

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

**IN RE: THE NARRAGANSETT ELECTRIC COMPANY :  
d/b/a NATIONAL GRID PROPOSAL TO BID CAPACITY : DOCKET NO. 4676  
OF CUSTOMER-OWNED DISTRIBUTED GENERATION :  
FACILITIES INTO THE FORWARD CAPACITY MARKET :**

**REPORT AND ORDER**

**I. Background**

There are two Rhode Island legislatively mandated programs under which The Narragansett Electric Company d/b/a National Grid (National Grid or Company) is required to purchase renewable energy from distributed generation projects – the Distributed Generation Standard Contracts program and the Renewable Energy Growth Program.<sup>1</sup> The Renewable Energy Growth Program tariffs and Distributed Generation Standard Contracts allow, but do not require the Company to bid the capacity of non-residential distributed generation facilities into the ISO-NE Forward Capacity Market and use payments received from those projects to offset the costs of the two programs.<sup>2</sup>

The Forward Capacity Market, a FERC-approved creation of ISO-NE, intended to ensure the availability of a sufficient amount of installed capacity to meet ISO-NE’s reliability standards.<sup>3</sup> The Forward Capacity Market is intended to ensure resource adequacy “by providing payments to supply and demand resources to maintain and invest in new capacity to deliver power to the electric grid where it is most needed.”<sup>4</sup> Three years prior to the start of a Capacity Year (June 1 to the following May 31), ISO-NE develops a capacity requirement and capacity demand

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<sup>1</sup> R.I. Gen. Laws § 39-26.2-1 to 14; R.I. Gen. Laws § 39-26.6-1 to 27.

<sup>2</sup> Nagy and McCabe Test. at 10; [http://www.ripuc.org/eventsactions/docket/4676-NGrid-FCMProposal\(11-21-16\).pdf](http://www.ripuc.org/eventsactions/docket/4676-NGrid-FCMProposal(11-21-16).pdf).

<sup>3</sup> Hahn Test. at 5; [http://www.ripuc.org/eventsactions/docket/4676-DPU-Hahn\\_1-20-17.pdf](http://www.ripuc.org/eventsactions/docket/4676-DPU-Hahn_1-20-17.pdf).

<sup>4</sup> Nagy and McCabe Test. at 7.

curve for the region and sub-regions (known as capacity zones). ISO-NE then holds a descending clock auction, called the Forward Capacity Auction, into which qualified resources submit bids and offers to deliver capacity in the Capacity Year. An auctioneer conducts auction rounds in which the auction price decreases, causing resources to exit the auction, until there is no excess supply relative to the predetermined demand curve. At this point, the resources still in the auction are passed through to the market clearing stage wherein the minimum possible capacity payment is determined, along with the payment rate and Capacity Supply Obligation for individual resources. In order to receive the full payment rate, the successful resources must satisfy their Capacity Supply Obligations during the corresponding Capacity Year. Conversely, ISO-NE assesses penalties on resources that do not meet the requirements of their Capacity Supply Obligation, including not operating when they are needed.<sup>5</sup> Resources can also receive incentive payments if they are available during supply scarcity periods with certain conditions.<sup>6</sup>

On November 21, 2017, National Grid filed with the Public Utilities Commission (PUC or Commission) a proposal to amend its tariffs to reflect the bidding of capacity of customer-owned distributed generation facilities into the Forward Capacity Market and for associated cost recovery. Conservation Law Foundation (CLF) and the Rhode Island Office of Energy Resources (OER) intervened. Along with the Division of Public Utilities and Carriers (Division or DPUC), the parties issued discovery and the Division submitted the testimony of its expert witness, Richard Hahn. Following an evidentiary hearing, the PUC approved a modified proposal allowing National

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<sup>5</sup> Hahn Test. at 5, 7-9; Nagy and McCabe Test. at 8, 15. *See* Forward Capacity Auction Mechanics, <https://www.iso-ne.com/markets-operations/markets/forward-capacity-market/fcm-participation-guide/fcm-auction-mechanics>; *see also* Overview of the Forward Capacity Market (FCM) in New England, <https://www.iso-ne.com/static-assets/documents/2016/10/20161017-02-fcm101-fcm-overview.pdf> for an overview of the ISO-NE Forward Capacity Market.

<sup>6</sup> Hahn Test. at 5, 7-9; Nagy and McCabe Test. at 8, 15.

Grid to share in the proceeds from participation in the Forward Capacity Market, either positive or negative, and allowing National Grid cost recovery and an annual reconciliation.

## **II. National Grid's Proposal**

In support of its proposal, National Grid filed the joint testimony of National Grid USA Service Company, Inc. employees Stefan Nagy, Senior Analyst, Strategic Business, Policy, and Evaluation, and Scott McCabe, Manager of New England Electric Pricing (witnesses). Mr. Nagy is responsible for managing National Grid's participation in the Forward Capacity Market; Mr. McCabe is responsible for developing and managing tariffs.<sup>7</sup> The witnesses explained that while National Grid already has the regulatory authority to bid the capacity of distributed generation facilities into the Forward Capacity Market, it was seeking PUC approval of a specific proposal and the associated proposed cost recovery, including an incentive for National Grid.<sup>8</sup>

They explained that because each of the non-residential projects in the Distributed Generations Standard Contracts and Renewable Energy Growth programs are separately metered, they are not included in ISO-NE's calculation of the current installed capacity. Therefore, the only way to monetize the capacity of the projects is through direct participation in the Forward Capacity Market.<sup>9</sup> National Grid's witnesses projected that the annual net benefit to customers that would be passed on could be approximately \$1.1 million, commencing in 2021.<sup>10</sup>

Explaining the proposal, the witnesses indicated that beginning with Forward Capacity Auction Twelve in 2018, the Company will bid into the Forward Capacity Market, capacity of those non-residential solar distributed generation facilities having a nameplate capacity of at least 250 kW and having achieved commercial operation. The Company will assume a Capacity Supply

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<sup>7</sup> Nagy and McCabe Test. at 1-2.

<sup>8</sup> *Id.* at 9-10.

<sup>9</sup> *Id.* at 12.

<sup>10</sup> *Id.* at 23.

Obligation that includes both Performance Incentive payments and penalties.<sup>11</sup> According to the witnesses, based on the Company's cost benefit analysis, participation in the Forward Capacity Market could yield significant value to customers.<sup>12</sup> They posited that once the program was fully in effect, "there is less than a 1.5% probability of realizing a net loss in the market from Performance Incentive penalties on an annual basis."<sup>13</sup> They stated it would be unlikely that any penalties would exceed the base capacity payments in any given year. However, there will still be risks that the administrative costs could exceed the benefits of Performance Incentive payments in any given year.<sup>14</sup>

To mitigate risks associated with the proposal, the witnesses explained that the distributed generation resources would be qualified as "Summer Only" Intermittent Generating Resources. As such, they could take on a capacity supply obligation only for the months of June, July, August, and September. This would eliminate the risk of underperformance during any winter scarcity conditions. Additionally, the witnesses indicated, prior to qualification of a distributed generation facility, National Grid will conduct a full review of the facility's projected and/or historic performance to appropriately size the Capacity Supply Obligation. This will reduce the risk of underperformance of a facility relative to its obligation. Furthermore, the witnesses reiterated, only operational facilities will be qualified for the Forward Capacity Market, eliminating the risk that a facility will fail to become operational before it must perform.<sup>15</sup> Finally, once a facility has

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<sup>11</sup> *Id.* at 14, 21. National Grid could have elected to simply report the production from the project that is coincident with a Capacity Scarcity Condition without taking on a Capacity Supply Obligation. The Company would have received Performance Incentive Payments in that situation. While such a strategy may be less costly than the active planning and oversight that will be required with the proposed plan, the potential value from that option is lower. *Id.* at 15-16, 24; National Grid Response to Division DR-1-21(b); <http://www.ripuc.org/eventsactions/docket/4676-NGrid-DR-DPU1.pdf>.

<sup>12</sup> Nagy and McCabe Test. at 11,13, 19.

<sup>13</sup> *Id.* at 16-17.

<sup>14</sup> *Id.* at 17.

<sup>15</sup> *Id.* at 19.

received a Capacity Supply Obligation, the witnesses stated, the Company will monitor the facility for underperformance. If a facility underperforms and it appears that underperformance will continue, the Company will take one of two actions. It will either de-list (remove) the facility from future auctions or remove the facility from the current Commitment Period by transferring the obligation to another facility in a Monthly Reconfiguration Auction.<sup>16</sup>

Addressing the cost of the proposal and the recovery of those costs, the witnesses explained that the Company was seeking recovery of all administrative costs of the program plus all ISO-NE fees, payments, charges, or penalties from participation in the Forward Capacity Market with distributed generation facilities (net Forward Capacity Market proceeds).<sup>17</sup> Customers would be charged 100% of the administrative costs through either the Long Term Contracting for Renewable Energy Recovery factor or the Renewable Energy Growth factor.<sup>18</sup> The Renewable Energy Growth Program specifically allows for the recovery of administrative costs while there is no specific allowance in the Long Term Contracting statute. The Company suggested the PUC find that because the Long Term Contracting statute does not specifically prohibit administrative cost recovery for this type of activity, cost recovery would be appropriate in these circumstances.<sup>19</sup>

The Company was seeking to receive 20% of the net Forward Capacity Market proceeds, either positive or negative, for its shareholders and pass the remaining 80% on to customers through the respective Long Term Contracting for Renewable Energy Recovery reconciliation factor or Renewable Energy Growth reconciliation factor.<sup>20</sup> The witnesses asserted that such cost

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<sup>16</sup> *Id.* at 19-20.

<sup>17</sup> *Id.* at 26.

<sup>18</sup> *Id.* at 26, 29, 32.

<sup>19</sup> *Id.* at 30-31.

<sup>20</sup> *Id.* at 31-32.

sharing would align the interests of the Company with customers by incenting the Company to maximize the value of the Forward Capacity Market portfolio.<sup>21</sup>

Although not limiting themselves to any set cost estimates, National Grid's witnesses projected the need for one or two additional full time equivalent resources in the form of independent contractors or employees at a cost of \$138,390 to \$276,780 per year.<sup>22</sup> In addition, they explained that the actual administrative costs will vary by year and will exceed the proceeds from the Forward Capacity Market for the first few years, resulting in a net cost to ratepayers. In the first five years of the program, the witnesses estimated the administrative costs to be \$830,000, more than half of the total expected Net Forward Capacity Market proceeds of \$1.2 million during that same period.<sup>23</sup>

### **III. Division's Position**

On January 20, 2017, the Division submitted the testimony of its consultant, Richard S. Hahn, supporting National Grid's proposal, but with several adjustments. Mr. Hahn supported National Grid's proposal to bid the identified renewable energy projects into the Forward Capacity Markets. He noted that while the potential risks of participation -- including underperformance of the facilities, lower-than-projected Forward Capacity Market prices, and higher-than-estimated administrative costs -- are real, they appear to be offset by the revenue opportunities.<sup>24</sup> According to Mr. Hahn, there is "no guarantee that participation in the [Forward Capacity Market] will yield significant or even positive benefits."<sup>25</sup> Nevertheless, taking into account the potential risks, National Grid's proposal and its benefit-cost analysis, as well as his own additional "sensitivity

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<sup>21</sup> *Id.* at 32.

<sup>22</sup> *Id.* at 27, Schedule NG-8.

<sup>23</sup> *Id.* at 28.

<sup>24</sup> Hahn Test. at 3; [http://www.ripuc.org/eventsactions/docket/4676-DPU-Hahn\\_1-20-17.pdf](http://www.ripuc.org/eventsactions/docket/4676-DPU-Hahn_1-20-17.pdf).

<sup>25</sup> *Id.* at 13.

analysis,” Mr. Hahn concluded there were significant revenue opportunities available. He recommended following National Grid’s general approach to participation in the Forward Capacity Market.<sup>26</sup>

However, Mr. Hahn also provided several adjustments to the Company’s proposal. First, he proposed a change to the proposed sharing mechanism to ensure the Company also shares in the administrative costs rather than passing all administrative costs onto customers. He recommended the PUC defer recovery of the implementation costs until the Company actually realizes Forward Capacity Market revenues. Next, the annual Forward Capacity Mechanism revenues would be used to pay for that year’s implementations costs followed by deferred costs. Then, after all costs are paid, any remaining revenues would be shared between the Company and its customers. Mr. Hahn noted that because, under the Company’s proposal, customers must pay 100% of the implementation cost of the facilities in the two programs plus the administrative costs of this program, they are receiving a disproportionately lower share of the net benefit.<sup>27</sup> Using a hypothetical where the gross Forward Capacity Market proceeds are \$100 and administrative costs are \$15, under the Company’s proposal, the customers’ 80% share would be reduced to 65% while the Company’s remained at 20%. Mr. Hahn’s proposal would result in the Company’s share reduced to 17% and the customers’ share to 68% of the gross Forward Capacity Market proceeds. Both parties would be responsible for a portion of the administrative expenses and both would share in the net proceeds, an alternative Mr. Hahn asserted to be more fair.<sup>28</sup>

Second, he proposed reducing the Company’s share of net Forward Capacity Market proceeds to 10%. In support, Mr. Hahn noted that National Grid already receives a statutory

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<sup>26</sup> *Id.* at 14.

<sup>27</sup> *Id.* at 15-16.

<sup>28</sup> *Id.* at 17-18.

incentive to sign the power purchase agreements under the Distributed Generation Standard Contracts program and to enter acquire the output of certain facilities under the Renewable Energy Growth program.<sup>29</sup> Because of the estimated total incentive payments National Grid will already receive under these programs, Mr. Hahn maintained that a sharing mechanism whereby the Company would receive 20% of any Forward Capacity Market revenues, would provide excessive benefits to the Company at the expense of the ratepayers.<sup>30</sup> In addition, Mr. Hahn noted that the Company has been participating in the Forward Capacity Market as part of the Energy Efficiency Plan with no additional incentive. Thus, because more active participation is required in this program than in the Energy Efficiency Program, the 10%, which represents a midpoint between the Company's proposal and zero, would be reasonable. He specifically noted that the PUC could approve any value between 0% and 20%.<sup>31</sup>

Finally, Mr. Hahn recommended that: (1) the Company should use a competitive solicitation to seek market-based cost proposals in implementing the proposed program; (2) the PUC place limits on the level of implementation costs that can be recovered; and (3) Company employees or contractors keep detailed time logs to facilitate future review of actual program costs.<sup>32</sup> Mr. Hahn expressed concern that the costs were overstated and unlimited under the Company's proposal. A competitive solicitation could provide a market-based cap or upper limit on the level of recoverable implementation costs.<sup>33</sup>

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<sup>29</sup> *Id.* at 18.

<sup>30</sup> *Id.* at 21.

<sup>31</sup> *Id.* at 22.

<sup>32</sup> *Id.* at 4, 23-24.

<sup>33</sup> *Id.* at 23-24.

#### **IV. National Grid's Rebuttal Testimony**

In response to Mr. Hahn's recommendations, National Grid submitted the rebuttal testimony of Mr. Nagy and Ian Springsteel, National Grid Service Company's Director of U.S. Retail Regulatory Strategy, opposing each of the recommendations. Addressing the administrative cost deferral, the witnesses argued it would be inappropriate for projects under the Renewable Energy Growth program where the statute specifically allows for administrative cost recovery. Alternatively, if the PUC were to determine that administrative costs for projects under the Distributed Generation Standard Contracts program should be deferred, the Company requested that it be allowed to recovery carrying costs.<sup>34</sup>

Addressing the level of the administrative costs associated with the proposal, the Company argued that a cap or limitation on administrative costs would have the effect of reducing the number of projects that could be bid into the Forward Capacity Market. Such limitation would, according to the witnesses, impede the Company's ability to maximize the benefits from participation in the market. The witnesses relied on the Company's responsibility to control costs for its ratepayers as the basis to support the argument that a cap is unnecessary. Additionally, the witnesses stated that they relied on the administrative expenses incurred in Massachusetts as a basis for projecting the costs of the Rhode Island proposal. According to the witnesses, such costs could be used as a measure of reasonableness, thus obviating the need for a competitive solicitation for administration of participation in the Forward Capacity Market. Finally, the witnesses argued that a competitive solicitation would delay implementation of participation, reducing the benefits to customers.<sup>35</sup>

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<sup>34</sup> *Id.* at 4-6. Per the Company's witnesses, costs associated with the projects in the Distributed Generation Standard Contracts program would be offset by Forward Capacity Market revenues in 2018 but similar costs associated with projects in the Renewable Energy Growth Program would not be offset by revenues until 2020. *Id.* at 7.

<sup>35</sup> *Id.* at 9-10.

In response to Mr. Hahn's proposal that the administrative costs should be first removed from the Forward Capacity Market proceeds before the sharing mechanism was applied, the witnesses argued that this would create additional risk for the Company by causing it to incur an unrecovered cost in the first year of implementation of the Forward Capacity Market proposal. The witnesses calculated an additional 5% risk of negative net proceeds to the Company on an annual basis.<sup>36</sup> The witnesses argued that acceptance of Mr. Hahn's proposal would further increase the Company's risk by adversely affecting the symmetry of the proposed sharing mechanism. The Company stated that Mr. Hahn's proposal would reduce the Company's realized share of the revenues below the percentage allowed on paper.<sup>37</sup> Additionally, the witnesses argued that the comparison to the Energy Efficiency Program participation in the Forward Capacity Market was inapplicable because the incentive structure is different. However, the witnesses agreed to consider other incentive levels in this docket.<sup>38</sup>

## **V. Hearing**

On February 17, 2017, the PUC conducted an evidentiary hearing.<sup>39</sup> At the commencement of the hearing, National Grid's attorney described an agreement reached between the Company and the Division on the disputed issues.<sup>40</sup> The Division conceded most of its recommendations except for the percentage allocation of the sharing. Instead of its proposed 80/20 split, the Company agreed to share in 10% of the Net Forward Capacity Market proceeds, with 90% allocated to ratepayers. While there will be no competitive solicitation for administration of the

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<sup>36</sup> *Id.* at 7-8.

<sup>37</sup> *Id.* at 11-13.

<sup>38</sup> *Id.* at 13-14.

<sup>39</sup> National Grid was represented by Jennifer Brooks Hutchinson, Esq., the Division by Jon Hagopian, Esq., CLF by Jerry Elmer, Esq., OER by Andrew Marcaccio, Esq., and the PUC by Cynthia G. Wilson-Frias, Deputy Chief of Legal Services.

<sup>40</sup> On February 8, 2017, the agreement was submitted to the PUC in the form of a letter. Letter to Luly Massaro (Feb. 8, 2017); [http://www.ripuc.org/eventsactions/docket/4676-NGrid-SettlementLetter\(2-8-17\).pdf](http://www.ripuc.org/eventsactions/docket/4676-NGrid-SettlementLetter(2-8-17).pdf).

program in the first year, that would be subject to review in the future if additional resources are needed. Finally, the parties agreed that all administrative costs remain subject to PUC review for reasonableness.<sup>41</sup>

Witnesses Springsteel, Nagy, McCabe, and Hahn were presented as a panel in support of the revised proposal. Mr. Nagy explained that the Company has chosen an active management role in the Forward Capacity Market whereby National Grid will bid the facilities into the market, will receive monthly base payments, and will have the opportunity to either receive performance incentives or risk penalties. While there is a risk that needs to be managed, Mr. Nagy explained that the value to customers exceeds the value of a passive role in the market. To manage the risk, Mr. Nagy reiterated that the Company will only bid projects that have achieved commercial operation, eliminating the risk of a stranded capacity obligation. He stated that the bids will be based on a thorough review of historic and projected performance. The Company will track ongoing performance and perform further analysis if a project is underperforming. Such analysis will include a review of the reasons for underperformance, such as a breakdown of equipment or weather. If the underperformance is expected to continue, the project will be de-listed. Mr. Nagy stated that the Company's analysis revealed that with these proper mitigation tactics, the probability of National Grid being assessed a performance penalty that would outweigh the net Forward Capacity Market revenues on a monthly basis is less than 1.5%. Therefore, he concluded that the benefits to customers outweigh the costs.<sup>42</sup>

Mr. Hahn testified that the revised proposal should, on balance, provide benefits to ratepayers that outweigh the costs. He supported National Grid's risk mitigation measures. He also explained that he had conducted additional sensitivity analysis of the program which led him

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<sup>41</sup> Letter to Luly Massaro at 1-2 (Feb. 8, 2017).

<sup>42</sup> Hr'g. Tr. at 17-22, 111-12.

to conclude participation in the Forward Capacity Market would provide a net benefit over the lifetime of the program.<sup>43</sup> Mr. Hahn stated that customers will realize a net benefit even after paying the administrative costs.<sup>44</sup> He testified that deferral of administrative costs would be “an extremely small number” and the most important thing was that customers would be getting “the lion’s share” of the benefits under the revised sharing mechanism.<sup>45</sup> Mr. Nagy clarified that in the early years of the program when projects are still ramping up and are being qualified, there could be fluctuations in market prices that alter the time when the benefits will exceed the costs to customers. In other words, the benefits may not exceed the costs until after 2018.<sup>46</sup> However, the Company still projected benefits in the range of \$19 million over the life of the program through 2040.<sup>47</sup>

Explaining that administrative costs are those associated with bidding the projects into the Forward Capacity Market, Mr. Nagy indicated that the costs could be based on the number of megawatts (MW) that are bid or the number of projects bid, but that the Company was proposing to allocate the costs based on MW. In the first year, all of the program costs will be related to the Distributed Generation Standard Contracts program. In later years, however, the program costs will be allocated based on the MW that are bid from each program. Mr. Nagy reiterated that he expected no start-up costs, such as software investment, but that this could change in the future if there are ISO-NE rule changes necessitating upgrades. In those instances, he stated, the costs

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<sup>43</sup> *Id.* at 34-37.

<sup>44</sup> *Id.* at 58-59.

<sup>45</sup> *Id.* at 83-84; *see also* 104-05 (noting that while there is no guarantee of positive benefits, Mr. Hahn reiterated that the settlement is a reasonable compromise and it captures “the lion’s share of the expected positive benefits for ratepayers and that why [he] recommended it.”).

<sup>46</sup> *Id.* at 63-64.

<sup>47</sup> *Id.* at 77. Subsequent to the PUC’s ruling in this matter, the General Assembly passed legislation to extend the Renewable Energy Growth Program for an additional ten years. 2017 P.L. 017 (June 19, 2017); <http://webserver.rilin.state.ri.us/PublicLaws/law17/law17017.htm>; 2017 P.L. 056 (June 27, 2017); <http://webserver.rilin.state.ri.us/PublicLaws/law17/law17056.htm>.

would be recovered through the administrative changes in either the Long Term Contracting for Renewable Energy factors or the Renewable Energy Growth program factors. Mr. Springsteel added that any administrative costs that benefit projects in both programs would also be allocated among the programs.<sup>48</sup>

For the PUC to monitor the effectiveness of the program, Mr. Hahn suggested that the PUC require the Company to submit the results of the annual auctions. This would include what was bid, whether the facilities all cleared, and what the clearing price was. He also suggested the PUC require a report that would include the monthly results of how many kWh were received from the facilities; whether the monthly total was higher, lower, or as expected; and how the facilities performed in any capacity shortage periods. Mr. Nagy agreed with the content but suggested that the information be contained in an annual report. Ultimately, however, the Company agreed to provide the results of the auctions thirty days after the results were in. On an annual basis, in June, the Company would also provide the PUC with a report including all the net Forward Capacity Market proceeds for the Renewable Energy Growth program year and the results of the respective commitment period for which the Company took on an obligation.<sup>49</sup>

## **VI. Commission Findings**

At the conclusion of the hearing, the PUC considered the evidence and approved the settlement agreement filed on February 8, 2017, between National Grid and the Division, finding it to balance the interests of both the Company and ratepayers. All things considered, the PUC was satisfied, based on the testimony of Mr. Hahn, that the risk to ratepayers and the costs of the program are outweighed by the benefits received through the 90/10 sharing of net Forward Capacity Market proceeds.

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<sup>48</sup> H'rg. Tr. at 51-52, 56,70-72

<sup>49</sup> *Id.* at 59-69.

The PUC is concerned that in the initial periods, the administrative costs will exceed the monetary benefits to ratepayers. This will lead to short-term increase costs to customers. In the long term, however, the Forward Capacity Market proceeds should help to offset the cost of the Distributed Generation Standard Contracts and Renewable Energy Growth programs. While the PUC is always concerned about any increase to ratepayers, in this case it is important to consider the long-term impact which should lower above-market costs to be recovered from ratepayers for these statutorily mandated programs.<sup>50</sup>

The uncontroverted testimony was that while there are no guarantees that the program will provide more benefits than costs, all of the analysis leads to the conclusion that over the life of the program, the benefits will exceed the costs. State law has mandated the Distributed Generation Standard Contracts and Renewable Energy Growth programs to encourage the installation of in-state renewable energy facilities. State law also mandates that energy be procured at least cost. The Renewable Energy Growth program already contemplates allowing National Grid to participate in the Forward Capacity Market with the enrolled projects. As the evidence showed, this this program is likely to provide a revenue stream to offset some of the cost of the program. The proposal by National Grid, as amended in concurrence with the Division is consistent with both State policies. Therefore, with the information currently available, the approved program is found to be in the best interest of ratepayers.

In order to monitor the program, National Grid shall provide the PUC with two annual reports. First, on March 15 each year, the Company will report the results of the Forward Capacity Auction. This report shall identify the facilities that were bid, the facilities that cleared, and the clearing price. Second, in July of each year following participation in the prior year's Forward

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<sup>50</sup> This is particularly important with the extension and expansion of the Renewable Energy Growth Program. *See infra* note 46.

Capacity Market, the Company shall provide an annual report which will analyze the overall performance of the program for the prior year and shall include the monthly production from the facilities and the performance of the facilities in the event of a capacity shortage period. The Company shall include an assessment of how the facilities performed compared to expectations. The Company is encouraged to provide an explanation of any significant deviations, particularly in areas of underperformance.

Accordingly, it is hereby

(23289) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's proposal to bid capacity of customer-owned distributed generation facilities into the Forward Capacity Market, as amended by its filing on February 8, 2017, is hereby approved.
2. On March 15, 2018 and each year thereafter, The Narragansett Electric Company d/b/a National Grid shall report the results of that year's Forward Capacity Auction. This report shall identify the facilities that were bid, the facilities that cleared, and the clearing price.
3. In July of each year following participation in the prior year's Forward Capacity Market, the Company shall provide an annual report which will analyze the overall performance of the program for the prior year and shall include the monthly production from the facilities and the performance of the facilities in the event of a capacity shortage period. The Company shall include an assessment of how the facilities performed compared to expectations. The Company is encouraged to provide an explanation of any significant deviations, particularly in areas of underperformance.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN  
MEETING DECISION ON MAY 4, 2017. WRITTEN ORDER ISSUED OCTOBER 4, 2018.

PUBLIC UTILITIES COMMISSION



*Margaret E. Curran*

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Margaret E. Curran, Chairperson

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\*Herbert F. DeSimone, Jr., Commissioner

*Marion S. Gold*

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Marion S. Gold, Commissioner

\*Commissioner DeSimone concurred with the decision but is unavailable for signature.

**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 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.