

March 1, 2017

**BY HAND DELIVERY AND ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: 2018 Renewable Energy Standard Procurement Plan  
Docket No. 4692**

Dear Ms. Massaro:

Pursuant to R.I. Gen. Laws § 39-26-4 and the Rhode Island Public Utilities Commission's (PUC) Rules and Regulations Governing the Implementation of a Renewable Energy Standard, I have enclosed ten (10) copies of National Grid's<sup>1</sup> Renewable Energy Standard (RES) Procurement Plan for 2018.

In Docket No. 4605, the PUC approved the Company's 2017 RES Procurement Plan, the standard RES Certificate Purchase Agreement (CPA), the standard RES request for proposal (RFP) Notice template, and the standard RES RFP Summary template. The Company is not changing these documents in this 2018 RES Procurement Plan filing, and will continue to use the previously approved CPA, RES RFP Notice, and RES RFP Summary.

For the 2018 RES Procurement Plan, the Company proposes to use New Renewable Energy Certificates (RECs) obtained through Long-Term Renewable Contracts and the RE Growth Program to fulfill the Company's RES obligations in 2018 in accordance with R.I. Gen. Laws §§ 39-26.1-5(d) and 39-26.6-21(3).<sup>2</sup> Once the New RECs the Company obtains exceed the RES obligation and the banking allowance, the Company will sell the excess RECs in the market to monetize the RECs' value for customers.

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (Narragansett or the Company).

<sup>2</sup> In a Motion dated February 23, 2017 in Dockets 4556 and 4605, the Company requested that the PUC allow it to use RECs procured through long-term contracts and the RE Growth Program to satisfy the Company's 2016 and 2017 RES obligations.

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The enclosed proposed 2018 RES Procurement Plan includes the following adjustments to the current RES Plan that the PUC approved in 2017:

- The inclusion of various sales options to monetize the value of the RECs when New RECs obtained exceed the RES obligation and the banking allowance.
- A decrease in the issuance of standalone REC RFPs. The Company intends to issue one or more RFPs in 2018 (as compared to the two or more RFPs it will issue in 2017) because most RECs will be provided by the Long-Term Renewable Contracts and the RE Growth Program. The Company anticipates that the standalone REC RFPs will procure RECs to satisfy the smaller Existing RES obligation.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosure

cc: Leo Wold, Esq.  
Steve Scialabba, Division

## 2018 Renewable Energy Standard Procurement Plan

### I. Objectives

- A. This plan satisfies Section 8.2 of the Rhode Island Public Utilities Commission’s (PUC) Rules and Regulations Governing the Implementation of a Renewable Energy Standard (RES Regulations). Under Section 8.2 of the RES Regulations, the Company is required to submit annually a Renewable Energy Standard Procurement Plan that details the Company’s procedures for obtaining resources that satisfy its obligations under the Rhode Island Renewable Energy Standard (RES), R.I. Gen. Laws § 39-26-1 *et seq.*
- B. The plan is for the procurement of the RES renewable energy certificates (RECs) to meet the obligations associated with provision of Standard Offer Service (SOS) for 2018. The Company will use a competitive procurement process for all 2018 requirements for Existing RECs and possibly for a portion of the 2018 requirements for New RECs.
- C. This plan includes the sale of the RES RECs in the event that the Company acquires RECs in excess of its RES obligation for its SOS customers.

### II. Requirements

The following table details the anticipated number of RECs that will be necessary to satisfy RES Regulations in 2018.

<b>Year</b>	<b>Percentage from New Renewable Energy Resources</b>	<b>Percentage from either New or Existing Renewable Energy Resources</b>	<b>Total RES Target Percentage</b>	<b>Estimated Standard Offer Load (MWhs)</b>	<b>Standard Offer Existing RES Obligation (RECs)</b>	<b>Standard Offer New RES Obligation (RECs)</b>
2018	11.0	2.0	13.0	4,031,538	80,631	443,470

### III. REC Procurement

- A. To comply with the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy (Long-Term Renewable Contracts), the Company enters into transactions with renewable energy resources that include New RECs. As first approved in PUC Docket No. 4315, the Company proposes to continue using these RECs to satisfy its New RES requirements for the SOS load. The Company believes that SOS customers will benefit from this approach because it minimizes transaction expenses.

To comply with the Renewable Energy Growth (RE Growth) Program, codified at R.I. Gen. Laws § 39-26.6-1 et seq., the Company enrolls eligible renewable energy resources and pays them a fixed price for their generation. Under the RE Growth Law, the Company receives title to the RECs for all projects that participate in the RE Growth Program. Effective June 27, 2016, pursuant to Rhode Island law, the Company has the option of selling these RECs or using them to comply with the RES.<sup>1</sup> Similar to the RECs from the Long-Term Renewable Contracts, the Company proposes to use these RECs to satisfy its New RES requirements for the SOS load as a way to further minimize transaction expenses.

As described in Docket No. 4338, the Company proposes to determine the market costs for reconciliation of the RECs from Long-Term Renewable Contracts by using the most representative data sources, such as recent solicitation results, broker sheets, and market indices. This market cost will be charged to SOS customers for their RES obligation, and the same amount will be credited to delivery customers. The Company proposes to use the same methodology for the reconciliation of the RECs from the RE Growth Program.

- B. The Company will issue standalone REC Requests for Proposals (RFPs) to procure the remaining REC amounts for each REC class necessary to satisfy the RES Regulations. The Company intends to issue one or more REC RFPs in 2018 for Existing RECs because it expects that the New RECs from the Long-Term Renewable Contracts and RE Growth Program will meet its New RES requirement. One RFP per year provides multiple opportunities to purchase RECs for an obligation year due to the trading market for RECs. For example, the Company will solicit 2018 Existing RECs once in May 2017, once in May 2018, and a final time in May 2019. Currently, there is an ample supply of Existing RECs, and the Company does not expect this to change in the future.

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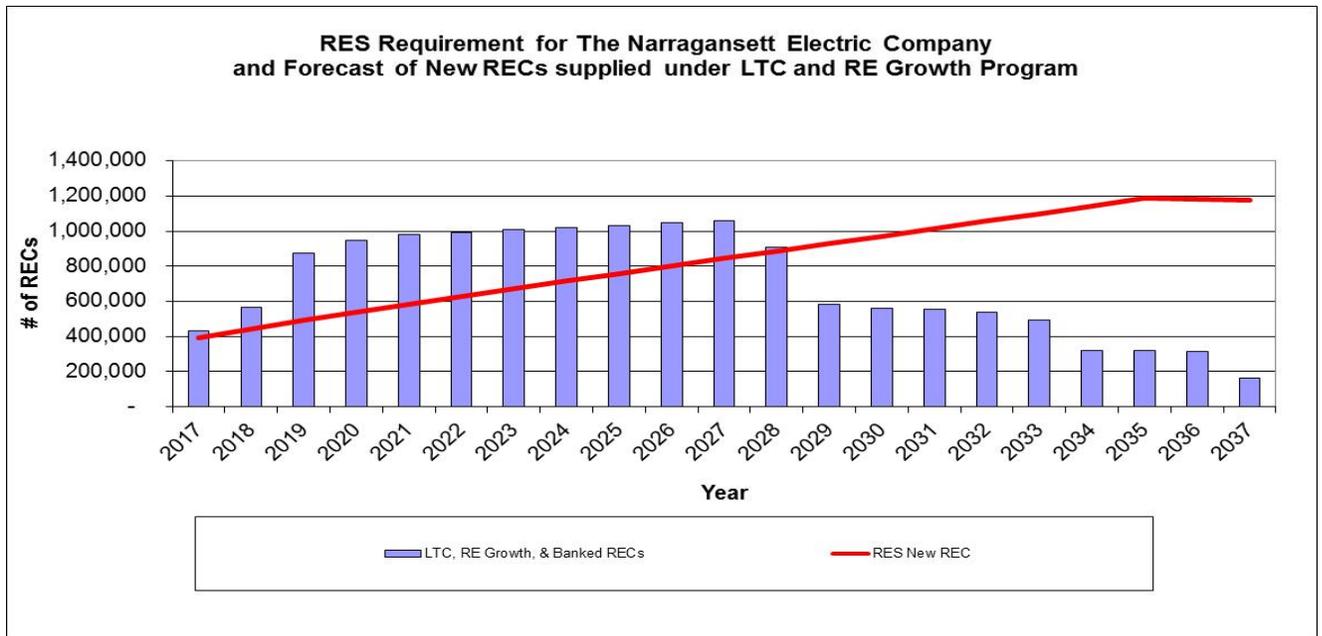
<sup>1</sup> See R.I. Gen. Laws § 39-26.6-21(3).

The principal criteria to be used in evaluating REC RFP proposals will be the lowest evaluated bid price. In the event of identical low bids, the Company will allocate the offered RECs to all bidders with identical prices based on the quantities bid and the quantities solicited. For example, the Company solicits 5,000 RECs and receives two identical low bid prices. Bidder A offers 5,000 RECs and Bidder B offers 2,500 RECs. Bidder A will receive 3,333 RECs ( $5,000 / 7,500 * 5,000$ ) and Bidder B will receive 1,667 RECs ( $2,500 / 7,500 * 5,000$ ).

- C. The Company may also evaluate unsolicited offers from brokers or other parties.
- D. If the Company still has an obligation shortfall in a calendar year, the Company will make an Alternative Compliance Payment to the Rhode Island Commerce Corporation for the unmet obligation.

**IV. New RES Requirement and Forecast of RECs from Long-Term Renewable Contracts and RE Growth Program**

The chart below shows a projection of the New RES requirement over the next 20 years compared to the estimated output of RECs obtained through the Long-Term Renewable Contracts and the RE Growth Program.



## **V. REC Sales**

The Company anticipates that New RECs obtained from the Long-Term Renewable Contracts and the RE Growth Program will likely exceed the RES obligation beginning in 2017. Under the RES Regulations, the Company may bank 30% of the New RES Obligation for a compliance year to satisfy the RES requirement over the following two years. Once the excess RECs from Long-Term Renewable Contracts and RE Growth Program exceed the RES obligation as well as the allowable banking limit, the Company must sell these RECs or they will expire with no value.

The Company must sell the RECs in a timely manner to monetize the value of the RECs on behalf of customers. The revenue from the REC sales will offset the costs of the Long-Term Renewable Contracts and the RE Growth Program. The Company will sell the RECs using methods that are similar to the methods the Company uses to procure RECs. These methods include:

- A. The Company may issue a Request for Bids (RFB) or auction for RECs to solicit bids for the sale of the RECs. The RFB would allow multiple participants to bid for various volumes up to the quantity offered.
- B. The Company may participate in REC RFPs or auctions in the market place conducted by utilities, brokers, or other market participants.
- C. The Company may engage a third party to broker the sale.