

RHODE ISLAND RATE DESIGN CONSIDERATIONS May 14, 2015

CONTEXT FOR MA DISTRIBUTION COMPENSATION DISCUSSION¹

Net Metering Compensation

Position # 1 –Solar and others

Solar generators should receive fair compensation for the value that solar provides to the grid and to the Commonwealth overall through a combination of bill credit value and additional compensation from incentives or other sources.

Fair value should be determined through a comprehensive solar benefit/cost study. This study should quantify the various value streams associated with solar generation. The study should analyze the value of different “categories” of projects:

If a comprehensive solar benefit/cost study reveals significant cross-subsidization, either from or to solar generators, the DPU should be authorized to open a proceeding to investigate the need and how to address it.

Assuming a credit value that returns to the solar generator only the fair value of benefits provided, and correspondingly, utilities receive fair compensation for the services provided to solar generators, caps on net metering should be removed.

Net Metering Caps Over the Long-Term

Position # 1 – Solar and others

Caps on net metering can be eliminated over the long-term if certain other actions and measures are taken. Specifically, the Task Force Members believe that caps on net metering are no longer necessary where: 1) All customers, including solar generators, are paying their fair share for grid services; and 2) All customers are receiving the fair value for the services and products they supply to the grid and Commonwealth at large.

Position # 2 –Utilities and others

The ability to increase or remove net metering caps is dependent upon the level of progress towards fair and full compensation by users of the grid for that use and social benefit costs, and non-participant ratepayers costs that are reasonable and justified.

¹ Excerpts from: Massachusetts Net Metering and Solar Task Force, Final Report to the Legislature, April 30, 2015

Fair Compensation for Use of the Distribution Grid

The Task Force Members agree that everyone who is connected to the distribution system should contribute towards their use of it and towards the system benefits charges included on the distribution company bill for public policy reasons (e.g. low income support and energy efficiency).

A fair compensation mechanism should apply to all customers, should be cost based, and should be set in accordance with the customer's use of the distribution system.

The level of any charges associated with a fair compensation mechanism for a group of customers or rate class should take into account customer size and/or other service characteristics in order to develop appropriately sized contributions.

A fair compensation mechanism should be designed appropriately for low income customers consistent with the DPU's established rate design principles.

Specifics of rate design and rate levels should be determined by the DPU in a utility-specific evidentiary proceeding consistent with the DPU's established rate design principles of efficiency, simplicity, continuity, fairness, and earnings stability. These factors, along with transparency and understandability, are important when considering a fair compensation mechanism and in determining rates for all components of service for all customers.

At the discretion of the distribution company and approval by the DPU, a fair compensation mechanism should be considered through a distribution company's base rate case, a revenue neutral rate design proceeding, or the grid modernization filing.

Following any initial setting and implementation, the DPU should and will review the fair compensation mechanism during distribution company rate cases.