



ANDREW QUINT  
POWER AND MARKETS ANALYST

Direct Dial Number:  
(802) 747-6871  
andrew.quint@greenmountainpower.com

October 5, 2018

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

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

Dear Ms. Whitney:

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. Additionally, the memorandum requested reply comments be filed by October 5, 2018. Green Mountain Power (“GMP”) appreciates the opportunity to submit reply comments on these issues.

#### *Overview*

The Standard Offer program has supported significant growth of renewable generation in Vermont since its inception. The addition of the RFP mechanism has helped drive cost competition for the majority of the projects receiving awards in recent years. Given the program’s value in driving renewable energy at a reasonable pace with competitive prices, GMP currently does not see a need to discontinue or dramatically change the program; rather it seems more appropriate to update the program to take advantage of its best features and address its limitations. We offer these suggestions of potential improvements to help streamline the program and manage costs for our customers.

#### *Changes to Improve the Program*

As discussed in GMP’s comments of February 2, 2018 and September 21, 2018, there are several changes that could improve the program for customers. These include larger, non-refundable deposits to ensure only projects likely to reach commercial operation are selected; a mechanism could be added to the RFP to discourage project development in areas with transmission constraints or that are nearing the limits of their capacity to host distributed

generation; and finally changing the exemption provision in 30 V.S.A. § 8005a(k)(2)(B), so that utilities are only able to shed the purchase obligation prospectively (e.g. only for projects that reach commercial operation after the date the Commission grants the exemption).

The Department of Public Service (“Department”) and Vermont Public Power Supply Authority in conjunction with Burlington Electric Department (“VPPSA”) recommended discontinuing the Standard Offer program after the 2019 RFP. Among the reasons offered by VPPSA is that the program is not needed to comply with Vermont’s Renewable Energy Standard (“RES”). VPPSA notes that based on current trends RES obligations can be met through Net Metering and other renewable projects, whether in the form of PPAs or through utility ownership. However, the appropriate pace of annual awards and the use of a market-based RFP procurement typically results in reasonably priced projects that are eligible for RES compliance. As such, and in light of the program’s market-based competition, capped annual procurement levels, and the existing sunset provision, there is sufficient customer benefit to keep it going.

If the Commission determines it is appropriate to recommend terminating the program before its presently scheduled expiration, we are concerned about the Department’s proposal to replace the program with a system based on utility RFPs to procure new renewable generation. It appears that the degree of regulatory oversight associated with this proposal could create considerable administrative burden for Vermont’s distribution utilities (“VDUs”); increase the difficulty in forecasting the amount of RECs required for Tier II purposes resulting in over procurement without knowing whether the costs will be allowed in rates; and overall lead to higher net costs for customers. There would be significant up-front and ongoing work on the part of the VDUs to develop, implement, and manage an RFP. The proposal does not seem to fully consider what could be a sizeable ongoing commitment on the part of both the Commission and Department in formal oversight of the process including the development of RFPs, approval of contracts, and review of awards. Another concern is that it is not clear whether VDU’s would be allowed to develop utility-owned projects under the Department’s proposal. In addition to third party development, utility sponsored projects on behalf of customers have been developed in a timely fashion at competitive prices. These projects offer the likelihood of additional operational benefits at the end of the PPA term. If the program termination is the preferred recommendation, we believe that the VDUs have the expertise and ability to procure renewable energy to meet annual RES obligations in an efficient and cost-effective manner without the addition of a mandatory RFP structure. This would provide the VDUs with the flexibility to determine the optimal procurement model for the specific level of need while balancing benefits and costs.

### *Specific Responses to Comments*

In its comments, Allco suggested that (1) the PUC adopt fixed rates that incorporate the societal benefits of renewable energy and (2) that solar paired with battery storage or standalone battery storage should be included as a separate technology allocation in the program. In response to the first suggested change, we do not believe that it is appropriate to replace a market driven RFP with fixed rates. A significant benefit of this RFP structure in the Standard Offer program has been competitive bidding with a downward trend in prices to reflect changing market

conditions since the structure was implemented. This has provided a significant benefit to customers that would not be available with a fixed rate structure.

The second suggestion, the addition of a technology allocation for battery storage, whether standalone or paired with solar PV, does not make sense in the context of the Standard Offer program for a number of reasons. These include the fact that battery storage is not generation, renewable or otherwise. Rather, it is an important load management tool that must be charged and controlled before it is able to discharge energy onto the grid. Additionally, the benefits associated with battery storage projects are very specific and must be choreographed to ensure they are providing the right services at the right time to maximize the value of output for customers. To the extent battery storage is deployed in the context of Standard Offer, it is not clear which party would be responsible for determining how much storage (in terms of both capacity and duration) to deploy; specific locations; battery chemistry; as well as how and when to use the storage device. Equally concerning is the lack of clarity whether, how, and to what extent, the anticipated operational benefits would be guaranteed for the benefit of customers. We believe battery storage is an important tool for the customers we serve, but it is critical that deployments be in the context of a robust strategy that seeks to maximize the potential benefits for customers.

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 R. Quint". The signature is written in a cursive style with a large, stylized "Q" at the end.

Andrew Quint  
Power and Markets Analyst