maximum amount of energy and related products available for Delivery to National Grid at the Point of Delivery (kWh AC per hour)¹⁵⁴, must be demonstrated for at least four complete hours (which do not need to be four consecutive hours), which amount shall be adjusted to the extent required to reflect a lack of availability of energy (such as lower than expected wind speed or seasonally reduced insolation), and other factors, as proposed by the Applicant's engineer and accepted by National Grid in its reasonable discretion (the "Output Demonstration").

As a third threshold requirement, project developers submitting applications must have also submitted applications for interconnection and received a Feasibility study, or an Impact study, which should be submitted as part of the application.

Applications that meet all the eligibility requirements and the above minimum threshold requirements will be further evaluated to determine compliance with a broader set of requirements, which have been designed to screen out proposals that are insufficiently mature from a project development perspective; lack technical viability; or fail to satisfy minimum standards for bidder experience and ability to finance the proposed project. The categories of information necessary to complete this further evaluation are set forth below.

- Energy Resource Plan
- Financial/Legal Capability
- Site Control
- Permit Acquisition Plan
- Interconnection
- Technical/Engineering
- Project Schedule
- Project Management and Experience
- Economic Benefit to Rhode Island

¹⁵³ The Proposed Hourly Output is the maximum amount of energy and related products available for delivery to National Grid at the Point of Delivery (kWh AC per hour). See page 3 of Appendix A.

¹⁵⁴ If net metering, distinguish between total project generation and deliveries to the electric distribution system.

National Grid is interested in projects that can demonstrate the ability to develop, permit, finance, and construct the proposed project within the required eighteen-month schedule.

Applicants must use this application to provide responses. Applicants are requested to provide all reasonably available information in each section of the application. If any of the information requested is inconsistent with the type of technology or product proposed, or otherwise unavailable, the Applicant should include "N/A" and describe the basis for this designation. It is anticipated that larger projects may provide a higher level of detail in the responses than smaller projects. It is emphasized, however, that Applicants who do not provide complete and credible information in any of the above categories will be scored accordingly in the Scoring Process. The forms are included in this Application in MS Word format as Appendix A.

2.4 Project Scoring

In conducting evaluations of each project, National Grid will employ the scoring methodology described in Schedule 3. The non-price evaluation criteria are designed to assess the likelihood of a project coming to fruition based on various factors critical to successful project development. The objectives of the criteria are to provide an indication of the feasibility and viability of each project and the likelihood of meeting the proposed commercial operation date. Applications that can demonstrate, based on the current status of project development and past experience, that the project will likely be successfully developed and operated as proposed will have a higher likelihood of success.

For all Distributed Generation projects, price is weighted at eighty percent (80%) and non-price factors at twenty percent (20%).

National Grid reserves the right to reject any project not receiving a minimum score in the non-price evaluation, regardless of the completion date or pricing.

If the situation arises where multiple projects share the same interconnection facilities, and in the event that such projects receive equivalent scores in the evaluation, the project with the earliest interconnection application will be taken first. In addition, National Grid will reject any application for which interconnection is not technically feasible.

2.5 Projects at Customer Sites Involving Net Metering

A distributed generation project that is also being employed by a customer for net metering purposes may submit an application to sell the excess output from the project.¹⁵⁵ In this case, the applicant must be the project owner. The class in which the project is submitted is determined by the total project size, and not by the excess output offered for sale under a Standard Contract. The application forms in Appendix A require that both the project size and the excess output being offered for sale be specified.

¹⁵⁵ In such case, at the election of the self-generator, all the renewable energy certificates pertaining to the energy consumed on site may be sold on a month-to-month basis outside of the terms of the standard contract.

2.6 Coordination with Annual Solicitations under the Long-Term Contracting Standard

The DG Enrollment process is separate and distinct from the annual competitive solicitations conducted under the Long-Term Contracting Standards. National Grid will provide reports to the Commission on both the solicitation and the annual enrollment process in order to track compliance with the Long-Term Contracting Standard. Projects submitted, but not yet selected, in an annual solicitation under the Long-Term Contracting Standard, may be submitted in a Distributed Generation enrollment. In this case, should the submitted pricing in one of the large DG classes be higher than that submitted in the competitive solicitation, a fully documented explanation must be provided. Additionally, the Applicant agrees that entering into a DG Standard Contract will automatically rescind the Applicant's bid relative to that project in the annual solicitation under the Long-Term Contracting Standard.

2.7 Delivery of Energy into ISO-NE Market

Energy will be delivered to National Grid in the Narragansett Electric Company ISO-NE load zone at the delivery node associated with the distributed generator. This will be accomplished through registration of the generator as a generation asset and assignment of the energy to National Grid.

2.8 Participation in ISO-NE Forward Capacity Market (FCM)

National Grid shall be the "Project Sponsor" for all Large Distributed Generation Facilities and may qualify the Facility as an Existing Capacity Resource in the Forward Capacity Market (FCM) after the Commercial Operation Date and participate in every Capacity Commitment Period in the FCM with respect to the Facility. National Grid also reserves the right to be the "Project Sponsor" for Small DG Facilities, after consultation with the Division and the Board. If and when National Grid participates as "Project Sponsor" on behalf of any Facility, that Facility must support National Grid, as required, to qualify the Facility as an Existing Capacity Resource in the Forward Capacity Market. Generation owners are required to take commercially reasonable actions to maximize performance against any FCM Capacity Supply Obligations.

2.9 RPS Qualification and NEPOOL Generation Information System ("GIS") Certificates

The Distributed Generation projects must obtain qualification as a renewable resource pursuant to the Rhode Island Renewable Energy Standard ("RES"), and it must register as a Participant Account Holder with the NEPOOL-GIS. Once qualified, National Grid must be designated to receive all of the RECs produced by the project and tracked in the NEPOOL-GIS¹⁵⁶ under the

¹⁵⁶ The Rhode Island Distributed Generation Standard Contract Act requires that an electric meter that conforms with standard industry norms be installed to measure the electrical energy output of the distributed generation facility, and require a system or procedure by which the distributed generation facility owner shall demonstrate creation of renewable energy credits, in a manner recognized and accounted for by the GIS; such demonstration of renewable energy credit creation to be at the distributed generation facility owner's expense.

operating rules found at http://www.iso-ne.com/committees/comm_wkgrps/mrkt_s_sys/geninfo_sys/operating/index.html

2.10 Official Contact for the Enrollment

Any questions on the Enrollment should be directed to the attention of the Official Contact for National Grid at the address listed below:

Jim Calandra
Environmental Transactions

Questions may be submitted to the Official Contact at following email address:
renewablecontracts@nationalgrid.com

2.11 Submittal of Enrollment Applications

The Standard Contract Enrollment Application and Appendices are posted on the National Grid Rhode Island Distributed Generation Standard Contracts website.

https://www.nationalgridus.com/narragansett/business/energyeff/4_dist_gen.asp

Completed applications should be submitted electronically to renewablecontracts@nationalgrid.com, following the instructions on the site for the Rhode Island Standard Contract Enrollment for renewable energy. Electronic submittal will assure that the time of submittal is documented.

2.12 Modification or Cancellation of the Open Enrollment

Following the submission of applications, National Grid may request additional information from Applicants at any time during the process. Applicants that are not responsive to such information requests may be eliminated from further consideration. National Grid may, at any time up to execution of Standard Contracts, postpone, withdraw and/or cancel this enrollment; alter, extend or cancel any due date; and/or, alter, amend, withdraw and/or cancel any requirement, term or condition of this enrollment, any and all of which shall be without any liability to National Grid. By submitting an Application, an Applicant agrees that the sole recourse that it may have with respect to the conduct of this enrollment is by submission of a complaint or similar filing to the Commission in a relevant docket pertaining to this Open Enrollment.

Schedule 1

Event	Anticipated Dates
Enrollment begins	April 21, 2014 – 9am EPT
Due Date for Submission of Applications	May 2, 2014 – 5pm EPT
Execute Contracts	May 16, 2014
File Contracts with the Commission	May 30, 2014

Note: Schedule 1 to be updated as required for each enrollment period.

Schedule 2
Classes and Targets Applicable to Current Enrollment Period

All Applicants are required to complete the Certificate of Tax Credit Eligibility included in Appendix A. All Applicants are required to bid a price, not to exceed the applicable ceiling prices.

Class Nameplate (Eligible Project Size)	Target Nameplate	Ceiling Price w/ PTC/ITC & Bonus Depreciation (cents/kWh)	Ceiling Price w/ PTC/ITC, No Bonus Depreciation (cents/kWh)	Ceiling Price No PTC/ITC, No Bonus Depreciation (cents/kWh)
Wind (50 kW – 1500 kW)	1,500 kW In Total	50-999 kW 15.55	16.20	19.95
1,000-1,500 kW		16.35	17.50	20.55
Small Scale Hydropower (50 – 500 kW)	500 kW	17.25	17.90	18.85
Small Solar-PV ¹⁵⁷ (50 – 200 kW DC)	500 kW	25.75	27.10	N/A
Medium Solar-PV (201 – 500 kW DC)	1,400 kW	25.90	27.30	N/A
Anaerobic Digestion (50 – 500 kW)	500 kW	17.70	18.55	19.55
Large Solar PV (501 kW – 3,000 kW)	1,250 kW	22.25	23.50	N/A

Note: Schedule 2 to be updated as required for each enrollment period. Currently, there is a total of 16 MW¹⁵⁸ of nameplate capacity available for the 2014 program year. Each enrollment will be determined by the Board and posted prior to the opening of each enrollment period.

¹⁵⁷ The small solar class has the option of applying in either the small or the medium scale class, but not both. The applicant must indicate on the application the class under which the proposed project is applying and the proposed price must be below the applicable ceiling price.

¹⁵⁸ Any remaining allocation from the 2013 program year is carried over to the 2014 program year, as well as any capacity as a result of projects that have failed to reach their output within 18 months.

**Schedule 3
Project Evaluation and Scoring Methodology**

Non-Price Scoring for All Projects (20 points)

Non-price scoring is the same methodology employed National Grid in the initial competitive solicitation, and documented in the report on that solicitation, filed with the RI PUC on April 11, 2011. The scoring methodology is summarized as follows, and is based on the responses in Appendix A.

Evaluation Factors	Max Points	Criteria Considered in Each Factor
A. Siting and Permitting	4.0	<ul style="list-style-type: none"> • Extent to which site control has been achieved and acquisition of any necessary real property rights, including right of ways (1.5 points) • Identification of required permits and approvals and status of plan to obtain permits and approvals (1.5 points) • Community relations/support (1.0 points)
B. Project Development Status and Operational Viability	6.0	<ul style="list-style-type: none"> • Reasonableness of critical path schedule and demonstrated ability to meet major milestones (1.5 points) • Credibility of energy resource plan (1.5 points) • Commercial access to and reliability of the proposed technology (1.0 points) • Progress in interconnection process (2.0 points)
C. Experience and Capability of Bidder and Project Team	3.0	<ul style="list-style-type: none"> • Project development experience (1.0 points) • Project financing experience (1.0 points) • Operations and maintenance experience (1.0 points)
D. Financing	4.0	<ul style="list-style-type: none"> • Credibility of the financing plan (2.0 points) • Financial strength of the bidder (2.0 points)
E. Economic Benefit	3.0	<ul style="list-style-type: none"> • Project provides direct employment benefits (1.0 points) • Project provides indirect employment benefits (1.0 points) • Project provides tax revenues or other similar revenues (1.0 points)
Total	20.0	

Score on Submitted Price for all Projects (80 points)

For each class, the project with the lowest price relative to the ceiling price will receive 80 points. For other projects, one point will be deducted for each \$MWh higher than the lowest submitted price.

Total Scoring

All Projects	
Price Scoring	80
Non-Price Scoring	20
Total	100

The scoring methodology is intended to discriminate between a project with competitive pricing and a “credible” project with competitive pricing that is most likely to be successfully deployed.

National Grid reserves the right to reject any project not receiving a minimum score in the non-price evaluation, regardless of the completion date or pricing.¹⁵⁹

¹⁵⁹ There is the possibility that projects might meet (or even exceed) the threshold requirements, yet not make a credible demonstration that the project is likely to be completed and operated as proposed. It is not feasible to establish such a score in advance, as non-price scoring as a general matter is often driven by how projects compare on a relative basis. It would be expected, however, that some projects may clearly rank well below others in the same or similar classes.