May 17, 2019

Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Montpelier, VT

Re: Case No. 19-0855-RULE - Proposed Revisions to Vermont Public Utility Commission Rule 5.100

Dear Ms. Whitney:

In an Order dated April 19, 2019, the Public Utility Commission (Commission) established a deadline of May 17, 2019 for filing initial comments on proposed revisions to Rule 5.100. Vermont Public Power Supply Authority (VPPSA) and Burlington Electric Department (BED) submit the following comments related to revisions to Vermont's Net Metering Rule.

### *General Comments*

Through Act 99 in 2014, the Commission was tasked with balancing multiple, often competing, objectives in its 2017 revisions to Vermont's Net Metering Rule. The introduction of different rates based on project size and location, provision for a biennial review of rates, and allowance for non-bypassable charges were significant improvements that helped reduce the subsidy paid by Vermont ratepayers for net metered generation. However, cost-shifts still exist, which is why the PUC has maintained limits on the amount of net metering generation for which any individual may receive credit.

The current net metering rule contains a reasonable set of tools and limitations to manage the impacts of net metering at this time. Utilities have the ability to propose non-bypassable charges (additional to the customer charge) in order to mitigate cost-shifting to non-participating customers; however, it is important to note that most utilities have refrained from doing so to date. Net metering rates, especially for preexisting projects and projects in the first ten years, exceed the wholesale cost savings the utility realizes. In some areas, grid impacts (as opposed to grid benefits) are beginning to be felt from the deployment of distributed resources. BED and VPPSA view this as the most important concern related to the net metering program to address at this time. Extending the amount of time that a utility has to raise interconnection

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concerns to 30 days for projects greater than 15kW will provide utilities with the opportunity to better evaluate project impacts.

VPPSA and BED believe net metering should remain available for customers to offset their load and retail bills. To the extent that load is being offset without exporting power to the grid, the grid impact of solar is no different than that of energy efficiency, other load reductions, or a fossil fueled generator (which are options a customer pursues without restriction). The primary difference between the current net metering construct and those other options is that net metered deployments are designed to offset annual energy bills and export power to the grid a significant proportion of the time, sometimes at a meaningful magnitude. Through the current net metering structure, customers receive the significant benefit of using the grid to draw and export electricity in all hours that their generation does not match the load.

### *Proposed PUC Changes*

Overall the administrative changes suggested by the PUC, including streamlining the registration process and simplifying the amendment and CPG transfer processes, appear reasonable. In particular, clarifying the relationship between Rule 5.100 and 5.500 is helpful to both utilities and applicants. BED and VPPSA do not oppose the changes to the preferred siting definitions.

### *Compensation Structure*

Net metering offers important benefits, including being one mechanism through which to engage customers in the generation of renewable energy; however, it is critical to the sustainability of the program over the long-term to balance the benefits of deploying net metering resources against the need to minimize cost-shifts to non-participating customers. BED and VPPSA believe that current project size caps should not be expanded. Given continued robust deployment, there is no need for additional program compensation at this time.

While the 2017 revisions went a long way towards balancing the costs and benefits of the net metering program, the current structure, which can allow customers to receive compensation above retail rates, should continue to be dynamically managed over the long term to ensure sustainability of the program. The Commission has several tools at its disposal (in the current rule structure) to achieve the balance between deployment and cost under the net metering program. These include: adjusting compensation rates, particularly for larger projects that export significant amounts of electricity onto the grid, setting appropriate limits on the size of projects that are permitted to receive net metering treatment, and limiting the amount of net metering for which a customer may receive credit. To the extent that the Commission determines to look at potential changes to any of these components of the Rule, VPPSA and BED would ask to be given opportunity to comment at that time.

### *Alternate Rate Structures*

The compensation structure under Vermont's net metering rule is very complex and necessitates some form of manual billing adjustments for **all** of Vermont's utilities. VPPSA and BED strongly urge the Commission to avoid any changes that would further complicate net metering billing, such as the imposition of variable locational pricing or time-varying compensation. Such proposals would complicate the net metering program for both utilities and participating customers. Should the Commission entertain proposals to implement more dynamic compensation structures, it should require a complete analysis of the costs and benefits of such these proposals, including an examination of who would receive the potential benefits and who would incur the potential costs.

### *Grid Constraints/Preferred Siting*

The Commission inquired as to whether the "preferred site" designation is appropriate in areas of the grid that are constrained. Increased amounts of in-state generation have rendered certain areas of the grid unable to absorb additional generation without infrastructure upgrades or adverse impacts on existing generators. As a state, we need to be more deliberate in deciding where on the grid to locate generators. VPPSA and BED suggest that grid considerations be considered during the CPG process. Because grid conditions are changing quickly due to increased penetration of distributed generation, it may be difficult to define specific areas of the grid to be designated as constrained. To the extent the PUC does not want to extend the CPG process, an adjustor to reflect grid condition could be applied, particularly for commercial-scale projects over 15 kW.

### *Electrification*

VPPSA and BED do not see an immediate rationale for linking net metering to electrification other than to note that customers should be encouraged to size generation with future needs in mind (and electrification would be a potential solution to recovering expiring credits). It is important to note a favorable change for net metering in 2017 resulted in increases in an array's size not affecting its status as pre-existing. Customers and utilities already have an incentive to electrify the heating and transportation sector in many cases due to cost-savings and climate concerns. Financial, environmental, and other considerations will motivate some customers to electrify their heating and transportation and will motivate other customers to pursue net metering. BED and VPPSA do not see a compelling benefit to requiring a linkage between these two energy choices. Low and stable electric rates are the best mechanism for encouraging increased electrification.

***Request for Clarification and Modification of Existing Language***

The language in the current rule contains definitions of Account, Production Meter, Billing Meter, and Customer. The definition of Group Net-Metering System is ***"a net metering system serving more than one customer, or a single customer with multiple electric meters."*** In this context it is not clear if a Production Meter can be used to meet the test of "*multiple electric meters*" for a group system**.**

BED and VPPSA request that the PUC clarify whether or not for group net metering systems with more than one generator, the current (post 7/1/2017) rule concerning non-bypassable charges to should be applied, irrespective of the vintage of the CPG of each generator within the group net metering system. Having group net metering customers with multiple arrays of different vintages creates billing problems for utilities. For instance, when multiple generators are assigned to one group, it is unclear whether the energy efficiency charge (EEC) should be assessed to all customers even though one of the generators falls under the previous net metering rule that allowed the EEC to be offset with net metering credits.

***Process Recommendations***

BED and VPPSA recommend a process that includes three workshops and three rounds of written comments. Specific workshop discussion topics should include the Commission's proposed revisions to Rule 5.100, treatment of grid constrained areas under net metering, and, to the extent there are specific proposals to alter the compensation structure, net metering rates.

Thank you for your consideration of these comments. Please contact me (mbailey@vppsa.com or 802-882-8509) with any questions you may have.

Sincerely,

Melissa Bailey

Melissa Bailey
Legislative and Regulatory Affairs Representative
Vermont Public Power Supply Authority