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September 21, 2018

Ms. Judith Whitney, Clerk  
Vermont Public Utilities Commission  
112 State Street  
Montpelier, Vermont 05620-2601

filed via ePUC

Re: Comments on the Standard Offer program (17-5257-INV)

Dear Ms. Whitney:

On August 2, 2018, a workshop was held to discuss the Standard Offer program. On August 18, 2018, a memorandum was issued by Hearing Officer Marren requesting comments on (1) any steps the Public Utility Commission (“Commission”) should take to improve the function of the standard-offer program; and (2) any recommendations the Commission should make to the Vermont General Assembly concerning the standard-offer program, including recommendations related to the exemption set forth at 30 V.S.A. § 8005a(k)(2)(B) and any issues arising from that exemption. Green Mountain Power (“GMP”) appreciates the opportunity to comment on these issues.

*History and Current status of the Standard Offer program*

Since passage the Vermont Energy Act of 2012 (Act 170), there has been substantial and rapid growth in Vermont’s renewable energy resources. At that time, GMP’s system had about 28 MW of distributed renewable generating capacity. In the ensuing years, growth has come from a number of sources including the Standard Offer program, net metering, utility owned resources, and Purchase Power Agreements (“PPAs”) between the Vermont Distribution Utilities (“VDU”) and project developers. As of August 2018, GMP had almost 250 MWs of distributed generation on its system including 157 MW of net metering, 50 MW of Standard Offer projects, and about 40 MW of distributed generation resources that are either under PPAs or GMP projects.

The Standard Offer program deserves credit for helping to drive some of this growth in renewable energy. And while the early Standard Offer projects were relatively high priced and well above market, since the Standard Offer program incorporated a Request for Proposal (“RFP”) process in 2012, prices have declined and are more cost competitive (particularly for solar projects), providing value for customers. However, there are several drawbacks to the Standard Offer program. Specifically, many projects awarded PPAs have failed to reach commercial operation, primarily due to project abandonment or delay in obtaining permits. In

addition, there has been an overall lack of technological diversity in the Standard Offer program, in that almost all of the Standard Offer project volume in recent years has been solar.

### *Vermont's Renewable Energy Standard ("RES"): Cutting Carbon*

When the Standard Offer program launched, Vermont had a SPEED renewable energy goal that only explicitly addressed renewable goals for the year ending December 31, 2017. Vermont's Renewable Energy Standard ("RES") framework has since established specific annual renewable energy requirements for VDUs, starting in 2017. The RES framework allows the VDUs to procure new renewable generation in the context of their expected portfolio needs. The RES sets forth different requirements for procurement by Tier; specific to the Standard Offer, such projects usually qualify for the RES's Tier II requirement.<sup>1</sup> The VDUs are able to use a variety of resources and programs to meet Tier II obligations and cut carbon emissions, including the procurement of RECs through the "Net Metering 2.0" provisions (affecting projects starting in January 2017); eligible Standard Offer RECs; and eligible RECs from VDU owned projects and PPAs.

Standard Offer projects have created planning challenges regarding Tier II obligations. Based on the rapid growth of Net Metering in recent years we expect that Net Metering will provide a large portion of the RECs required to meet GMP's annual Tier II obligations. The VDUs do not have control over the volume and timing of these projects and the pace of deployment can vary significantly over time. Given the need to manage costs and RES compliance, these realities regarding Net Metering have made it difficult for VDUs to rely on the use of less expensive Standard Offer projects for Tier II obligations. This is particularly true in light of the difficulty many of the selected Standard Offer projects have had reaching commercial operation. At the same time that we have tried to balance the uncertain pace of Net Metering and Standard Offer projects with our RES Tier II obligations, GMP has been able to acquire (through PPAs and GMP-sponsored plants) new renewable generation at competitive prices.

### *Comments and Suggestions*

As the Commission considers potential changes to the Standard Offer program and recommendations to the Legislature, we offer the following suggestions to help Vermont continue to grow renewable generation at a reasonable cost to customers.<sup>2</sup>

- 1) During the August 2nd workshop, the Department of Public Service (the "Department") proposed ending the Standard Offer program. GMP will more specifically respond to the Department's proposal in its reply comments after the Department submits its comments. We note that, based on the rapid growth of renewable generation in Vermont and the specific renewable obligations under the RES, the Standard Offer program may not be essential to achieving Vermont's energy objectives. For example, we do not believe that ending the program would slow the pace of renewable generation

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<sup>1</sup> Tier II-eligible projects must be renewable, located and interconnected in Vermont, have a nameplate capacity of less than 5 MWs and reach commercial operation after June 30, 2015.

<sup>2</sup> In addition, GMP provided comments for improvements to the Standard Offer program in its February 2, 2018 comments in this Docket.

growth in Vermont, since GMP and other utilities have the ability to procure new renewables through other means (via PPAs, or utility-sponsored projects).

- 2) When evaluating whether to continue the Standard Offer program, it is important to keep in mind that the biggest opportunity for Vermont is to balance the growth of renewable generation between Net Metering and other, lower priced resources to minimize rate impacts for customers while meeting Vermont's renewable goals under the RES. Net Metering solar generation has been one of the primary drivers of growth in distributed renewables, but is also more expensive than the prices we are currently seeing for solar generation from Standard Offer projects or other Tier II qualifying resources. For example, the latest Standard Offer RFP yielded Price Competitive Block solar project prices as low as about 9 cents/kWh and up to slightly over 11 cents/kWh, compared to large Net Metered solar projects at an effective current cost of about 15.4 cents/kWh. From the perspective of Vermont customers it makes sense for VDUs to be able to meet a large fraction of their needs for new distributed renewables with relatively lower-priced sources sized from 2 to 5 MW – whether through the Standard Offer program, bilateral PPAs, or VDU-owned projects.
- 3) If the program is retained we believe there should be adjustments to the exemption provision in 30 V.S.A. § 8005a(k)(2)(B), which presently allows VDUs that have achieved a portfolio that is 100% renewable to avoid the obligation to receive output from all of the Standard Offer program's generators. One consequence of this provision has been to allow VDUs that are exempted from the program to avoid not only the obligation to purchase from future Standard Offer projects, but also the obligation to purchase output from projects that reached commercial operation prior to the date that the VDU was exempted – which notably includes the most expensive projects in the program.<sup>3</sup> The practical consequence of the exemption has been a significant cost shift from these VDUs to the remaining VDUs and their customers. For example, exemptions granted to other VDUs in recent years accounted for approximately \$1 million of cost pressure for GMP customers in 2017. GMP requests that the Commission recommend to the Legislature that the exemption provision be removed or at least revised so that eligible VDUs who receive an exemption are only exempt from projects that reach commercial operation after the date when their petition is approved by the Commission.
- 4) To the extent the Standard Offer program is continued in its current form, the Commission and stakeholders should continue to seek program refinements (e.g., based on lessons learned in other states) to limit the attrition rate among projects that are awarded Standard Offer contracts. Refinements could include such mechanisms as larger, non-refundable security deposits or penalties for failing to meet milestones. Additionally, a significant design consideration should be the pace of volumes to be procured each year. The current method that uses fixed MW volumes each year offers predictability for suppliers, but, as discussed above, may not always be well-matched to the VDUs' Tier II needs.

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<sup>3</sup> The earlier Standard Offer projects include solar PV projects that received PPA prices of 24 to 30 cents/kWh, compared to Price Competitive Block solar PPAs being offered at 10 cents/kWh or less in recent RFPs.

Thank you for the opportunity to comment on this matter. If you have any questions please feel free to contact me at (802) 747-6871 or at [Andrew.Quint@GreenMountainPower.com](mailto:Andrew.Quint@GreenMountainPower.com).

Sincerely,

A handwritten signature in blue ink that reads "Andrew Quint". The signature is written in a cursive style with a small dot above the 'i' in "Quint".

Andrew Quint  
Power and Markets Analyst

cc: 17-5257 Service list