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Vermont Public Power Supply Authority

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October 15, 2021

Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street, Drawer 20
Montpelier, VT 05620

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

Dear Ms. Anderson,

On September 16, 2021, the Public Utility Commission (Commission) held a workshop to discuss compensation under Commission Rule 5.100. In an Order dated September 29, 2021, the Commission requested written comments by October 15, 2021. Vermont Public Power Supply Authority (VPPSA) submits the following comments for the Commission's consideration in its Net Metering Rulemaking.

General Comments

The Commission has been decreasing net metering compensation at a measured pace over the past few years. This path of reduced compensation recognizes the declines in solar installation costs, the decreasing value of distributed solar generation, and the shifting of costs among participants and non-participants that characterize Vermont's net metering program. The VPPSA members continue to experience net metering deployment within their service territories and also hear concerns from customers regarding the cost implications for non-participants. VPPSA recommends that the Commission continue to take measured steps to reduce net metering compensation in order to minimize cost shifting and free up ratepayer financial resources that are direly needed to employ climate mitigation initiatives beyond net metering.

There are multiple mechanisms through which the ratepayer costs of net metering could be reduced. Rather than adopting a new compensation structure that would likely be time consuming to develop and costly to implement alongside existing net metering compensation rates, VPPSA recommends maintaining the current retail rate compensation structure and continuing to modify the adjusters to appropriately reflect the value net metering generation provides to ratepayers overall.

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Net metering compensation could be more closely aligned with its value through the implementation of time of use rates, which several VPPSA member utilities are contemplating, to reflect both the value of generation and the costs to serve load during different time periods. This would not require any changes to the underlying net metering compensation structure in Rule 5.100.

Comments on the September 16 Workshop

At the September 16 workshop, solar developers requested that the Commission reverse the trend of declining net metering compensation and implement higher net metering rates so that more Vermonters will pursue net metering. The rationale presented for encouraging net metering was focused on the climate and job benefits of net metering. Neither of these categories of benefits is unique to net metering.

Although net metering is often conflated with in-state renewable development, net metering is simply a financial arrangement that has little bearing on the overall amount of new, in-state renewable generation that is constructed in Vermont. Vermont's Renewable Energy Standard dictates the pace and quantity of distributed generation that will be built in Vermont by setting "Tier 2" requirements and imposing stiff financial penalties should utilities fail to meet these requirements. Unless net metering generation for which customers transfer RECs to the host utility actually exceeds the overall Tier 2 requirement, net metering is simply displacing other types of distributed generation.

As the Commission recognized in its most recent biennial update to net metering rates: "The utilities have an adequate supply of Tier II resources to meet Vermont's RES in the next several years. These resources include more cost-effective sources of solar and other types of local renewable power available to meet the RES requirements."[1] This finding remains true.

The net metering proceeding is thus a narrower discussion around who is required to pay for the deployment of small-scale renewable generation in Vermont, and how much they are required to pay. With Vermont's regulated electric industry, customers do not have a choice about which utility provides their electricity or which generation sources are purchased. Vermonters have, through the Legislature, indicated a desire for a clean electric supply that relies, in part, on local resources. They have not indicated a preference for more expensive net metered generation over other sources of distributed generation such as Standard Offer and utility-run community solar that provide the same climate and grid benefits. Through this rulemaking and the biennial updates to Rule 5.100, the Commission will decide the magnitude of costs to be incurred by Vermont ratepayers for small, in-

[1] *In re: biennial update of the net-metering program*, 20-0097-INV, Order of 11/12/2020 at 3.

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state renewable electricity. There are several effects of maintaining net metering rates that exceed the actual value of the generation.

When the price paid for net metered generation exceeds the value provided to ratepayers by that generation, costs are imposed on non-participants that they wouldn't otherwise need to bear. Because net metering is currently the most expensive source of in-state solar energy, increasing the net metering compensation rate means that Vermont electric utility customers are paying more for the energy and climate benefits from renewable distributed generation than is necessary. This will hinder the electric sector's ability to support the broader energy transformation away from fossil fuels that will be required to address climate change.

Artificially high compensation rates also send a distorted price signal to customers that are making decisions about how to reduce their individual carbon impacts. While solar developers advocated at the workshop for an "all of the above" approach to climate change, the financial reality for most Vermont households is that they cannot afford to take that approach. Climate-conscious households with budgetary constraints are faced with the choice of whether to invest in weatherizing their homes, purchasing an electric vehicle, installing solar panels, or other carbon reduction investments. As was noted by workshop presenters, higher net metering rates lead more customers to invest in net metering systems. For many customers with limited budgets, this will mean choosing not to invest in other strategies to reduce carbon. It also means that those that *do not* net meter bear the costs of their neighbor's choice to net meter and thus have less to invest in their own chosen climate mitigation strategies. Vermont's energy policy should send price signals that encourage customers working with finite financial resources to make the investments that will have the *largest* climate benefit.

Finally, as workshop participants noted, another effect of generous net metering rates is that it supports employment for solar developers. While VPPSA appreciates the economic development benefits associated with ratepayer-funded net metering installations, these should not be looked at in isolation. If those ratepayer dollars were diverted to other investments, such as support for weatherization, incentives for electric vehicles, or assistance to low-income Vermonters in paying their energy bills there would also be associated economic development. Low electric rates in and of themselves support economic development by encouraging businesses to locate or expand operations in Vermont. Every ratepayer dollar spent on net metering diverts a dollar from other fossil fuel reduction initiatives. The question before the Commission is how much financial support electric ratepayers should be required to provide to the solar industry specifically.

Net metering is a financial transaction that is regulated on one end (the price paid by utilities) and unregulated on the other end (prices charged by developers.) This complicates the discussion as

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increased net metering compensation rates may simply translate into higher returns for a for-profit industry. As Chairman Roisman noted during the September 16 workshop, there is very little transparency around the actual economics of net metering installations in Vermont. Vermonters should have the ability to access in-state renewables at the lowest feasible cost and not be required to ensure a profit margin for industry.

Concluding Comments

Combating climate change will necessitate difficult policy choices and actions across all three energy sectors: electric generation, transportation, and heating of homes and buildings. A comprehensive strategy will be required to maintain the renewable resources we have in state, encourage the development of new renewable resources both locally and regionally, and minimize cost pressure in the electric sector as it is called upon to meet more and more of Vermont's energy needs. Aligning net metering compensation with the value it provides to ratepayers is an important component of this strategy.

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
Manager of Government and Member Affairs
Vermont Public Power Supply Authority